# Southern Acids (M) Berhad

Company No. 64577-K
(Incorporated in Malaysia)

Annual Report
2017

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

| | |
|---|---|
| **Tan Sri Datuk Seri Panglima Sulong Matjeraie** | Independent Non-Executive Chairman |
| **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 |
| **Raymond Wong Kwong Yee** | Non-Independent Non-Executive Director |

## AUDIT & GOVERNANCE COMMITTEE

**Chung Kin Mun** (Chairman)
**Leong So Seh**
**Teo Leng**
**Raymond Wong Kwong Yee**

## NOMINATION & REMUNERATION COMMITTEE

**Chung Kin Mun** (Chairman)
**Leong So Seh**
**Raymond Wong Kwong Yee**

## 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 Operation Officer - Oleochemical Division**

**Lee Choo Chai**
**General Manager - Plantation & Milling Division**

**Tan Suet Guan**
**Hospital Director - Healthcare Division**

## 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

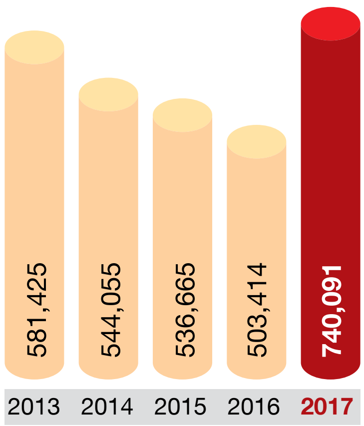
## PRINCIPLE BANKERS

CIMB Bank Berhad
Deutsche Bank (Malaysia) Berhad
Citibank Berhad

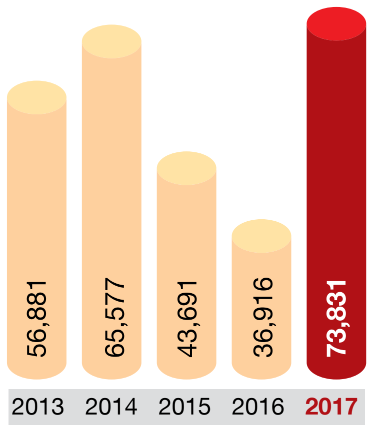
# 5-YEAR FINANCIAL SUMMARY

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Financial Performance (RM'000)** | | | | | |
| Revenue | 581,425 | 544,055 | 536,665 | 503,414 | 740,091 |
| Profit before tax | 56,881 | 65,577 | 43,691 | 36,916 | 73,831 |
| Profit for the year | 45,635 | 48,178 | 34,106 | 25,964 | 57,344 |
| **Financial Position (RM'000)** | | | | | |
| Total assets | 549,359 | 583,635 | 604,922 | 626,372 | 706,813 |
| Total liabilities | 66,604 | 68,472 | 65,847 | 67,854 | 77,175 |
| Net current assets | 192,415 | 217,322 | 211,364 | 225,424 | 273,534 |
| Equity attributable to shareholders of the Company | 446,783 | 474,571 | 493,392 | 513,942 | 570,221 |
| Share capital | 136,934 | 136,934 | 136,934 | 136,934 | 171,255 |
| Net assets | 482,755 | 515,163 | 539,075 | 558,518 | 629,638 |
| **Key Figures** | | | | | |
| Earnings per share (sen) | 26.74 | 28.06 | 20.10 | 18.16 | 35.53 |
| 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) | 3.26 | 3.47 | 3.60 | 3.75 | 4.16 |

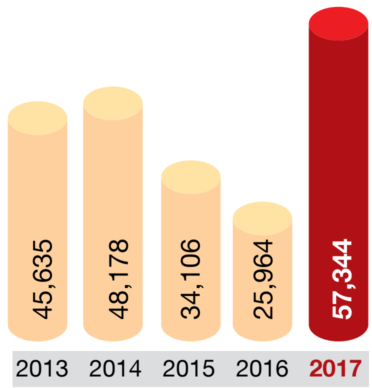
## REVENUE
(RM'000)



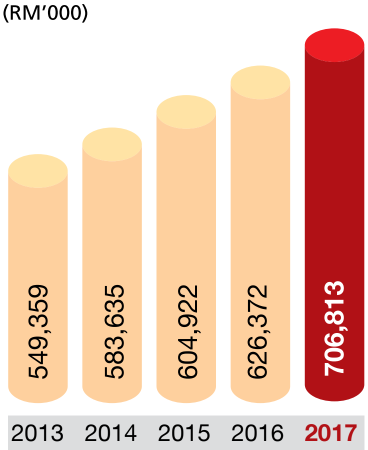

## PROFIT BEFORE TAX
(RM'000)



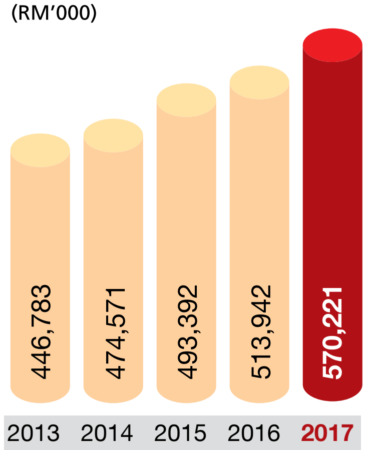

## PROFIT FOR THE YEAR
(RM'000)



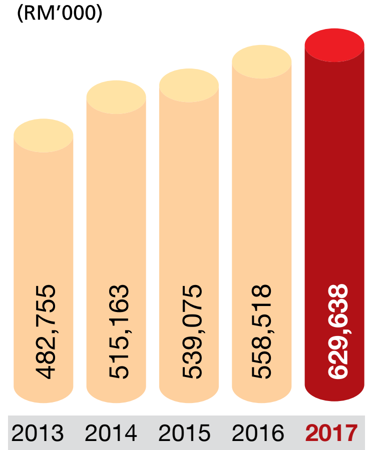

## TOTAL ASSETS
(RM'000)



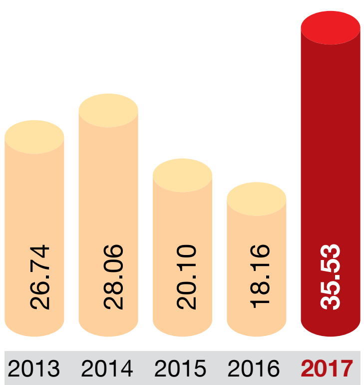

## SHAREHOLDERS' EQUITY
(RM'000)



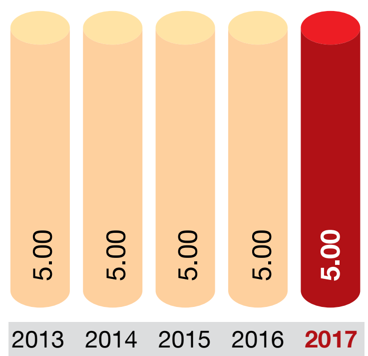

## NET ASSETS
(RM'000)



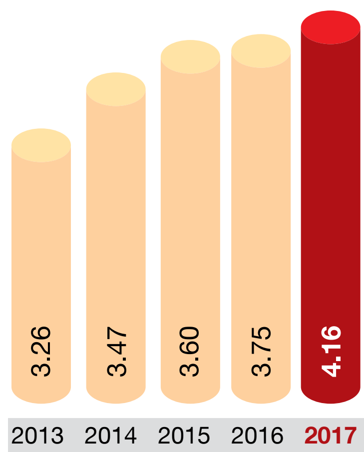

## EARNINGS PER SHARE
(Sen)




## DIVIDEND PER SHARE (NET)
(Sen)




## NET ASSETS PER SHARE
(RM)



# 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) (formerly known as Centre For Sight Sdn. Bhd.)
- 100.0% PKE Transport (Malaysia) Sdn. Berhad (161855-T)
- 100.0% Imayos Letting Sdn. Bhd. (931569-W) (formerly known as SAB Logistics & Grains Terminal Sdn. Bhd.)
- 100.0% SAB Bio-Fuel Sdn. Bhd. (363986-K)
- 100.0% SAB (East Asia) Holdings Limited. (476922)
- 100.0% SAB Plantation Sdn. Berhad (470422-X)
- 100.0% SAB Properties Development Co. Sdn. Berhad (324387-H)
- 100.0% Pembinaan Gejati Sdn. Bhd. (320201-W)
- 100.0% Wilstar Sdn. Bhd. (433043-M)
- 90.0% Firstview Development Sdn. Bhd. (433422-W)
  - 70.0% PT. Mustika Agro Sari (040110102386)
    - 83.3% PT. Wanasari Nusantara (040111505014)
  - 11.7% PT. Wanasari Nusantara (040111505014)

### Associate

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

HEALTHCARE DIVISION

PLANTATION & MILLING DIVISION

OLEOCHEMICAL DIVISION

# BOARD OF DIRECTORS

TEO LENG

MOHD. HISHAM HARUN

TAN SRI DATO' LOW BOON ENG

DR. NICK LOW

TAN SRI DATUK SERI PANGLIMA SULONG MATJERAIE

LIM KIM LONG

CHUNG KIN MUN

LEONG SO SEH

RAYMOND WONG KWONG YEE

# PROFILE OF DIRECTORS

**TAN SRI DATUK SERI PANGLIMA SULONG MATJERAIE**
**Independent Non-Executive Director**
Chairman of the Board of Directors
Aged 70, Male, Malaysian

Tan Sri Datuk Seri Panglima Sulong was appointed to the Board of Southern Acids (M) Berhad ("SAB" or "the Company") on 6 August 2014 and subsequently appointed as an Independent Non-Executive Chairman on 15 July 2015. Other than directorship in 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.

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 of the four eminent persons appointed by the Prime Minister of Malaysia to serve in the Judicial Appointments Commission for a period of two years from 10 February 2013 to 9 February 2015. His appointment has been extended for a maximum period of another two 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 years.

During the financial year ended 31 March 2017 ("FY2017"), Tan Sri Datuk Seri Panglima Sulong attended all of the four SAB's Board of Directors ("Board") Meetings.

**DR. NICK LOW**
**Non-Independent Executive Director**
Managing Director
Aged 38, 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 health care hospital operating subsidiaries of SAB. He is also a board member of the two Indonesian incorporated estates and palm oil mill ("POM") operating subsidiaries of SAB. Additionally, Dr. Nick Low is a director of Kumpulan Klinik Medijaya Sdn Bhd with its small chain of owned and managed primary health care (general practice) clinics.

Dr. Nick Low has equity interest in SAB, directly, and indirectly through certain private companies in which he is shareholder and director. Details of his direct and indirect interests are disclosed on page 54 of the Annual Report ("AR").

He is also deemed to be interested in certain related party transactions with SAB and certain subsidiaries as disclosed on pages 114 to 120 of the AR.

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

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

During FY2017, Dr. Nick Low has attended three out of the four SAB's Board Meetings.

# PROFILE OF DIRECTORS (CONT'D)

**LIM KIM LONG**
**Non-Independent Executive Director**
Executive Director
Aged 57, 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 54 of the AR.

He is also deemed to be interested in certain related party transactions with SAB and certain subsidiaries as disclosed on pages 114 to 120 of the AR.

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 years.

During FY2017, Mr. Lim attended all of the four SAB's Board Meetings.

**CHUNG KIN MUN**
**Senior Independent Non-Executive Director**
Chairman of Audit & Governance Committee
Chairman of Nomination & Remuneration Committee
Aged 50, Male, Malaysian

Mr. Chung was appointed to the Board on 20 March 2012.

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 years.

During FY2017, Mr. Chung attended all of the four SAB's Board Meetings.

# PROFILE OF DIRECTORS (CONT'D)

**TAN SRI DATO' LOW BOON ENG**
**Non-Independent Non-Executive Director**
Aged 67, 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 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 of Corporate Governance ("MCCG") 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 shareholder and director. Details of his direct and indirect interests are disclosed on page 54 of the AR.

He is also deemed to be interested in certain related party transactions with SAB and certain subsidiaries as disclosed on pages 114 to 120 of the AR.

His son, Dr. Nick Low is the Managing Director ("MD") of SAB.

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

During FY2017, Tan Sri Dato' Low attended all of the four SAB's Board Meetings.

**MOHD. HISHAM BIN HARUN**
**Non-Independent Non-Executive Director**
Aged 49, Male, Malaysian

Encik Mohd. Hisham was appointed to the Board on 10 August 2005. He was an Independent Non-Executive Director since his appointment date until he was re-designated to Non-Independent Non-Executive Director on 6 August 2014. Other than directorship in SAB, 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 years.

During FY2017, Encik Mohd. Hisham attended all of the four SAB's Board Meetings.

# PROFILE OF DIRECTORS (CONT'D)

**LEONG SO SEH**
**Independent Non-Executive Director**
Member of Audit & Governance Committee
Member of Nomination & Remuneration Committee
Aged 65, Female, Malaysian

Madam Leong was appointed to the Board on 8 April 2009. Other than directorship in 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 SAB's 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 years.

During FY2017, Madam Leong attended all of the four SAB's Board Meetings.

**TEO LENG**
**Non-Independent Non-Executive Director**
Member of Audit & Governance Committee
Aged 65, Male, Malaysian

Mr. Teo was appointed to the Board on 1 December 2010. 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 years.

During FY2017, Mr. Teo attended all of the four SAB's Board Meetings.

# PROFILE OF DIRECTORS (CONT'D)

**RAYMOND WONG KWONG YEE**
**Non-Independent Non-Executive Director**
Member of Audit & Governance Committee
Member of Nomination & Remuneration Committee
Aged 47, Male, Malaysian

Mr. Wong was appointed to the Board on 18 October 2011. Other than directorship in SAB and a director of certain subsidiaries of SAB, he is also a director of several private companies.

He is a practicing lawyer and the managing partner of a legal firm. He obtained his Bachelor of Laws (Honour) from the University of London in 1991, and was called to the Malaysian Bar in 1996.

Mr. Wong 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. Wong has had no convictions for any offence within the past five years.

During FY2017, Mr. Wong attended all of the four SAB's Board Meetings.

# SENIOR MANAGEMENT TEAM

**Dr. Nick Low**
Managing Director

**Lim Kim Long**
Executive Director

**Cheong Kee Yoong**
Chief Financial Officer

**Alex Chan Choon Hoong**
Strategic Development Director

**Tan Suet Guan**
Hospital Director
Healthcare Division

**Tiong Chuu Ling**
Chief Operating Officer
Oleochemical Division

**Lee Choo Chai**
General Manager
Plantation & Milling Division

# PROFILE OF SENIOR MANAGEMENT

**CHEONG KEE YOONG**
**Chief Financial Officer**
Aged 49, Male, Malaysian

Mr Cheong was appointed as Chief Financial Officer ("CFO") 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 20 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 years.

**ALEX CHAN CHOON HOONG**
**Strategic Development Director**
Aged 45, Male, Malaysian

Mr. 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. Chan is currently involved in the strategic development of palm oil and related businessess. In addition, he also oversees the palm kernel expeller overhead conveyor loading services business and management services business. Prior to joining the Group, Mr Chan was the head of the business development team of an environmental packaging products company.

Mr. 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. Chan has had no convictions for any offence within the past five years.

**TIONG CHUU LING**
**Chief Operating Officer, Oleochemical Division**
Aged 64, Male, Malaysian

Mr. Tiong joined Southern Acids Industries Sdn. Bhd. ("SAI"), 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 SAI.

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 Division.

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 years.

# PROFILE OF SENIOR MANAGEMENT (CONT'D)

**LEE CHOO CHAI**
**General Manager, Plantation & Milling Division**
Aged 63, Male, Malaysian

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

He 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 Plantation & Milling Division 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 five years.

**TAN SUET GUAN**
**Hospital Director, Healthcare Division**
Aged 59, 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 Division. 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 years.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Dear Shareholders,

On behalf of the Board of SAB , I am pleased to present the Management Discussion And Analysis of the Group for FY2017.

### THE GROUP'S BUSINESSES AND STRATEGIES

As at 31 March 2017, SAB has three core businesses as follows: -

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

### Oleochemical Division

The division is involved in the manufacturing and marketing of fatty acids and glycerine. The production mix is about 90:10 between fatty acids and glycerine. Our products are used in a wide variety of applications; amongst others in the cosmetics production, pharmaceutical production and food industries.

Our plant which started operations in the 1980's is located in Kapar, Klang and has an annual capacity of approximately 100,000 metric tonnes ("MT"). Our operations have 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).

Asia (72.7%) has been always our major export destination followed by America (13.1%), Europe (7.0%) and Middle East (7.0%).

As part of the long term plan, we will continue to upgrade our ageing plant in order to increase the plant's efficiency and to improve cost efficiency via modernization and automation of the plant's processes.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Plantation & Milling Division

As at 31 March 2017, SAB has two POMs in Riau, Indonesia with a total milling capacity of 105 MT per hour.

The fresh fruit bunches ("FFB") required for processing by the two POMs are supplied by both internal estates as well as from the surrounding external estates. In FY2017, about 82.6% FFB are sourced from external estates.

This division has a land bank of 2,880.3 hectares of mature area and 1,510.9 hectares of immature area in Indonesia whereas in Peninsular Malaysia, it has a small land bank of 154.9 hectares of mature area and 76.1 hectares of immature area.

As part of the long term plan to reduce the dependency of externally sourced FFB, we are exploring all options available.

## Healthcare Division

Our medical centre, Sri Kota Specialist Medical Centre ("Sri Kota") is a 232-bed tertiary private medical centre in Klang. Sri Kota's main core disciplines are as follows; -

- Orthopedics;
- Cardiology;
- Nephrology; and
- Hand & Microsurgery.

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

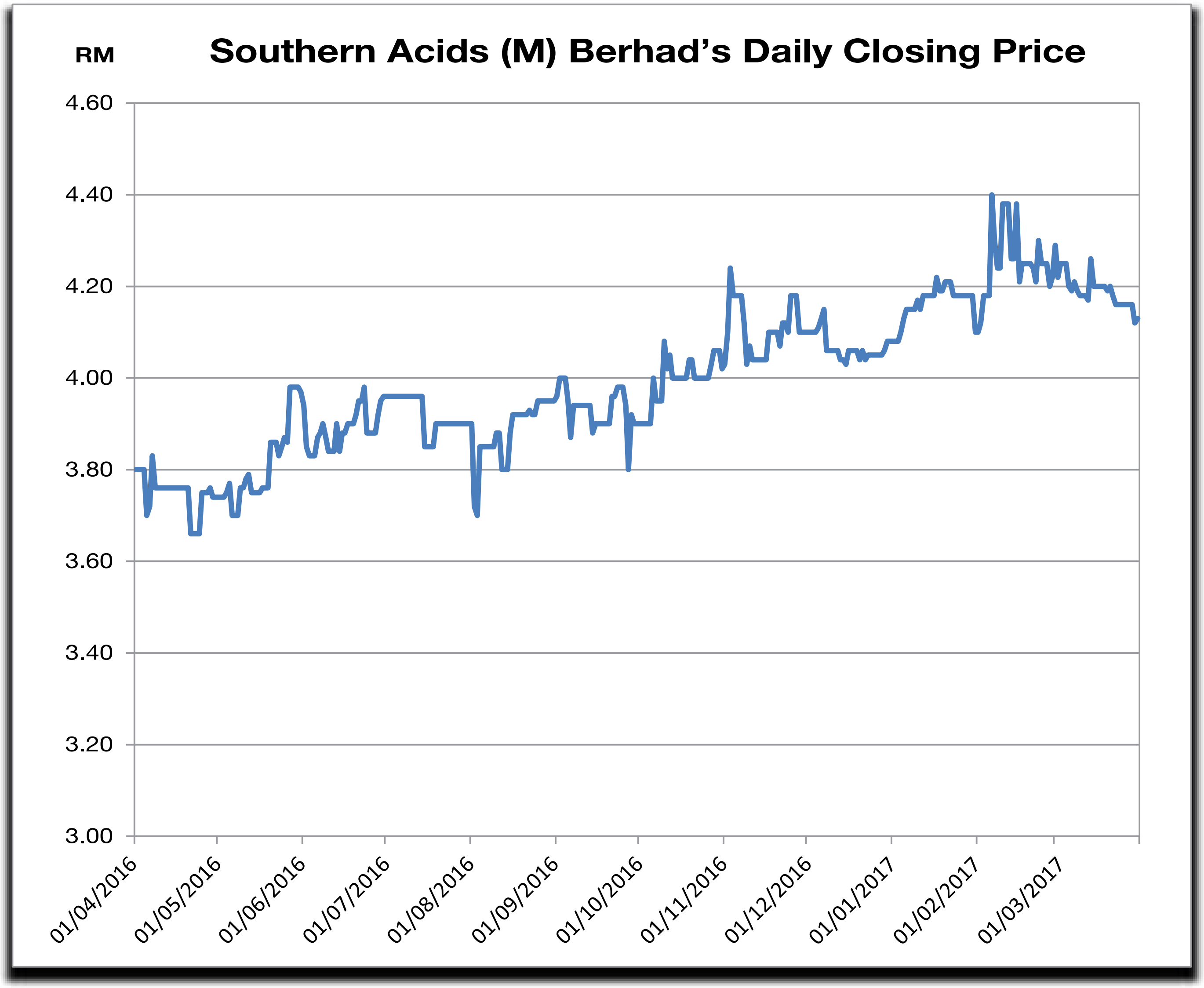
As part of the plan to increase top line of the division, we are recruiting more full time doctors as well as exploring avenues to enhance and expand our core disciplines.

## Five Years Financial Highlights

| | FY2013<br>RM'000 | FY2014<br>RM'000 | FY2015<br>RM'000 | FY2016<br>RM'000 | FY2017<br>RM'000 |
|---|---|---|---|---|---|
| Revenue | 581,425 | 544,055 | 536,665 | 503,414 | 740,091 |
| Profit before tax and interest | 56,881 | 65,577 | 43,691 | 36,985 | 73,912 |
| Finance costs | - | - | - | 69 | 81 |
| Net income | 45,635 | 48,178 | 34,106 | 25,964 | 57,344 |
| Shareholders' equity | 446,783 | 474,571 | 493,392 | 513,942 | 570,221 |
| Total assets | 549,359 | 583,635 | 604,922 | 626,372 | 706,813 |
| Borrowings | - | - | - | 808 | 605 |
| Debt/Equity (%) | - | - | - | - | - |
| Earnings per share (sen) | 26.74 | 28.06 | 20.10 | 18.16 | 35.53 |
| Net assets per share (RM) | 3.26 | 3.47 | 3.60 | 3.75 | 4.16 |
| Dividend per share (sen) | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Share Performance




| | | FY2017 | FY2016 |
|---|---|---|---|
| 1 | High | RM4.40 | RM4.04 |
| 2 | Low | RM3.66 | RM3.40 |
| 3 | Close | RM4.13 | RM3.88 |
| 4 | Trading volume (shares) | 15,409 | 12,413 |
| 5 | Market capitalization | RM565.5 million | RM531.3 million |
| 6 | Earnings per share (sen) | 35.5 | 18.2 |
| 7 | Price earnings ratio (times) | 11.6 | 21.3 |

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## KEY FINANCIAL INDICATORS

Consolidated Financial Results

The Group's FY2017 financial results were the best in recent years. The Group registered Profit before Tax ("PBT") of RM73.8 million on the back of a revenue of RM740.1 million.

| | FY2017 | | FY2016 | | Changes | |
|---|---|---|---|---|---|---|
| | Revenue RM'000 | PBT RM'000 | Revenue RM'000 | PBT RM'000 | Revenue % | PBT % |
| Oleochemical | 365,158 | 21,409 | 284,020 | 16,269 | 28.6 | 31.6 |
| Plantation & Milling | 283,092 | 33,637 | 135,010 | 9,101 | 109.7 | 269.6 |
| Healthcare | 80,097 | 19,449 | 71,257 | 13,529 | 12.4 | 43.8 |
| Others | 11,744 | 470 | 13,127 | (2,347) | (10.5) | 120.0 |
| | **740,091** | **74,965** | **503,414** | **36,552** | **47.0** | **105.1** |
| Share of profits of an associate (net) | - | (1,134) | - | 364 | - | (411.5) |
| Group Level | **740,091** | **73,831** | **503,414** | **36,916** | **47.0** | **100.0** |

The Group recorded substantial increase of 47.0% and 100.0% in revenue and PBT respectively in FY2017 compared to financial year ended 2016 ("FY2016"). Plantation & Milling Division was the most significant division in FY2017 contributing 45.6% to the Group's PBT and registered the most significant increase in PBT of 269.6% in FY2017 compared to FY2016.

The sterling operating results had translated into higher earnings per share of 35.5 sen compared to earnings per share of 18.2 sen in FY2016. Based on the number of shares issued as at 31 March 2017, the net assets per share of the Company had increased by RM0.41 to RM4.16 per ordinary share.

### Review of Financial Results for Oleochemical

Oleochemical Division registered a substantial increase in revenue by 28.6% to RM365.2 million and increase of 31.6% in PBT to RM21.4 million compared to FY2016. The increase in revenue and PBT were due to higher average selling price ("ASP") and sales volume by 13.0% and 9.3% respectively.

However the gross margin was only marginally higher from 5.3% in FY2016 to 6.2% in FY2017 due to the higher production costs.

The core PBT was higher by RM7.3 million however non-core income was lower by RM2.2 million which were mainly due to lower net foreign currency gain and other income.

### Review of Financial Results for Plantation & Milling

Plantation & Milling Division registered an increase of 109.7% in revenue to RM283.1 million and 269.6% in PBT to RM33.6 million in FY2017 compared to FY2016.

In line with the market where higher palm product prices recorded in the second half of FY2017 our FY2017's ASP was higher by 50.0%. In addition, the recovery of FFB production across the region had contributed to the higher sales volume of our POMs by 39.9%. Both factors had contributed positively to the bottom line of the division.

The registered core PBT was higher by RM21.5 million whereas non-core PBT was also higher by RM3.0 million which was mainly contributed by higher sales of palm oil shell and scrap.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## KEY FINANCIAL INDICATORS (CONT'D)

### Review of Financial Results for Healthcare

Healthcare Division registered an increase in revenue by 12.4% to RM80.1 million and increase of 43.8% in PBT to RM19.4 million in FY2017 compared to FY2016.

The increase in revenue was mainly due to higher average revenue per patient ("ARPP") by 15.6% despite marginal changes in bed occupancy rate and number of inpatients.

The registered core PBT was higher by RM5.5 million whereas non-core PBT was also higher by RM0.4 million which was mainly contributed by higher interest income.

### Assets

There were no significant changes to the assets of the Group save for inventories and trade receivables which had increased significantly by RM18.3 million (or 29.5%) and RM25.8 million (or 93.0%) respectively in FY2017 compared to FY2016. Both assets were related to Oleochemical Division and the increase was in tandem with the significant increase in its turnover by RM81.1 million (or 28.6%).

### Liquidity

As at 31 March 2017, the Group's cash and cash equivalents registered a negligible increase of RM0.2 million to RM164.2 million. The net cash flow from operating activities was RM17.2 million against net cash outflow of RM16.7 million and RM7.1 million from investing activities and financing activities respectively. The net cash outflow was mitigated by the effect of translation differences of RM6.7 million.

### Capital Expenditure Requirements

For the financial year ending 31 March 2018 ("FY2018"), the Group had budgeted approximately RM33.6 million in capital expenditures. Topping the list was Healthcare Division (RM26.4 million) followed by Oleochemical Division (RM4.5 million) and lastly Plantation & Milling Division (RM2.7 million).

Out of the total budgeted capital expenditure of RM26.4 million for Healthcare Division, approximately RM20.0 million was allocated for the enhancing and expanding one of our core disciplines. However this is subject to feasibility study and the approval by the Board. The balance of capital expenditure is mainly for the new Hospital Information System, upgrading of existing medical equipment and renovation. As for Oleochemical Division, its budgeted capital expenditure is mainly for upgrading of the existing ageing plant.

Budgeted capital expenditure will be funded via internal fund or combination of internal fund and borrowings.

### Capital Structure and Capital Resources

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

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## REVIEW OF OPERATING ACTIVITIES

### Oleochemical Division

FY2017 was a better year for the division.

| | | FY2017 | FY2016 |
|---|---|---|---|
| 1 | Quantity sold (MT) | 94,172 | 86,149 |
| 2 | Gross profit margin | 6.2% | 5.3% |
| 3 | Ratio of local sales to overseas sales | 26:74 | 26:74 |
| 4 | Production capacity (MT) | 100,000 | 100,000 |
| 5 | Production volume (MT) | 94,521 | 86,483 |

Due to better demand in FY2017, total quantity sold was higher by 9.3% to 94,172 MT and the production utilisation had increased to 94.5%.

Despite higher revenue, the gross profit margin was marginally higher. This was due to higher raw material costs which make up 78.1% of the total production costs. Besides raw material costs, the rest of the production costs were better managed in FY2017.

Rising costs have been always our main concern. With limited room to increase our production capacity currently, our production costs can only rise gradually. In addition, our plant which has been operating since 1980s are constantly subject to heavy maintenance costs as well as capital expenditure in order to maintain plant's efficiency.

We will continue to maintain our current effort to manage our costs more effectively in FY2018.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## REVIEW OF OPERATING ACTIVITIES (CONT'D)

### Plantation & Milling Division

FY2017 was the recovery year for palm oil industry. The much feared prolonged impact of El Niño into FY2017 has gradually faded.

In line with industry, the palm production recovered across Malaysia and Indonesia especially in the second half of FY2017. Our POMs had sufficient supply of FFB and of better quality compared to the first half of FY2017. Most importantly crude palm oil ("CPO") prices were on the uptrend from July 2016 onwards.

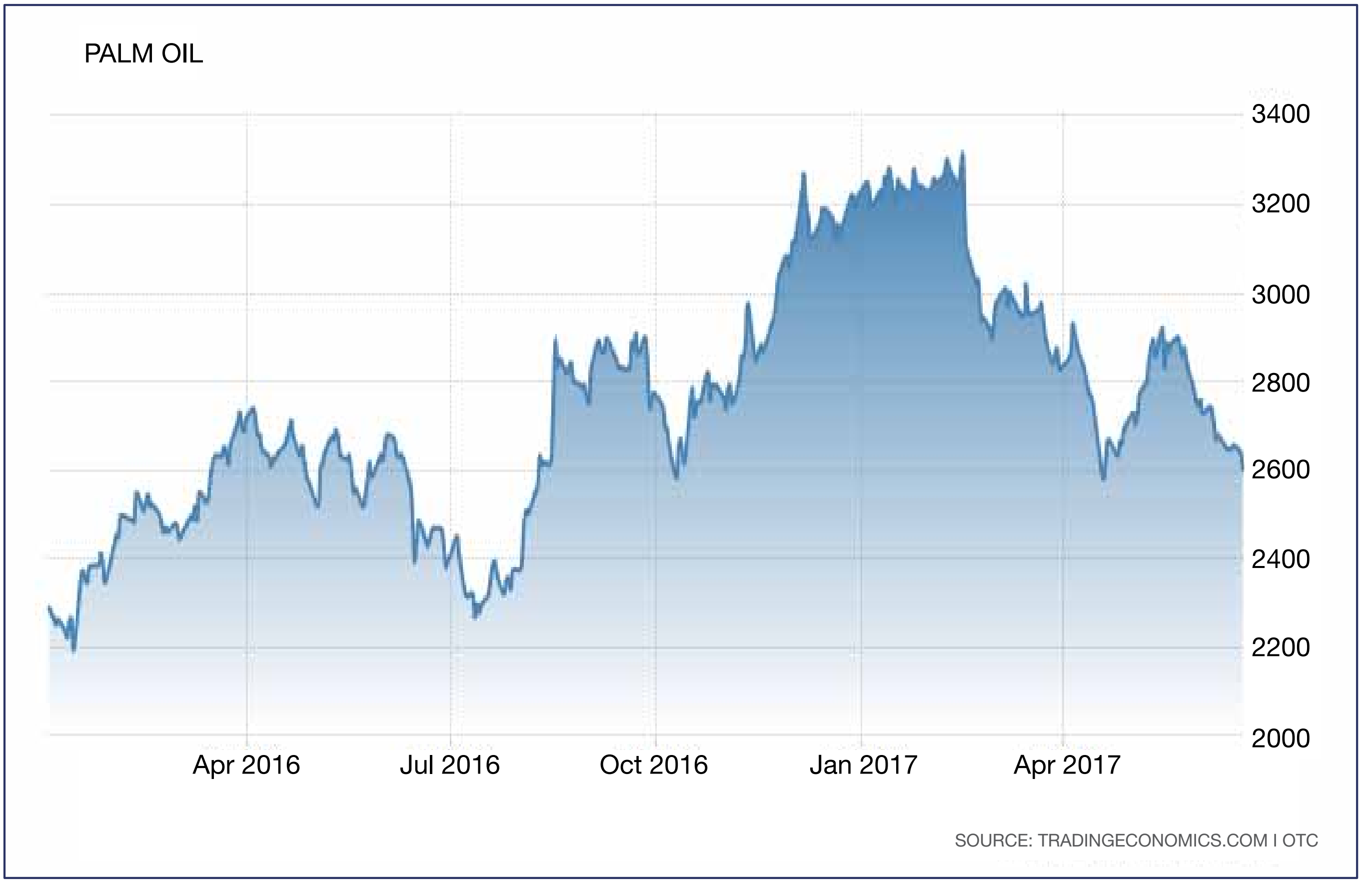



*Figure 1 CPO Prices*

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## REVIEW OF OPERATING ACTIVITIES (CONT'D)

### Plantation & Milling Division (Cont'd)

| | Performance of the Palm Oil Mills (combined capacity of 105 MT/hour) | FY2017 | FY2016 |
|---|---|---|---|
| 1 | Average percentage of utilisation (based on two shifts) | 98.5% | 78.1% |
| 2 | Average extraction rate | | |
| | a. CPO | 20.3% | 21.0% |
| | b. Palm kernel ("PK") | 4.9% | 4.9% |
| 3 | Average supply of FFB | | |
| | a. Internal | 17.4% | 20.7% |
| | b. External | 82.6% | 79.3% |
| 4 | Average FFB processed (MT) | 430,466 | 340,923 |
| 5 | Gross profit margin | 11.6% | 8.7% |

Based on the above table, save for the average extraction rate for CPO and PK, FY2017 had performed better compared to FY2016.

Our POMs are heavily dependent on external FFB supply hence the ability to source sufficient supply of FFB, to purchase at the right pricing and the selection as well as grading of the FFB are critical to its performance for FY2018.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## REVIEW OF OPERATING ACTIVITIES (CONT'D)

### Healthcare Division

Boosted by higher ARPP, the division continued to do well in FY2017.

| | | FY2017 | FY2016 |
|---|---|---|---|
| 1 | Number of beds (licensed beds) | 161 | 161 |
| 2 | Bed occupancy rate | 61.3% | 59.0% |
| 3 | Inpatients | | |
| | a. Number of inpatients | 13,284 | 13,354 |
| | b. ARPP | RM4,509 | RM3,878 |
| 4 | Outpatients | | |
| | a. Number of outpatients | 76,981 | 77,613 |
| | b. ARPP | RM219 | RM213 |

Despite the marginally changes in bed occupancy rate and number of inpatients, the ARPP of inpatients registered 16.3% higher in FY2017. This was mainly due to more complex cases performed which was boosted by additional specialists recruited in FY2017. We continued to witness high turnover of qualified nurse staffing. This phenomenon is not new and it is a common issue in the industry. However, the issue was manageable.

As part of the main strategy to improve the division's bottom line in FY2018, we are looking into various ways to increase its bed occupancy rate. The strategies include expanding specialist services, expanding patient base as well as further enhancing customer service.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## OUTLOOK AND PROSPECTS

### Oleochemical Division

The prospect of this division for FY2018 will remain challenging and subject to the usual uncontrollable factors as follows:-

- keener competition from competitors especially from Indonesia who has better cost advantage;
- the impact from the anti-palm oil campaign by the European countries;
- the volatility in currency exchange rate namely USD/MYR;
- the fluctuating prices of feedstock; and
- Government's policies on minimum wages, foreign workers and public utilities prices.

### Plantation & Milling Division

For the FY2018, this division is expected to be challenging due to the bearish outlook of CPO prices. The reasons are as follows:-

- The El Nino impact has faded. The production of palm oil is expected to continue to increase. At the same time, there will be ample supply of soy oil due to record planted acreages in the United States and the better than expected soy harvest in Brazil;

- The narrowing trend of palm oil's discount to soy oil has reached an attractive level for importers to consider switching to soy oil. On the regulatory front, the action taken by European Parliament and the potential changes in Indonesian government's policy i.e. reference price for exports taxes and export levy will likely put pressure on CPO prices.

### Healthcare Division

This division is expected to continue to enjoy stable growth supported by growing awareness in healthcare prevention, rising medical insurance coverage, the rise in the middle income group and an ageing population.

However in view of the entry of new players, this division is expected to deliver moderate growth.

## DIVIDEND POLICY

| | FY2013 | FY2014 | FY2015 | FY2016 | FY2017^ |
|---|---|---|---|---|---|
| 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) | 45,635 | 48,178 | 34,106 | 25,964 | 57,344 |
| Net income attributable to the company's shareholders (RM'000) | 36,616 | 38,418 | 27,521 | 24,869 | 48,654 |
| Dividend payout | 15.0% | 14.2% | 20.1% | 26.4% | 11.9% |
| Payout ratio | 18.7% | 17.8% | 24.9% | 27.5% | 14.1% |

^ *This is the proposed dividend for FY2017 which was announced on 30 May 2017 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM").*

SAB has been consistently paying dividend of 5.00 sen per ordinary share which equivalent to between 12.0 % and 26.0% dividend payout calculated based on its consolidated net income. This is also equivalent to payout ratio of between 14.0% and 28.0% of the consolidated net income attributable to the Company's shareholders. However such payments will depend upon several factors to be considered by the Board. Currently the Group has no borrowings and the cash and cash equivalent are used as working capital and to fund the necessary capital expenditure.

# STATEMENT ON CORPORATE GOVERNANCE

# STATEMENT ON CORPORATE GOVERNANCE

The Board of SAB is committed to ensure that a high standard of corporate governance is practised throughout the Company and its subsidiaries in discharging its roles and responsibilities in safeguarding its assets.

The main purpose of this Statement on Corporate Governance ("Statement") is to provide an insight to its shareholders and its various stakeholders on the corporate governance practices of the Group and extent of compliance with the recommendations set out in MCCG 2012 and Paragraph 15.25 of the Bursa Malaysia Securities Berhad ("Bursa") Main Market Listing Requirement ("MMLR").

**PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT**

**1.1 Clear functions of the Board and Management**

The Board is responsible for the oversight and overall management of the Company and is guided by the Board Charter adopted by the Board. The adopted Board Charter which is made available on the Company's website sets out the respective roles and responsibilities of the Board. The following are the key highlights of the Board Charter, amongst others:-

- Role of Chairman who is an Independent Non-Executive Director;
- Role of the Board;
- Role of the Senior Independent Non-Executive Director; and
- Matters reserved for Board's decision.

The Board has established the following committees with specific powers conferred and delegated by the Board:-

1. Audit & Governance Committee ("AGC"); and
2. Nomination & Remuneration Committee ("NRC").

These Board Committees operate within their respective Terms of Reference ("TOR") approved by the Board and report to the Board with their recommendations for the Board's consideration in its decision making. The ultimate responsibility for decision making, however, lies with the Board.

In its quarterly meeting held in May 2017, the Board had been briefed on the MCCG 2017 by external consultant Axcelasia Columbus Sdn. Bhd. ("Axcelasia") whom is also the Company's Outsourced Internal Auditor ("OIA"). In view of the proposed changes under the new MCCG 2017, the Board had instructed NRC to review the existing board composition, board committees and respective board committees' composition. NRC is expected to complete its study and to submit its report to the Board for consideration and approval before the end of FY2018.

The management team under the leadership of the MD and Executive Director ("ED") manage the Group in accordance with the direction of the Board.

**1.2 Clear roles and responsibilities**

The Board assumes the following principal responsibilities in discharging its fiduciary duties and leadership functions in achieving the Company's commercial and regulatory compliance objectives:

***a. Reviewing and adopting the overall strategic plans of the Company;***

Matters on strategic plans of the Company are brought up for discussion and deliberation in Board meetings and if deemed appropriate, be approved by the Board.

The management team headed by Dr. Nick Low, the MD, is leading the planning of strategic plans which align the interest of the shareholders of the Company for the Board's approval and execution thereafter.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

***b. Overseeing the conduct of the Company's business;***

The MD who is supported by his management team is responsible for the day-to-day management of the business and operations of the Group and to ensure its commercial and regulatory compliance objectives as approved by the Board.

The performance of the management under the leadership of the MD is assessed by the Board through management's presentation papers on the following matters:-

I. Financial;
II. Operational; and
III. Compliance.

Management's presentation papers will be tabled to the Board and/or Board Committee meetings respectively held during the financial year.

***c. Identifying principal risk of the Company and ensuring the implementation of appropriate internal control and mitigation measures;***

Through the AGC, the Board oversees the key principal risks of the Group. While the enterprise risk framework is under the purview of the AGC, the MD is the ultimate risk owner. In addition, the Board has appointed Tricor Roots Consulting Sdn Bhd ("TRC") as the Company's Enterprise Risk Management ("ERM") consultant.

Details of the Company's main features of the internal control system are set out in Principle 6.1 of this Statement and the Statement on Internal Control and Risk Management ("SORMIC") on pages 49 to 50 of the AR.

***d. Succession Planning of the Company;***

The Board, through the NRC, oversees the succession planning of key management staff of the Group.

Save for head of Plantation & Milling Division who was not able to attend, the other Heads of Divisions together with its respective Human Resource Managers had presented its succession planning report to NRC in its meeting held in May 2016. The Plantation & Milling Division's succession planning report was circulated to NRC members for review. The NRC was comforted that all divisions had taken actions to ensure its succession planning program. While there was immediate urgency of replacement, the NRC reiterated that the annual reporting of succession planning would form part of the strategic plans of the Company.

Details of other activities of NRC are set out in Principle 2 of this Statement.

***e. Overseeing the development and implementation of a shareholder communications policy for the Company.***

The shareholder communications channel with the Company is as follow and it is available on the Company's website:-

**Investor Relations Enquiries:**

Mr. Cheong Kee Yoong
Tel : 603 3258 3333
Fax : 603 3258 3300
Email : kycheong@southernacids.com

The presentation slides of the financial statements as well as the written replies to Minority Shareholder Watchdog Group's ("MSWG") queries for FY2016 which were approved by the Board are available on the Company's website.

***f. Reviewing the adequacy and integrity of the management information and internal controls system of the Company;***

The Board is responsible for the adequacy and integrity of the Company's internal control systems.

Details of the Company's internal controls system are set out in the SORMIC on pages 49 to 50 of the AR.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**1.3 Formalised ethical standards through Code of Ethics**

The Company has an approved Principles of Business Conduct in place which sets out the standards of ethics and conduct expected from directors and employees to promote good corporate behaviour.

To augment the Principles of Business Conduct, the Board also has an approved Whistle-Blower Policy, which provides an avenue for employees, vendors and customers to raise matters of serious concerns which could have an impact on the Group. Under the policy, a whistle blower is assured of confidentiality of matter reported and protection against retaliation.

The whistleblowing channels are as follows:-

a. **Mr. Chung Kin Mun, Senior Independent Non-Executive Director**
Email: **sab.whistle@gmail.com**; or

Send an anonymous letter to the following:-

b. **Chairman of Audit & Governance Committee**
Southern Acids (M) Berhad
Level 29, Centro Tower
No.8, Jalan Batu Tiga Lama
41300 Klang

The Whistle-Blower Policy and a summary of the Principles of Business Conduct are available on the Company's website.

**1.4 Strategies promoting business sustainability**

The Board recognises the importance of business sustainability in its formulation of business strategy which includes achieving a balance between the environment, social and governance aspects as well as stakeholders' interest. This is part of a good business practice for long-term shareholder value as well as safeguarding stakeholders' interest.

The following are examples of the efforts which have been taken to promote business sustainability and best practices adopted by the Group:-

a. Overall Business; An Employees Handbook is in place to ensure the well-being of employees are adequately taken care of;

b. Oleochemical Division; the division adopted the best practices with regards to the treatment of effluent and had obtained the following accreditations:-

- 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).

c. Plantation & Milling Division; Effluents are treated with microbes to ensure the Biological Oxygen Demand is below 100ppm (parts per million) (currently at around 70ppm) and empty fruit brunches are recycled for mulching in the estates to avoid open burning; and

d. Healthcare Division; our hospital is accredited with the full 4-years prestigious MSQH 4th Edition (2nd Cycle) for the period of four years from 12 November 2014 to 11 November 2018.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 1.5 Access to information and advice

In discharging their duties and responsibilities, the Board members have unrestricted access to all key senior management of the Group and all information necessary including the right to seek external independent professional services at the Company's expense.

Directors are given adequate notice for all Board and Board Committees meetings. The agenda for the meeting together with the necessary board papers containing both qualitative and quantitative information are circulated in advance to all directors to enable them to prepare and read prior to the meeting.

In FY2017, the Board had engaged the services of the following external professional services:-

- External legal firm's services such as drafting of services and commercial agreement with external parties as well as interpretation of certain statutory laws and guidelines;
- External tax advisor's advice for GST post-implementation issues and Reinvestment Allowance documentation;
- Licensed valuer services for market rental rate of commercial properties; and
- External internal audit services.

### 1.6 Qualified and competent company secretary

The Company Secretaries are Lim Kui Suang and Paul Ignatius Stanislaus, both of whom are qualified Company Secretary, play a supportive role to the Board to enable them to discharge their duties effectively and ensure overall compliance with all relevant regulatory requirements, codes, guidelines and legislations.

The NRC had carried out the annual assessment of the Company Secretaries FY2016 in its May 2016 meeting and the assessment results were satisfactory.

All directors also have direct access to the advice and services of the Company Secretaries.

### 1.7 Board Charter

The Board has formally adopted a Board Charter which sets out the following, amongst others:-

- The role, the responsibilities and authorities of the Board;
- Board Committees;
- Board size, composition and tenure;
- Board processes;
- Directors' continuing education;
- Access to management and external advisors; and
- Position descriptions.

A copy of the Board Charter is available on the Company's website and will be periodically reviewed and updated, as necessary.

The Board Charter was last reviewed and approved by the Board on 15 July 2015. In view of the proposed changes under the new MCCG 2017, the existing Board Charter shall be reviewed in due course.

## PRINCIPLE 2 -STRENGTHEN COMPOSITION OF THE BOARD

### 2.1 Nomination & Remuneration Committee

As at the date of this report, the NRC has three members comprising two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The members of the NRC are:

- Chung Kin Mun (Chairman), Senior Independent Non-Executive Director
- Leong So Seh, Independent Non-Executive Director
- Raymond Wong Kwong Yee, Non-Independent Non-Executive Director.

The NRC Chairman is also the Senior Independent Non-Executive Director of the Company. The composition of the NRC complies with Recommendation 2.1 of the MCCG 2012.

The NRC is governed by its TOR that approved by the Board which will be periodically reviewed and updated. The latest review was on 10 July 2017 and a copy of the TOR is made available on the Company's website.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 2.2 Develop, maintain and review criteria for recruitment processes and annual assessment of directors

The existing Annual Assessment Form ("AAF") was used in FY2017 for the annual assessment review exercise for all directors. The assessment criteria for individual director are as follows:-

- Integrity & Ethics;
- Governance;
- Business Acumen;
- Judgement & Decision-Making;
- Communication;
- Strategic Perspective;
- Leadership; and
- Attendance (Time Commitment).

The NRC had carried out an assessment on the effectiveness of the Board as a whole and the two Board Committees, namely AGC and NRC for FY2017. The following AAFs are used in the annual assessment:-

- Board Assessment Form;
- AGC Assessment Form; and
- NRC Assessment Form.

The following table shows the criteria used for Board, AGC and NRC respectively:-

| | Criteria | Board | AGC | NRC |
|---|---|---|---|---|
| 1 | Members Composition (Including Quality) | * | * | * |
| 2 | Board Structure & Procedures | * | | |
| 3 | Monitoring Company's Progress | * | | |
| 4 | Stay Abreast (Industry Trend & Economy) | * | * | * |
| 5 | Transparent of Related Party Transactions | * | * | |
| 6 | Access To Information | * | * | |
| 7 | Access To Advice (Including External) | * | * | |
| 8 | Relationship With Shareholders/Investors | * | | |
| 9 | Evaluation of Key Executives | * | | |
| 10 | Matters on Board, Committees & Directors | | | * |
| 11 | Executive Directors (Assessment) | | | * |
| 12 | Alignment (Remuneration Package) | | | * |
| 13 | Term of Reference (Observance) | | | * |
| 14 | Quality and Supply of Information | | * | |
| 15 | Preparation for Meeting | | * | |
| 16 | Risk & Control Environment | | * | |
| 17 | Financial Reporting | | * | |
| 18 | Independent Auditors (Assessment) | | * | |
| 19 | Reports and Recommendations (to the Board) | | * | * |

The assessment methodology involves self-assessment, review by the NRC and approval by the Board. Steps are as follow:-

- Self-assessment; each director assesses his/her own performance and likewise each Board Committees assesses its own performance;
- Assessment by NRC; all self-assessments are reviewed and assessed by the NRC based on the criteria set. For all individual directors' assessment, all assessments and comments will be summarised by the NRC and presented to the Board for deliberation and approval;
- The Board deliberate the NRC's recommendation before an approval is given; and
- For the assessment of the Board as a whole this is deliberated by the Board before an agreement is reached and approved.

All assessments and evaluations carried out by NRC are filed and kept by the Company Secretary.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 2.2 Develop, maintain and review criteria for recruitment processes and annual assessment of directors (cont'd)

During FY2017, the NRC met once and the following matters were deliberated, assessed and recommended to the Board for information and/or approval:-

- Proposed enhancement of corporate governance disclosure in the Company's future AR based on Bursa's analysis and comment on the Company's AR;
- Proposed recommendation for directors due for re-election in 2016 AGM;
- Assessment of Company Secretary for FY2016;
- Presentation of succession planning by the respective divisions head;
- Assessment of Board, Board Committees, Individual Directors, Executive Directors and Evaluation of Independence of Independent Directors; and
- Proposed recommendation of directors fees for FY2016.

The Board acknowledges the importance of boardroom diversity in gender, age and ethnicity hence the Board had always been in support of a policy of non-discrimination in any form be it gender, age, ethnicity and religion. The Board will ensure that the selection of a candidate for directorship is based on the agreed selection criteria and is in the best interest of the Company.

### 2.3 Remuneration Policies

The Board will determine the remuneration package for both Executive and Non-Executive Directors after taking into consideration the recommendation from NRC.

On the Non-Executive Directors' remuneration, they are paid a fixed fee based on their responsibilities and are given a fixed attendance allowance for each Board and Board Committee meeting that they attend. NRC had instructed CFO to carry out a new survey of ten public listed companies latest AR available from Bursa website with a paid up capital within a targeted band and profitable in its latest financial results. The following table shows the survey results: -

| | Selected Samples | Selected Samples Average (RM'000) | SAB (RM'000) ** |
|---|---|---|---|
| 1 | Paid Up Capital | 147,221 | 136,934 |
| 2 | Turnover | 534,753 | 740,090 |
| 3 | Profit Before Tax | 23,290 | 73,876 |
| 4 | Average Per Director (fees only) | 39 | 50 |
| 5 | Average Per Director (total) | 51 | 60 |

** Unaudited financial results for FY2017.

Based on the latest survey, the NRC had recommended FY2016's director fees to be maintained for FY2017. The details of the proposed directors' fee are as follow:-

| | Category | Annual Fees (RM) |
|---|---|---|
| 1 | Board Chairman | 67,500 |
| 2 | Board Committee Chairman | 67,500 |
| 3 | Board Members | 45,000 |

The meeting attendance allowance is as follow:-

| | Category | Allowance Per Meeting (RM) |
|---|---|---|
| 1 | Board Chairman | 1,600 |
| 2 | Board Committee Chairman | 1,600 |
| 3 | Board Members | 800 |

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 2.3 Remuneration Policies (cont'd)

For the assessment of MD and ED, the existing AAF was used. The assessment criteria for MD and ED are as follow:-

- Vision;
- Business Acumen;
- Allocation of Corporate Resources;
- Human Resources Management;
- Governance & Policies; and
- Financial Indicators.

The same assessment methodology stated in Section 2.2 above is also used.

Details of the directors' remuneration for FY2017 are as follows:-

| Company Level | Salary (RM) | Bonus (RM) | Fees (RM) | Allowance (RM) | Benefits-in-kind (RM) |
|---|---|---|---|---|---|
| Executive Directors | 571,680 | 237,658 | 90,000 | 14,400 | 23,635 |
| Non-Executive Directors | - | - | 360,000 | 48,000 | 15,479 |

| Group Level | Salary (RM) | Bonus (RM) | Fees (RM) | Allowance (RM) | Benefits-in-kind (RM) |
|---|---|---|---|---|---|
| Executive Directors | 571,680 | 237,658 | 166,131 | 14,400 | 23,635 |
| Non-Executive Directors | - | - | 398,066 | 48,000 | 15,479 |

Based on the above, the number of directors whom remuneration for FY2017 fall within the respective bands are as follows:-

| | Number of Executive Directors | Number of Non-Executive Directors | Total Number of Directors |
|---|---|---|---|
| RM1 – RM50,000 | - | 1 | 1 |
| RM50,001 – RM100,000 | - | 6 | 6 |
| RM400,001 – RM450,000 | 1 | - | 1 |
| RM600,001 – RM650,000 | 1 | - | 1 |
| **Total** | **2** | **7** | **9** |

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 3 - REINFORCE INDEPENDENCE OF THE BOARD

### 3.1 Annual Assessment of Independence

In assessing the independence of the Independent Directors, the existing AAF was used for Independent Directors. The assessment criteria used are as follow:-

- Complying with the definition of Independent Director as per Chapter 1 of the Bursa MMLR; and
- The Independent Director ability to demonstrates the following:-
    - actively demonstrate and promote the values of transparency, accountability and responsibility in carrying out his/her duties; and
    - actively participate in Board/Board Committees' deliberation and provide an independent view.

The same assessment methodology stated in Section 2.2 above is also used.

Directors are to abstain from the deliberation of his/her own-assessment.

### 3.2 Tenure of Independent Directors

Currently the Company does not have a formal policy on term limit for its Independent Directors. The Board will, via the NRC, assess the independence of directors who have served the Company for more than nine years on a case by case basis before arriving at a decision.

### 3.3 Shareholders approval for the re-appointment of Independent Director who has served for more than nine years

In FY2017 none of the Board members has served more than nine years for the Company.

### 3.4 Separation of positions of the Chairman and the Chief Executive Officer ("CEO")'s position

The Chairman position is held by an Independent Non-Executive Director and the role of CEO is assumed by the MD. The distinct and separate roles of the Chairman and the MD as stated in Section 1.2 Clear Roles and Responsibilities above, ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.

### 3.5 Board Composition and Balance

The current Board, chaired by an Independent Non-Executive Director, comprises nine Directors of whom two are Executive Directors, three are Non-Independent Non-Executive Directors, one is Senior Independent Non-Executive Director and three are Independent Non-Executive Directors.

A brief profile of each Director is presented on pages 10 to 14 of the AR.

In summary, the four Independent Non-Executive Directors represent 44.4% of Board of Directors and the current board composition complies with paragraph 15.02 Composition of Board of Directors of the Bursa MMLR.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 4 - FOSTER COMMITMENT

### 4.1 Time Commitment

Meetings to be held during the financial year are scheduled in advance to allow Directors to plan ahead and ensure that the dates of Board and Committee meetings are booked in their respective schedules.

The Board and Board Committees meet for both scheduled meetings and ad hoc meetings to deal with urgent matters with due notice given.

The Board meets at least four times during a financial year and additional meetings are convened, as 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 | Director Name | Attendance of meetings |
|---|---|---|
| 1. | Tan Sri Datuk Seri Panglima Sulong<br>(Independent Non-Executive Chairman) | 4/4 |
| 2. | Dr. Nick Low<br>(Managing Director) | 3/4 |
| 3. | Lim Kim Long<br>(Executive Director) | 4/4 |
| 4. | Chung Kin Mun<br>(Senior Independent Non-Executive Director) | 4/4 |
| 5. | Tan Sri Dato' Low Boon Eng<br>(Non-independent Non-Executive Director) | 4/4 |
| 6. | Mohd. Hisham Harun<br>(Non-Independent Non-Executive Director) | 4/4 |
| 7. | Leong So Seh<br>(Independent Non-Executive Director) | 4/4 |
| 8. | Teo Leng<br>(Independent Non-Executive Director) | 4/4 |
| 9. | Raymond Wong Kwong Yee<br>(Non-Independent Non-Executive Director) | 4/4 |

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

In line with recommendation 4.1 of MCCG 2012 which requires the Board to set out expectations on time commitment for accepting new directorships, directors who are seeking admission to the Board will be required to commit to the Chairman of the Board that they are able to devote sufficient time to carry out their responsibilities prior to accepting directorships in other company.

### 4.2 Directors' Continuing Education Programmes

In FY2017, the NRC has no written policy on directors training and has not formally assessed the various directors training needs but will do so in the near future. However NRC had always encouraged the Company's Directors to attend relevant continuing education programmes from time to time.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 4 - FOSTER COMMITMENT (CONT'D)

### 4.2 Directors' Continuing Education Programmes (cont'd)

Save for Tan Sri Dato' Low Boon Eng who was not able to attend any training during the financial year, the following table shows the respective Director's training details in FY2017:

| No | Name of Director | Title of programme | Date attended |
|---|---|---|---|
| 1. | Tan Sri Datuk Seri Panglima Sulong | • Independent Directors Programme – The Essence of Independence | 29 Sep 2016 |
| | | • 30th Sultan Azlan Shah Law Lectures by The Right Honourable Baroness Hale of Richmond, Deputy President and Justice of the Supreme Court of the United Kingdom | 9 Nov 2016 |
| | | • Designing Directors Performance Assessment for Director's Independence and Effectiveness | 18 Nov 2016 |
| 2. | Dr. Nick Low | • 12th Indonesian Palm Oil Conference and 2017 Price Outlook | 23–25 Nov 2016 |
| 3. | Lim Kim Long | • New Companies Act 2016: New way of doing business in Malaysia | 25 Oct 2016 |
| | | • Palm Oil Economic Review and Outlook Seminar 2017 | 17 Jan 2017 |
| | | • Corporate Governance Directors' Duties and Regulatory Updates Seminar 2017 | 15 Feb 2017 |
| | | • 28th Annual Palm & Lauric Oils Price Outlook Conference& Exhibition (POC 2017) | 6-8 Mar 2017 |
| 4. | Chung Kin Mun | • New Companies Act 2016: New way of doing business in Malaysia | 18 Aug 2016 |
| 5. | Mohd. Hisham Harun | • Evidence Based Management / Human Resource Analytics | 25 May 2016 |
| | | • Breakfast Talk: Reflecting on The World Economic Forum Kuala Lumpur & The Global Talent Competitive Index | 3 June 2016 |
| | | • Business Plan Workshop | 24-25 Oct 2016 |
| | | • Annual Productivity & Innovation Conference & Exposition (APIC) 2016 | 25 Oct 2016 |
| | | • 12th Khazanah Global Lecture: An Evening with Dame Dr Jane Goodall | 31 Oct 2016 |
| | | • Corporate Rick Scorecard Workshop | 1 Nov 2016 |
| | | • Luncheon Talk: Total Quality Management Awareness by SIRIM Bhd | 3 Nov 2016 |
| | | • MIA International Accountants Conference | 15-16 Nov 2016 |
| | | • Strategic Business Plan Workshop | 25-27 Feb 2017 |
| | | • Lead@Work Project Pitching Day | 20 Mar 2017 |
| 6. | Leong So Seh | • New Companies Act 2016: New way of doing business in Malaysia | 19 Aug 2016 |
| | | • Bursa MAISA Breakfast Series with Directors on the launch of AGM Guide and CG: How To Leverage on AGMs for Better Engagement with Shareholders | 21 Nov 2016 |
| 7. | Teo Leng | • MPOB Program Advisory Committee (PAC) Seminar | 11 Apr 2016 |
| | | • 8th Asia Sustainable Oil Palm Summit | 4-5 Aug 2016 |
| | | • New Companies Act 2016: New way of doing business in Malaysia | 25 Oct 2016 |
| | | • Implication of Trump on the Asian Supply Chain and Investment Environment | 20 Feb 2017 |
| | | • 28th Annual Palm & Lauric Oils Price Outlook Conference& Exhibition (POC 2017) | 6-8 Mar 2017 |
| 8. | Raymond Wong | • Managing Value of Assets under IRFS/MRFS | 11–12 Apr 2016 |

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Financial Statements comply with applicable financial reporting standards

The Board, through the AGC, aims to provide a balanced and clear assessment of the financial performance and prospects, primarily via the following releases:-

- Interim unaudited quarterly financial statements; and
- Annual audited financial statements and AR.

Financial statements are prepared in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016, the financial statements are prepared by the Finance Department which is headed by the CFO.

In unaudited quarterly financial statements, the CFO will present the following to the AGC for deliberation and approval:-

- Detail analysis of the unaudited quarterly financial statements of Group and the respective division's results;
- 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
- Relevant report from external consultants such as tax advisor on certain tax treatment and implication to the financial statements.

The AGC will recommend the final unaudited quarterly financial statements to the Board for approval. With the Board's approval, the unaudited quarterly financial statements are then released to Bursa.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 5.2 Assessment of suitability and Independence of external auditors

The AGC has established procedures and criteria to assess the suitability and independence of the Company's external auditors, Deloitte PLT . The procedures and the criteria are as follows:-

| | Procedure | Assessment Criteria |
|---|---|---|
| 1 | Internal Assessment | • engagement team's qualifications;<br>• the firm's competitive advantage with its global network;<br>• their ability to provide value added advice and services;<br>• perform its work within Bursa's tight deadline;<br>• its performance during the audit period; and<br>• quality of its communication skills with AGC and the Company. |
| 2 | Written confirmation from Auditors' Independence Policies | • that generally no partner or employee (or their financial dependents) are allowed to hold a financial interest in our Company (unless otherwise expressly permitted);<br>• no partner or employee (or their financial dependents) should enter into business relationships with our Company;<br>• prohibit any professional employee from accepting gifts unless the value is clearly insignificant, trivial and inconsequential;<br>• provide safeguards against potential conflict of interests; and<br>• communicate in writing to the AGC all breaches of independence set out in the International Ethics Standards Board for Accountants Code of Ethics. |
| 3 | Assurance from the Auditors Rotation of Partners and Managers | • for engagement partners, including engagement quality control review partners are required to rotate after five consecutive years acting in the role under the Bursa MMLR; and<br>• for engagement managers of Public Interest Entities, Deloitte PLT's internal policies require that they rotate after seven consecutive years plus another three years with approval from the firm's Risk Partner. |

For both 5.1 and 5.2 above, please refer to AGC Report on pages 45 to 47 of the AR for an overview of the functions of AGC.

## PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

### 6.1 Sound framework to manage risks

It is the responsibility of the Board to maintain a sound system of risk management and internal control system. The Company is currently using TRC's Corporate Risk Scorecard ("CRS") and Q-Radar System for its ERM framework. Q-Radar System software is used to support ERM process.

TRC had successfully implemented CRS for our divisions whereas Q-Radar System had been implemented for the Oleochemical Division. However in view of the resignation of the division's Finance Manager in FY2017, the Q-Radar has been put on hold temporary pending the replacement of the Finance Manager.

The AGC, with the support from the OIA services assist the Board in reviewing, evaluating and monitoring the effectiveness of the state of risk management and internal controls.

Please refer to the SORMIC on pages 49 to 50 of the AR for more information.

### 6.2 Internal audit function

The Board is aware of the need to have an independent internal audit function to assist the Board in obtaining the assurance it requires regarding the system of internal controls, risk management and governance processes. The internal audit function reports directly to AGC.

Please refer to the AGC report on pages 45 to 47 of the AR for an overview of internal audit function and the work carried out in FY2017.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## PRINCIPLE 7 - ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate disclosure policy

The Board recognises the importance of timely and equal dissemination of material information on matters concerning the Group to the shareholders, stakeholders, media, regulators and the investing public.

The Board has formalised a Corporate Disclosure Policy.

### 7.2 Leverage on information technology for effective dissemination of information

The Group recognises the importance of effective and timely communication with shareholders and investors to keep them informed on the Group's latest business and corporate developments. Such information is disseminated via the Company's AR, circulars to shareholders, quarterly financial statements, the various announcements made from time to time and notices of general meeting published in national newspapers.

To promote direct communication with stakeholders the Company has established a website at www.southernacids.com for access by shareholders and the public to corporate information, financial statements, business profiles, news and events specifically related to the Group.

## PRINCIPLE 8 - STRENGTHEN RELATIONSHIPS BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Encourage shareholders participation at general meeting

AGM of the Company is the principal avenue for dialogue with shareholders where shareholders can seek clarification on the performances and major developments, as well as on the resolutions being proposed. Members of the Board, senior executives and independent professionals such as external auditors will be present to attend to questions raised.

The notice of AGM is circulated to shareholders at least twenty one calendar days before the meeting together with the financial statements and agenda for the meeting with a memorandum providing information to shareholders to assist them in deciding on how they should vote on each item of the business. In addition, a full copy of the Notice of Meeting is also advertised in a major local newspaper.

At AGM, the Board and Management Team present a comprehensive review of the Group's financial performance for the year and outline the prospects of the Group for the subsequent financial year. Time is set aside for shareholders' queries. Where it is not possible to provide immediate answers, the Company will undertake to provide shareholders with written answers after the AGM. Copies of the presentation to shareholders are posted on the Company's website immediately after the AGM.

The Board shared with the shareholders at the Thirty-Fifth ("35$^{th}$") AGM the replies to questions which were submitted in advance by the MSWG which was also posted on the Company's website.

### 8.2 Encourage poll voting

In compliance with Bursa's amendment to the MMLR dated 24 March 2016, any resolution set out in the notice of the forth coming AGM will be voted by poll.

### 8.3 Effective communication and proactive engagement

AGM remains the principal avenue for dialogue with shareholders and investors, where they may seek clarification on the Group's' performance, major developments of the Group as well as on the resolutions being proposed. Members of the Board as well as the external auditors are present to answer questions raised.

Apart from AGM, the Board encourages other channels of communication with investors and shareholders. For this purpose, investors may direct their queries to Mr. Chung Kin Mun, the Senior Independent Non-Executive Director of the Company via email at sab.whistle@gmail.com.

This Statement is made in accordance with a resolution of the Board dated 10 July 2017.

# ADDITIONAL COMPLIANCE INFORMATION

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

**Recurrent Related Party Transactions**

All RRPT entered into by the Group were made in the ordinary course of business at arm's length and are based on the Group normal commercial terms that are not more favourable to the transacting related party than those generally available to non-related party and will not be detrimental to the interests of minority shareholders. Details of the RRPT entered into by the Group during the financial year are disclosed in Note 26 to the Financial Statements on pages 114 to 120 of the AR.

At the 35th AGM of the Company held on 24 August 2016, the Company had obtained the approval from shareholders for the renewal of the shareholders' mandate to enter into RRPT of a revenue or trading nature with certain related parties, in the ordinary course of business. The said mandate took effect from 25 August 2016 until the conclusion of the forthcoming Thirty-Sixth ("36th") AGM, in which the Company intends to seek for a fresh renewal of the shareholders' mandate. The details of the shareholders' mandate to be sought are furnished in the Circular to Shareholders dated 28 July 2017.

**Share buyback**

The Company was not mandated to carry out share buyback during the financial year.

**Options, Warrants and Convertible Securities**

The Company did not issue any options, warrants or convertible securities during the current financial year and there were no outstanding options, warrants and convertible securities as of the end of the financial year.

**American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme**

The Company did not sponsor any ADR or GDR programme during the financial year.

**Imposition of Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on the Company or its subsidiaries, directors or management by regulatory bodies during the financial year.

**Profit Guarantee**

The Company or its subsidiaries did not receive or are entitled to receive any form of profit guarantee during the financial year.

**Material Contracts**

There was no material contract other than in the ordinary course of business entered into by the Company or its subsidiaries involving directors and/or major shareholders during the financial year.

# ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

**Variation in Results**

The Group did not release any profit estimate, forecast or projection for the financial year. There was no significant variance between the unaudited financial statements previously announced by the Company for the Group, and the results presented in the audited financial statements in this AR.

**Revaluation Policy**

The Group does not have a revaluation policy on landed properties.

**Corporate Social Responsibility**

The Group is committed to the welfare of its employees and to the communities at locations in which it conducts its businesses. The management recognises that for long-term sustainability, its strategic business orientation will need to cater beyond financial parameters. As such, besides the measures which are more specifically mentioned in page 31 under caption 1.4 in this Statement, the Group has organised several health talks, health carnival, blood donation campaigns, sponsoring newspaper to schools, community run and health awareness campaigns.



# AUDIT & GOVERNANCE COMMITTEE REPORT

# AUDIT & GOVERNANCE COMMITTEE REPORT

The Board is pleased to present the AGC Report for FY2017.

## 1. COMPOSITION

As at the date of this report, the AGC comprises four members from the Board, three of whom are Independent Non-Executive Directors and one is a Non-Independent Non-Executive Director.

The AGC Chairman, Mr. Chung Kin Mun, is a member of CPA Australia.

Accordingly, the composition of the AGC complies with paragraph 15.09 Composition of the Audit Committee of the MMLR.

## 2. TERMS OF REFERENCE

The AGC is governed by its TOR, approved by the Board, which will be periodically reviewed and updated. The latest review was on 10 July 2017 which incorporated the latest amendments to the Bursa MMLR. The revised TOR is made available on the Company's website.

## 3. MEETING AND ATTENDANCE

The AGC met four times in FY2017 to discharge its duties and responsibilities. With the request of the AGC and depending on the subject matters, the following had been invited to attend the meetings and presented their respective reports on financial results, audit findings and management's responses thereto and other matters for consideration and approval:-

- Managing Director;
- Executive Director;
- Chief Financial Officer;
- The outsourced internal auditor; and
- External auditors.

The AGC report to the Board matters of significant concern as and when raised during the AGC meetings and present the AGC's recommendations to the Board for approval.

The details of the AGC composition since the date of the last AR, and their meeting attendance records convened during FY2017 are as follows:-

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

# AUDIT & GOVERNANCE COMMITTEE REPORT (CONT'D)

## 4. SUMMARY OF WORK

The followings are summary of work undertaken by the AGC during FY2017:-

Financial Reporting & Compliance

The AGC reviewed the unaudited quarterly financial statements and the annual audited financial statements to ensure compliance with the Financial Reporting Standards, the requirements of the Companies Act 2016 as well as Paragraph 9.22, including the Appendix 9B of the Bursa MMLR. The areas of focus are as stated in the TOR of AGC.

In every unaudited quarterly financial statements, the CFO will present the following to the AGC for deliberation and approval:-

- Detail analysis of the unaudited quarterly financial statements of the Group and the respective division's results;
- 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
- Relevant report from external consultants such as tax advisor on certain tax treatment and implication to the financial statements.

Other Key Matters

- RRPT: Quarterly reviewed on the RRPT of a revenue or trading nature that entered by the subsidiaries and to ensure that there are within the limits approved by the shareholders. In addition, the AGC also reviewed the draft circular of RRPT circular for the shareholders' approval in the coming AGM;
- ERM: Quarterly received the progress update on the ERM implementation and deliberated on areas of concern where applicable;
- Transfer Pricing ("TP"): Quarterly received the progress update on the TP documentation; and
- Annual Report for FY2017: the AGC reviewed and recommended the AGC Report and AGC's revised TOR to the Board for approval.

External Audit

First meeting with Deloitte PLT held on 30 May 2016: -

- Discussed with Deloitte PLT on significant matters and weaknesses being identified during the course of audit before the finalisation of the annual audited financial statements for FY2016; and
- Held a private meeting with external auditors without the presence of the management and staff on the same day. The feedback from Deloitte PLT was positive.

Second meeting with Deloitte PLT held on 27 February 2017:-

- Reviewed the Audit Planning Memorandum ("APM") for FY2017 that was presented by Deloitte PLT. The highlights of the APM are as follows:-
  - Profile of the engagement team;
  - The firm policies and procedures to ensure the independence of the audit assignment as well as the quality of works and timing of audit;
  - The auditors' responsibilities, their scope of works, basis to determine the materiality level, key audit emphasis and focus areas.
- Briefing by Deloitte PLT on the recent updates on accounting standards, auditing standards, companies act, MMLR and other compliance requirement.

Subsequently the AGC evaluated and deliberated the performance of the external auditors together with the management. Based on the AGC'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 AGC was satisfied with the external auditors' professionalism and recommended to the Board for their re-appointment.

After due deliberation, the AGC had recommended the following proposed fees for audit and non-audit services for FY2017 to the Board for approval:-

| | Audit Fees (RM) | Non-Audit Fees (RM) |
|---|---|---|
| Company Level | 75,000 | 7,000 |
| Group Level | 232,000 | 7,000 |

# AUDIT & GOVERNANCE COMMITTEE REPORT (CONT'D)

Internal Audit

- Reviewed and approved the internal audit plan submitted by the OIA, Axcelasia to ensure adequate coverage of the three main divisions' activities;
- Reviewed and deliberated the internal audit reports presented by Axcelasia. The reports are as follows:-
  - Oleochemical Division on 22 August 2016;
  - Plantation & Milling Division on 28 November 2016; and
  - Healthcare Division on 27 February 2017.
- Subsequently internally discussed and deliberated on the audit findings, management's responses and the appropriateness of the recommended action; and
- Evaluated and deliberated the performance of Axcelasia, and recommended to the Board for their re-appointment. The AGC was satisfied with the internal auditors' 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.

**INTERNAL AUDIT FUNCTION**

The internal audit function was carried out by the OIA, Axcelasia. The OIA supports the AGC in the discharge of its duties and responsibilities and reports directly to the AGC, provide reasonable independent assurance on the effectiveness and integrity of the internal control, risk management and governance processes. The purpose, authority and responsibility of the OIA the are articulated in an Internal Audit Charter.

During the financial year, Axcelasia had carried out three assignments, one report for each of the three divisions. All reports were presented to the AGC as mentioned in Section 3 above.

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 division and interview key management staff for the purpose of deciding on the internal audit focus;

- To 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 follow-up assessment on the internal audit conducted in previous financial year; and

- To finalize the internal audit report for presentation to the AGC.

Total cost incurred for the internal audit function for FY2017 was RM143, 518.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

# STATEMENT ON
# RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Bursa MMLR the Board is pleased to provide the SORMIC which outlines the nature and scope of the risk management and internal control of the Group in FY2017.

**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 AGC is delegated by the Board to review the risk management and internal control reports 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. As at the date of this report, TRC's Q-Radar System had implemented for Oleochemical Division and the system will be implemented to other divisions gradually.

Control Self-Assessment (CSA), a technique that allows managers and work teams directly involved in their respective divisions, 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.

Key risk owners such as MD, ED, CFO and all Heads of Divisions are required to sign an Annual Statement on Continuous Commitment to an Effective ERM Framework.

ERM activities which are still under development and implementation stage are periodically reported to the AGC on quarterly basis.

**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. **Centralised 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, AGC and appropriate management meetings respectively. Where necessary, the Heads of Divisions or relevant employees will be invited to attend AGC meeting to provide clarification on any areas that concern the committee.

5. **Internal Audit**
   The OIA which reports directly to the AGC 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 AGC, with the objective to cover at least one cycle of internal audit for each of the divisions in every financial year. An OIA report detailing the scope of works, findings and recommendations will be presented to AGC on regular basis.

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

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 AGC and management any identified procedures, controls and other aspects that may come to their attention.

7. **Whistle-Blower Policy**

   The policy provides an avenue for employees, vendors and customers to raise matters of serious concerns which could have an impact on the Group. Under the policy, a whistle blower is assured of confidentiality of matter reported and protection against retaliation.

   The Whistle-Blower Policy and a summary of the Principles of Business Conduct are made available on the Company's website.

For FY2017 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 AGC Report pages 45 to 47 of the AR on the risk management and internal control activities undertaken during FY2017.

**Review of the SORMIC by External Auditors**

Pursuant to Paragraph 15.23 of the Bursa MMLR, our external auditors, Deloitte PLT have reviewed this SORMIC for inclusion in this AR.

Based on the procedures performed, nothing had come to their attention that caused them to believe that the SORMIC set out above 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 the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. This is in addition to the Annual Statement on Continuous Commitment to an Effective ERM for FY2017.

The Board has reviewed the effectiveness of the risk management and internal control system based on the reports and the issues highlighted by internal and external auditor 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 10 July 2017.

# FINANCIAL STATEMENTS

# REPORT OF THE DIRECTORS

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 2017.

## PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies 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** | 73,831 | 890 |
| **Income tax expense** | (16,487) | - |
| **Profit for the year** | 57,344 | 890 |
| **Attributable to:** | | |
| **Equity holders of the Company** | 48,654 | 890 |
| **Non-controlling interests** | 8,690 | - |
| | 57,344 | 890 |

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 30 September 2016.

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 2018.

# REPORT OF THE DIRECTORS (CONT'D)

## 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.

## 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 asset 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 to 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.

# REPORT OF THE DIRECTORS (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

## 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 1.4.2016** | **Bought** | **Sold** | **As at 31.3.2017** |
| **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** | 69,017,267 | 15,000 | - | **69,032,267** |
| Tan Sri Dato' Low Boon Eng* | 65,684,977 | - | - | **65,684,977** |

**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.

# REPORT OF THE DIRECTORS (CONT'D)

## 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' lialibility insurance for purpose of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Company. The amount of insurance cover paid during the year amounted to RM11,815.

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

## AUDITORS

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

## AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended 31 March 2017 is as disclosed in Note 8 to the Financial Statements.

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

**DR. LOW KOK THYE**

**LIM KIM LONG**

Klang
14 July 2017

# 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 2017 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 60 to 138.

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 2017, 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><br><br>At 31 March 2017, included in property, plant and equipment are factory building and oleochemical plant of a subsidiary with carrying value of RM23,395,024. 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. 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.<br><br>Barring the renewal of the lease upon expiry, these assets may be impaired and this is an area of focus of our audit.<br><br>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.<br><br>We examined the latest tenancy agreement and ensured that the agreement is renewed for the next 3 years.<br><br>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.<br><br>We evaluated the historical trend of the lease renewal.<br><br>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

*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.

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

- 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.

- 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 Reporting Responsibilities**

The supplementary information set out on page 139 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

### 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 content of this report.

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

**HUANG KHEAN YEONG**
**Partner - 2993/05/2018 (J)**
**Chartered Accountant**

Kuala Lumpur
14 July 2017

# STATEMENTS OF PROFIT OR LOSS
## FOR THE YEAR ENDED 31 MARCH 2017

| | Note | The Group 2017 RM'000 | The Group 2016 RM'000 | The Company 2017 RM'000 | The Company 2016 RM'000 |
|---|---|---|---|---|---|
| Revenue | 5 | **740,091** | 503,414 | **5,434** | 12,258 |
| Investment revenue | 6 | **4,443** | 5,259 | **580** | 596 |
| Other operating income | | **14,577** | 11,756 | **168** | 1,764 |
| Changes in inventories of finished goods and work-in-progress | | **9,030** | 6,137 | **-** | - |
| Raw materials and consumables used | | **(517,497)** | (320,488) | **-** | - |
| Depreciation of property, plant and equipment | 13 | **(13,714)** | (11,940) | **(363)** | (458) |
| Amortisation of biological assets | 15 | **(577)** | (720) | **-** | - |
| Directors' remuneration | 7 | **(3,237)** | (3,077) | **(1,322)** | (1,048) |
| Employee benefits expense | 8 | **(48,141)** | (44,295) | **(2,691)** | (2,293) |
| Other operating expenses | | **(109,929)** | (109,425) | **(916)** | (747) |
| Finance cost | 9 | **(81)** | (69) | **-** | - |
| Share of results of associate | 17 | **(1,134)** | 364 | **-** | - |
| **Profit before tax** | 8 | **73,831** | 36,916 | **890** | 10,072 |
| Income tax expense | 10 | **(16,487)** | (10,952) | **-** | - |
| **Profit for the year** | | **57,344** | 25,964 | **890** | 10,072 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | **48,654** | 24,869 | **890** | 10,072 |
| Non-controlling interests | | **8,690** | 1,095 | **-** | - |
| | | **57,344** | 25,964 | **890** | 10,072 |
| **Earnings per share (sen) attributable to equity holders of the Company** | | | | | |
| Basic and diluted | 11 | **35.53** | 18.16 | | |

# STATEMENTS OF OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2017

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Profit for the year** | **57,344** | 25,964 | **890** | 10,072 |
| **Other comprehensive income/(loss):** | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Gain/(Loss) arising from revaluation of available-for-sale investments | **4,006** | (331) | **4,006** | (331) |
| Exchange differences on translating foreign operations | **15,983** | 5,144 | **-** | - |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit obligation | **634** | 116 | **-** | - |
| | **20,623** | 4,929 | **4,006** | (331) |
| **Total comprehensive income for the year, net of tax** | **77,967** | 30,893 | **4,896** | 9,741 |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the Company | **63,126** | 27,282 | **4,896** | 9,741 |
| Non-controlling interests | **14,841** | 3,611 | **-** | - |
| | **77,967** | 30,893 | **4,896** | 9,741 |

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

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 MARCH 2017

| | Note | The Group 2017 RM'000 | The Group 2016 RM'000 | The Company 2017 RM'000 | The Company 2016 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Land held for property development | 12 | **141,944** | 141,944 | **-** | - |
| Property, plant and equipment | 13 | **143,389** | 132,200 | **4,342** | 4,065 |
| Investment property | 14 | **3,318** | 3,318 | **-** | - |
| Biological assets | 15 | **25,696** | 19,428 | **-** | - |
| Investment in subsidiary companies | 16 | **-** | - | **244,789** | 239,889 |
| Investment in an associate company | 17 | **2,207** | 3,341 | **917** | 917 |
| Available-for-sale investments | 18 | **42,991** | 38,780 | **42,991** | 38,780 |
| Advances for Plasma PIR-TRANS program | 19 | **-** | - | **-** | - |
| Advances for KKPA program | 20 | **6,731** | 4,431 | **-** | - |
| Deferred tax assets | 21 | **2,339** | 1,574 | **-** | - |
| **Total Non-Current Assets** | | **368,615** | 345,016 | **293,039** | 283,651 |
| **Current Assets** | | | | | |
| Inventories | 22 | **80,253** | 61,952 | **-** | - |
| Derivative financial assets | 23 | **580** | 2,359 | **-** | - |
| Trade receivables | 24 & 26 | **53,475** | 27,704 | **-** | - |
| Other receivables, deposits and prepaid expenses | 25 & 26 | **18,232** | 9,156 | **271** | 217 |
| Amount owing by subsidiary companies | 26 | **-** | - | **1,035** | 889 |
| Amount owing by an associate company | 27 | **373** | 123 | **94** | 97 |
| Tax recoverable | | **21,060** | 16,036 | **-** | - |
| Cash and cash equivalents | 28 | **164,225** | 164,026 | **11,648** | 22,940 |
| **Total Current Assets** | | **338,198** | 281,356 | **13,048** | 24,143 |
| **TOTAL ASSETS** | | **706,813** | 626,372 | **306,087** | 307,794 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 29 | **171,255** | 136,934 | **171,255** | 136,934 |
| Reserves | 30 | **398,966** | 377,008 | **131,580** | 167,852 |
| Equity attributable to equity holders of the Company | | **570,221** | 513,942 | **302,835** | 304,786 |
| Non-controlling interests | 16 | **59,417** | 44,576 | **-** | - |
| **Total Equity** | | **629,638** | 558,518 | **302,835** | 304,786 |

# STATEMENTS OF FINANCIAL POSITION (CONT'D)
## AS OF 31 MARCH 2017

| | Note | The Group 2017 RM'000 | The Group 2016 RM'000 | The Company 2017 RM'000 | The Company 2016 RM'000 |
|---|---|---|---|---|---|
| **Non-Current and Deferred Liabilities** | | | | | |
| Hire purchase payables | 31 | **197** | 481 | **-** | - |
| Provision for retirement benefits | 32 | **10,957** | 10,019 | **1,684** | 1,440 |
| Deferred tax liabilities | 21 | **1,357** | 1,422 | **-** | - |
| **Total Non-Current and Deferred Liabilities** | | **12,511** | 11,922 | **1,684** | 1,440 |
| **Current Liabilities** | | | | | |
| Trade payables | 26 & 33 | **32,389** | 21,698 | **-** | - |
| Other payables and accrued expenses | 26 & 33 | **30,706** | 33,606 | **1,307** | 1,307 |
| Amount owing to an associate company | 27 | **-** | 33 | **-** | - |
| Amount owing to a subsidiary company | 26 | **-** | - | **140** | 140 |
| Derivative financial liabilities | 23 | **1,040** | - | **-** | - |
| Hire purchase payables | 31 | **408** | 327 | **-** | - |
| Tax liabilities | | **-** | 147 | **-** | - |
| Dividend payable | | **121** | 121 | **121** | 121 |
| **Total Current Liabilities** | | **64,664** | 55,932 | **1,568** | 1,568 |
| **Total Liabilities** | | **77,175** | 67,854 | **3,252** | 3,008 |
| **TOTAL EQUITY AND LIABILITIES** | | **706,813** | 626,372 | **306,087** | 307,794 |

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

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2017

| The Group | Note | Share capital RM'000 | 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable reserves | | | | | | | |
| **As at 1 April 2016** | | 136,934 | 34,321 | (9,042) | (322) | 14,238 | 337,813 | 513,942 | 44,576 | 558,518 |
| 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 |
| Total comprehensive income for the year, net of tax | | - | - | 10,022 | - | 4,006 | 49,098 | 63,126 | 14,841 | 77,967 |
| 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** | | **171,255** | **-** | **980** | **(322)** | **18,244** | **380,064** | **570,221** | **59,417** | **629,638** |
| **As at 1 April 2015** | | 136,934 | 34,321 | (11,705) | (322) | 14,569 | 319,595 | 493,392 | 45,683 | 539,075 |
| Profit for the year | | - | - | - | - | - | 24,869 | 24,869 | 1,095 | 25,964 |
| Other comprehensive income | | - | - | 2,663 | - | (331) | 81 | 2,413 | 2,516 | 4,929 |
| Total comprehensive income for the year, net of tax | | - | - | 2,663 | - | (331) | 24,950 | 27,282 | 3,611 | 30,893 |
| Acquisition of non-controlling interests | | - | - | - | - | - | 115 | 115 | (1,140) | (1,025) |
| Disposal of a subsidiary | | - | - | - | - | - | - | - | (1,765) | (1,765) |
| Dividends paid | 35 | - | - | - | - | - | (6,847) | (6,847) | - | (6,847) |
| Dividends paid to non-controlling interests of subsidiary companies | | - | - | - | - | - | - | - | (1,813) | (1,813) |
| **As at 31 March 2016** | | 136,934 | 34,321 | (9,042) | (322) | 14,238 | 337,813 | 513,942 | 44,576 | 558,518 |

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)
## FOR THE YEAR ENDED 31 MARCH 2017

| The Company | Note | Share capital RM'000 | Non-distributable reserve Share premium RM'000 | Non-distributable reserve Fair value reserve RM'000 | Distributable reserve - Retained earnings RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|
| **As at 1 April 2015** | | 136,934 | 34,321 | 14,569 | 116,068 | 301,892 |
| Profit for the year | | - | - | - | 10,072 | 10,072 |
| Other comprehensive loss | | - | - | (331) | - | (331) |
| Total comprehensive income for the year, net of tax | | - | - | (331) | 10,072 | 9,741 |
| Dividends paid | 35 | - | - | - | (6,847) | (6,847) |
| **As at 31 March 2016** | | 136,934 | 34,321 | 14,238 | 119,293 | 304,786 |
| **As at 1 April 2016** | | 136,934 | 34,321 | 14,238 | 119,293 | 304,786 |
| Profit for the year | | - | - | - | 890 | 890 |
| Other comprehensive gain | | - | - | 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 2017

| | The Group 2017 RM'000 | The Group 2016 RM'000 | The Company 2017 RM'000 | The Company 2016 RM'000 |
|---|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | | |
| Profit before tax | **73,831** | 36,916 | **890** | 10,072 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | **13,714** | 11,940 | **363** | 458 |
| Net revaluation loss/(gain) on derivative | **2,819** | (5,087) | **-** | - |
| Provision for retirement benefits | **1,654** | 1,348 | **244** | 214 |
| Share of results of associate | **1,134** | (364) | **-** | - |
| Provision for incremental rental charges | **1,027** | 1,027 | **-** | - |
| Inventories written down | **838** | 370 | **-** | - |
| Amortisation of biological assets | **577** | 720 | **-** | - |
| Loss/(Gain) on disposal of property, plant and equipment | **87** | (9) | **-** | (2) |
| Finance cost | **81** | 69 | **-** | - |
| Property, plant and equipment written off | **42** | - | **-** | - |
| Inventories written off | **35** | 78 | **-** | - |
| Unrealised (gain)/loss on foreign exchange | **(5,397)** | 3,957 | **(6)** | (3) |
| Investment revenue | **(4,443)** | (5,259) | **(580)** | (596) |
| Dividend income | **(1,874)** | (1,618) | **(1,874)** | (9,118) |
| Allowance for doubtful debts no longer required: | | | | |
| Trade receivables | **(743)** | - | **-** | - |
| Other receivables | **(113)** | - | **-** | - |
| Loss/(Gain) arising from disposal of subsidiary | **-** | 515 | **-** | (1,544) |
| Allowance for loss on conversion of Plasma PIR-TRANS program no longer required | **-** | (334) | **-** | - |
| Gain arising from acquisition of non-controlling interest | **-** | (122) | **-** | - |
| Operating Profit/(Loss) Before Working Capital Changes | **83,269** | 44,147 | **(963)** | (519) |
| (Increase)/Decrease in: | | | | |
| Trade receivables | **(22,051)** | 14,419 | **-** | - |
| Amount owing by an associate company | **(250)** | (123) | **3** | (97) |
| Other receivables, deposits and prepaid expenses | **(8,963)** | (5,291) | **(54)** | (84) |
| Inventories | **(19,174)** | (9,350) | **-** | - |
| Amount owing by a subsidiary company | **-** | - | **(146)** | 2,790 |
| Increase/(Decrease) in: | | | | |
| Trade payables | **11,114** | 9,393 | **-** | - |
| Amount owing to an associate company | **(33)** | 33 | **-** | - |
| Other payables and accrued expenses | **(3,927)** | (5,071) | **6** | (927) |
| Cash Generated From/(Used In) Operations | **39,985** | 48,157 | **(1,154)** | 1,163 |
| Income tax refunded | **9** | 134 | **-** | - |
| Retirement benefits paid | **(407)** | (96) | **-** | - |
| Income tax paid | **(22,378)** | (19,286) | **-** | - |
| Net Cash From/(Used In) Operating Activities | **17,209** | 28,909 | **(1,154)** | 1,163 |

# STATEMENTS OF CASH FLOWS (CONT'D)
## FOR THE YEAR ENDED 31 MARCH 2017

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | | |
| Interest income received | **4,443** | 5,259 | **580** | 596 |
| Dividends received | **1,874** | 1,618 | **1,874** | 9,118 |
| Proceeds from KKPA program | **468** | 638 | **-** | - |
| Conversion for Plasma PIR-TRANS program | **-** | 334 | **-** | - |
| Proceeds from disposal of property, plant and equipment | **258** | 9 | **-** | 2 |
| Additions to available-for-sale investments | **(205)** | (18) | **(205)** | (18) |
| Additions to property, plant and equipment | **(17,027)** | (11,348) | **(640)** | (50) |
| Additions to biological assets | **(4,345)** | (6,229) | **-** | - |
| Additions to investment in subsidiaries | **-** | - | **(4,900)** | (903) |
| Acquisition of non-controlling interest | **-** | (903) | **-** | - |
| Consideration from disposal of a subsidiary | **-** | - | **-** | 2,462 |
| Disposal of a subsidiary | **-** | (1,697) | **-** | - |
| Additions for KKPA program | **(2,069)** | (1,932) | **-** | - |
| Finance cost paid | **(81)** | (69) | **-** | - |
| Net Cash (Used In)/From Investing Activities | **(16,684)** | (14,338) | **(3,291)** | 11,207 |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | | |
| Repayment of hire purchase payables | **(203)** | (233) | **-** | - |
| Dividend paid by: | | | | |
| Subsidiary companies to non-controlling interests | **-** | (1,813) | **-** | - |
| The Company | **(6,847)** | (6,847) | **(6,847)** | (6,847) |
| Net Cash Used In Financing Activities | **(7,050)** | (8,893) | **(6,847)** | (6,847) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(6,525)** | 5,678 | **(11,292)** | 5,523 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **164,026** | 154,425 | **22,940** | 17,417 |
| **EFFECT OF TRANSLATION DIFFERENCES** | **6,724** | 3,923 | **-** | - |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **164,225** | 164,026 | **11,648** | 22,940 |

During the year, the Group and the Company acquired property, plant and equipment which were financed as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Cash | **17,027** | 11,348 | **640** | 50 |
| Hire purchase | **-** | 1,041 | **-** | - |
| | **17,027** | 12,389 | **640** | 50 |

# 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 principal activities of the subsidiary companies 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 14 July 2017.

## 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 2017.

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 Standard and Amendments issued by the MASB which became effective for annual periods beginning on or after 1 April 2016 as follows:

| | |
|---|---|
| FRS 14 | Regulatory Deferral Accounts |
| Amendments to FRSs | Annual Improvements to FRSs 2012 - 2014 Cycle |
| Amendments to FRS 10, FRS 12 and FRS 128 | Investment Entities: Applying the Consolidation Exception |
| Amendments to FRS 11 | Accounting for Acquisition of interests in Joint Operations |
| Amendments to FRS 101 | Disclosure Initiative |
| Amendments to FRS 116 and FRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to FRS 127 | Equity Method in Separate Financial Statements |

The adoption of these Standard 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[3] |
| Amendments to FRS 2 | Classification and Measurement of Share-based Payment Transactions[2] |
| Amendments to FRS 10 and FRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to FRS 107 | Disclosure Initiative[1] |
| Amendments to FRS 112 | Recognition of Deferred Tax Assets for Unrealised Losses[1] |
| Amendments to FRS 140 | Transfers of Investment Property[1] |
| Amendments to FRSs | Annual Improvements to FRSs 2014 - 2016 cycle[2] |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration[2] |

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
[3] Effective for annual periods beginning on or after 1 January 2018, with early application permitted. In addition, an entity may elect to early apply only the requirements for the presentation of gains or losses on financial liabilities designated as at fair value through profit or loss for annual periods beginning before 1 January 2018, as stated in paragraph 7.1.2 of FRS 9
[4] Effective for annual periods beginning on or after a date to be determined

**FRS 9 Financial Instruments**

FRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

Key requirements of FRS 9:

- all recognised financial assets that are within the scope of FRS 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 at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods. In addition, under FRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instruments (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

**FRS 9 Financial Instruments (Cont'd)**

Key requirements of FRS 9: (Cont'd)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, FRS 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. Previously, under FRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- in relation to the impairment of financial assets, FRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 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 new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 139. Under FRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the abovementioned Standards will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for FRS 9. However, it is not practicable to provide a reasonable estimate of the effects of FRS 9 until the Group and the Company have undertaken a detailed review.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Basis of Accounting (Cont'd)**

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Basis of Accounting (Cont'd)**

**Investment in Subsidiary Companies**

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

**Business Combinations**

Acquisitions of subsidiary companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the 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.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Business Combinations (Cont'd)

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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Foreign Currencies (Cont'd)**

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 2014, 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 2017.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Employee Benefits (Cont'd)

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

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.

### Income Tax

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

<u>Current tax</u>

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.

<u>Deferred tax</u>

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

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

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

# 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 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 below). 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.

<u>Effective interest method</u>

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.

<u>Financial assets at FVTPL</u>

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.

<u>Held-to-maturity investments</u>

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.

<u>Loans and receivables</u>

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.

<u>Available-for-sale financial assets</u>

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. Interest income calculated using the effective interest rate method is recognised in profit or loss.

# 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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Financial Guarantee Contracts

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

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

- The amount of the obligation under the contract, as determined in accordance to 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

### 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. 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 in March 2020 and accordingly, no impairment loss needs to be considered for the factory building and oleochemical plant with net book value of RM23,395,024 (2016: RM23,462,915).

(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 RM20,437,034 (2016: RM20,820,027), 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 | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Trade receivables | **789** | 2,365 |
| Other receivables | **142** | 255 |
| | **931** | 2,620 |

#### (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 | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Advances for Plasma PIR-TRANS program | - | - |
| Advances for KKPA program | 400 | 400 |
| | **400** | 400 |

# 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)

#### (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 | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Deferred tax assets | **2,339** | 1,574 |

#### (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 2017, the Company has recognised impairment loss in respect of the following asset:

| | The Company | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Impairment loss on investment in subsidiary companies | **7,202** | 7,202 |

#### (e) Provision for retirement benefits

The Group makes contribution to a define 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 enters 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 agreements (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 | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Manufacturing and marketing of oleochemical products | **365,158** | 284,020 | **-** | - |
| Sales of oil palm fruit and crude palm oil | **283,092** | 135,010 | **-** | - |
| Managing and operating of private hospital | **80,097** | 71,257 | **-** | - |
| Warehousing and bulk conveyor operations | **5,778** | 7,822 | **-** | - |
| Administrative services fee | **3,757** | 3,451 | **-** | - |
| Dividend income from: | | | | |
| Quoted shares | **1,874** | 1,618 | **1,874** | 1,618 |
| Subsidiary company in Malaysia (Note 26) | **-** | - | **-** | 7,500 |
| Management fees | **335** | 236 | **3,560** | 3,140 |
| | **740,091** | 503,414 | **5,434** | 12,258 |

## 6. INVESTMENT REVENUE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Interest income on fixed deposits and short-term placements | **4,443** | 5,259 | **580** | 596 |

## 7. DIRECTORS' REMUNERATION

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Directors of the Company** | | | | |
| Executive directors: | | | | |
| Fees | **90** | 90 | **90** | 90 |
| Other emoluments | **824** | 544 | **824** | 544 |
| | **914** | 634 | **914** | 634 |
| Non-executive directors: | | | | |
| Fees | **360** | 360 | **360** | 360 |
| Other emoluments | **48** | 54 | **48** | 54 |
| | **408** | 414 | **408** | 414 |
| | **1,322** | 1,048 | **1,322** | 1,048 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 7. DIRECTORS' REMUNERATION (CONT'D)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Directors of the subsidiaries** | | | | |
| Fees | **266** | 242 | **-** | - |
| Other emoluments | **1,649** | 1,787 | **-** | - |
| | **1,915** | 2,029 | **-** | - |
| Total | **3,237** | 3,077 | **1,322** | 1,048 |

Contributions to EPF for the directors of the Group and the Company during the current financial year amounted to RM220,056 and RM97,268 (2016: RM217,439 and RM63,271) 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 RM56,439 and RM39,114 (2016: RM51,054 and RM32,669) respectively.

## 8. PROFIT BEFORE TAX

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Gain/(Loss) on foreign exchange (net): | | | | |
| Unrealised | **5,397** | (3,957) | **6** | 3 |
| Realised | **1,702** | 2,727 | **-** | - |
| Rental income | **1,030** | 1,559 | **-** | - |
| Allowance for doubtful debts no longer required: | | | | |
| Trade receivables | **743** | - | **-** | - |
| Other receivables | **113** | - | **-** | - |
| Share of common expense | **717** | 871 | **-** | - |
| Net revaluation (loss)/gain on derivatives | **(2,819)** | 5,087 | **-** | - |
| Provision for retirement benefits (Note 32) | **(1,654)** | (1,348) | **(244)** | (214) |
| Rental of: | | | | |
| Land | **(253)** | (324) | **-** | - |
| 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) | **(75)** | (56) | **-** | - |
| Staff quarters paid/payable to a related party (Note 26) | **(113)** | (122) | **-** | - |
| Equipment paid/payable to a related party (Note 26) | **(9)** | (9) | **-** | - |
| Plant and machinery | **(636)** | (628) | **-** | - |
| Office equipment | **(13)** | (9) | **-** | - |
| Provision for incremental rental charges | **(1,027)** | (1,027) | **-** | - |
| Inventories written down (Note 22) | **(838)** | (370) | **-** | - |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. PROFIT BEFORE TAX (CONT'D)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Amortisation of biological assets | **(577)** | (720) | **-** | - |
| Fees paid/payable to external auditors: | | | | |
| Statutory audit: | | | | |
| Auditors of the Company | **(238)** | (221) | **(75)** | (70) |
| Member firm of the auditors of the Company | **(194)** | (176) | **-** | - |
| Other auditors | **(7)** | (6) | **-** | - |
| Non-audit services: | | | | |
| Auditors of the Company | **(6)** | (6) | **(6)** | (6) |
| Other auditors | **(61)** | (59) | **(9)** | - |
| (Loss)/Gain on disposal of property, plant and equipment | **(87)** | 9 | **-** | 2 |
| Property, plant and equipment written off | **(42)** | - | **-** | - |
| Inventories written off (Note 22) | **(35)** | (78) | **-** | - |
| (Loss)/Gain arising from disposal of subsidiary | **-** | (515) | **-** | 1,544 |
| Allowance for loss on conversion of Plasma PIR-TRANS program no longer required (Note 19) | **-** | 334 | **-** | - |
| Gain arising from acquisition of non-controlling interest | **-** | (122) | **-** | - |

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 RM4,242,969 and RM336,149 (2016: RM4,020,508 and RM282,293) respectively.

## 9. FINANCE COSTS

| | The Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Interest expense on hire purchase payables | **81** | 69 |

## 10. INCOME TAX EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Estimated tax payable: | | | | |
| Current year | **17,449** | 10,167 | **-** | - |
| (Over)/Underprovision in prior years | **(132)** | 45 | **-** | - |
| | **17,317** | 10,212 | **-** | - |
| Deferred tax (Note 21): | | | | |
| Current year | **(759)** | 1,142 | **-** | - |
| Overprovision in prior years | **(71)** | (402) | **-** | - |
| | **(830)** | 740 | **-** | - |
| | **16,487** | 10,952 | **-** | - |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 10. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated taxable profit for the year. Taxation of other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Profit before tax | **73,831** | 36,916 | **890** | 10,072 |
| Tax at the Malaysian statutory income tax rate of 24% (2016: 24%) | **17,719** | 8,860 | **214** | 2,417 |
| Different tax rate in other jurisdiction | **302** | 154 | **-** | - |
| Tax effects of: | | | | |
| Non-deductible expenses | **373** | 4,145 | **102** | 106 |
| Non-taxable income | **(1,647)** | (1,519) | **(591)** | (2,249) |
| Realisation of deferred tax assets previously not recognised | **(332)** | (331) | **-** | (274) |
| Deferred tax assets not recognised | **275** | - | **275** | - |
| (Over)/Underprovision in prior years: | | | **-** | |
| Current | **(132)** | 45 | **-** | - |
| Deferred tax | **(71)** | (402) | **-** | - |
| Income tax expense | **16,487** | 10,952 | **-** | - |

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 (2016: RM7,547,000) 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 (2016: RM170,290,000) arising from tax-exempt income earned during the pioneer period under the Promotion of Investments Act, 1986. The exempt income accounts are available for distribution of its retained earnings as tax-exempt dividends to the shareholder of the said subsidiary company and is subject to approval by the tax authorities.

A subsidiary company has tax-exempt income under the Income Tax (Amendment) Act, 1999 amounting to approximately RM715,000 (2016: RM715,000). This amount, which arose from tax waiver on the chargeable income earned in 1999, is available for distribution of its retained earnings as tax-exempt dividends.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 10. INCOME TAX EXPENSE (CONT'D)

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 preceeding 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 | |
|---|---|---|
| | **2017** | **2016** |
| Profit for the year attributable to ordinary equity holders of the Company (RM'000) | **48,654** | 24,869 |
| Number of ordinary shares in issue | **136,934,132** | 136,934,132 |
| Basic earnings per share (sen) | **35.53** | 18.16 |

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 | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| Freehold land at cost | **136,343** | 136,343 |
| Development costs | **5,601** | 5,601 |
| | **141,944** | 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 2016 RM'000 | Additions RM'000 | Disposals RM'000 | Write offs RM'000 | Assets of subsidiary disposed 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** |
| Leasehold warehouse cum office block | - | - | - | - | - | - | - | **-** |
| Staff quarter cum office block | 6,093 | 59 | - | - | - | - | 790 | **6,942** |
| Freehold warehouse | - | - | - | - | - | - | - | **-** |
| 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 | Cost<br>As of 1 April 2015 RM'000 | Additions RM'000 | Disposals RM'000 | Write offs RM'000 | Assets of subsidiary disposed RM'000 | Reclassifications RM'000 | Effects of foreign exchange translation RM'000 | As of 31 March 2016 RM'000 |
|---|---|---|---|---|---|---|---|---|
| Leasehold land | 6,474 | - | - | - | (4,394) | - | 80 | 2,160 |
| Freehold land | 5,117 | - | - | - | - | - | 6 | 5,123 |
| Freehold office | 3,593 | - | - | - | - | - | - | 3,593 |
| Factory buildings | 10,662 | - | - | - | - | - | - | 10,662 |
| Palm oil mills | 18,698 | 216 | - | - | - | 45,125 | 1,591 | 65,630 |
| Hospital building | 29,285 | 15 | - | - | - | - | - | 29,300 |
| Medical equipment | 43,142 | 1,224 | - | - | - | - | - | 44,366 |
| Plant, machinery, equipment and electrical installation | 136,220 | 2,258 | (40) | - | (1,456) | - | 362 | 137,344 |
| Motor vehicles | 5,359 | 1,409 | (285) | - | (100) | - | 91 | 6,474 |
| Office equipment, furniture and fittings | 19,222 | 1,439 | (2) | - | (77) | - | 19 | 20,601 |
| Leasehold warehouse cum office block | 5,933 | - | - | - | (5,933) | - | - | - |
| Staff quarter cum office block | 4,800 | 243 | - | - | - | 843 | 207 | 6,093 |
| Freehold warehouse | 2,295 | - | - | - | (2,295) | - | - | - |
| Land improvements | 5,362 | 193 | - | - | - | 727 | 226 | 6,508 |
| Construction-in-progress: | | | | | | | | |
| Plant and machinery | - | - | - | - | - | - | - | - |
| Building | 41,125 | 5,383 | - | - | - | (46,695) | 808 | 621 |
| Renovation | 1,041 | 9 | - | - | - | - | - | 1,050 |
| Total | 338,328 | 12,389 | (327) | - | (14,255) | - | 3,390 | 339,525 |

# 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 | Change for the year RM'000 | Disposals RM'000 | Write offs RM'000 | Assets of subsidiary disposed 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** |
| Leasehold warehouse cum office block | - | - | - | - | - | - | - | **-** |
| Staff quarter cum office block | 2,375 | 570 | - | - | - | - | 334 | **3,279** |
| Freehold warehouse | - | - | - | - | - | - | - | **-** |
| 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 | As of 1 April 2015 RM'000 | Change for the year RM'000 | Disposals RM'000 | Write offs RM'000 | Assets of subsidiary disposed RM'000 | Reclassifications RM'000 | Effects of foreign exchange translation RM'000 | As of 31 March 2016 RM'000 |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Depreciation | | | | | | | |
| Leasehold land | 1,644 | 80 | - | - | (451) | - | 42 | 1,315 |
| Freehold land | - | - | - | - | - | - | - | - |
| Freehold office | 348 | 72 | - | - | - | - | - | 420 |
| Factory buildings | 3,153 | 226 | - | - | - | - | - | 3,379 |
| Palm oil mills | 12,536 | 2,908 | - | - | - | - | 544 | 15,988 |
| Hospital building | 7,894 | 586 | - | - | - | - | - | 8,480 |
| Medical equipment | 34,307 | 1,721 | - | - | - | - | - | 36,028 |
| Plant, machinery, equipment and electrical installation | 113,422 | 4,073 | (40) | - | (1,456) | - | 185 | 116,184 |
| Motor vehicles | 3,864 | 538 | (285) | - | (23) | - | 36 | 4,130 |
| Office equipment, furniture and fittings | 14,700 | 810 | (1) | - | (67) | - | 13 | 15,455 |
| Leasehold warehouse cum office block | 5,933 | - | - | - | (5,933) | - | - | - |
| Staff quarter cum office block | 1,816 | 479 | - | - | - | - | 80 | 2,375 |
| Freehold warehouse | 760 | 19 | - | - | (779) | - | - | - |
| Land improvements | 2,558 | 324 | - | - | - | - | 105 | 2,987 |
| Construction-in-progress: | | | | | | | | |
| Plant and machinery | - | - | - | - | - | - | - | - |
| Building | - | - | - | - | - | - | - | - |
| Renovation | 480 | 104 | - | - | - | - | - | 584 |
| Total | 203,415 | 11,940 | (326) | - | (8,709) | - | 1,005 | 207,325 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

| The Group | Net Book Value 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Leasehold land | **902** | 845 |
| Freehold land | **5,145** | 5,123 |
| Freehold office | **3,101** | 3,173 |
| Factory buildings | **7,057** | 7,283 |
| Palm oil mills | **52,240** | 49,642 |
| Hospital building | **20,437** | 20,820 |
| Medical equipment | **8,233** | 8,338 |
| Plant, machinery, equipment and electrical installation | **24,277** | 21,160 |
| Motor vehicles | **2,876** | 2,344 |
| Office equipment, furniture and fittings | **5,402** | 5,146 |
| Leasehold warehouse cum office block | **-** | - |
| Staff quarter cum office block | **3,663** | 3,718 |
| Freehold warehouse | **-** | - |
| Land improvements | **3,612** | 3,521 |
| Construction-in-progress: | | |
| Plant and machinery | **3,767** | - |
| Building | **2,316** | 621 |
| Renovation | **361** | 466 |
| Total | **143,389** | 132,200 |

| 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 2015 | 3,593 | 858 | 1,228 | 1,040 | 6,719 |
| Additions | - | - | 41 | 9 | 50 |
| Write-offs | - | (5) | (2) | - | (7) |
| As at 31 March 2016/1 April 2016 | 3,593 | 853 | 1,267 | 1,049 | 6,762 |
| Additions | - | 551 | 89 | - | 640 |
| Disposals | - | - | (6) | - | (6) |
| As at 31 March 2017 | **3,593** | **1,404** | **1,350** | **1,049** | **7,396** |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

| The Company | Freehold office RM'000 | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Accumulated Depreciation** | | | | | |
| As at 1 April 2015 | 348 | 734 | 685 | 479 | 2,246 |
| Charge for the year | 72 | 124 | 158 | 104 | 458 |
| Write-offs | - | (6) | (1) | - | (7) |
| As at 31 March 2016/1 April 2016 | 420 | 852 | 842 | 583 | 2,697 |
| Charge for the year | 71 | 37 | 150 | 105 | 363 |
| Disposals | - | - | (6) | - | (6) |
| As of 31 March 2017 | **491** | **889** | **986** | **688** | **3,054** |
| **Net Book Value** | | | | | |
| As of 31 March 2017 | **3,102** | **515** | **364** | **361** | **4,342** |
| As at 31 March 2016 | 3,173 | 1 | 425 | 466 | 4,065 |

(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 need to be considered on the private hospital building with net book value of RM20,437,034 (2016: RM20,820,027), which is constructed on the said land.

(ii) As at 31 March 2017, the strata title in respect of a freehold office with net book value of RM3,101,533 (2016: RM3,173,384) belonging to the Company has not yet been issued to the Company.

(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. 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 RM23,395,024 (2016: RM23,462,915).

(iv) Included in property, plant and equipment of the Group are fully depreciated assets with cost amounting to RM147,678,643 (2016: RM138,777,622), 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 RM1,189,000 (2016: RM1,141,000).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 14. INVESTMENT PROPERTY

| | The Group | |
|---|---|---|
| | 2017 RM'000 | 2016 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 (2016: RM14,151).

Details of the Group's investment property and information about the fair value hierarchy as at 31 March 2017 are as follows:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Fair value RM'000 |
|---|---|---|---|---|
| **2017** | | | | |
| Investment property | **-** | **-** | **8,500** | **8,500** |
| **2016** | | | | |
| Investment property | - | - | 8,500 | 8,500 |

## 15. BIOLOGICAL ASSETS

| | The Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Cost** | | |
| At beginning of year | **27,626** | 20,536 |
| Additions | **4,345** | 6,229 |
| Effects of foreign exchange translation | **3,569** | 861 |
| At end of year | **35,540** | 27,626 |
| **Accumulated Amortisation** | | |
| At beginning of year | **8,198** | 7,189 |
| Charge for the year | **577** | 720 |
| Effects of foreign exchange translation | **1,069** | 289 |
| At end of year | **9,844** | 8,198 |
| **Net Book Value** | **25,696** | 19,428 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. INVESTMENT IN SUBSIDIARY COMPANIES

| | The Company 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Unquoted shares – at cost | **247,091** | 248,023 |
| Additions | **4,900** | 455 |
| Disposal of a subsidiary | **-** | (470) |
| Conversion from investment in direct subsidiary to direct associate | **-** | (917) |
| | **251,991** | 247,091 |
| Less: Accumulated impairment loss | **(7,202)** | (7,202) |
| Net | **244,789** | 239,889 |

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 (2016: 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 2017 | 2016 | 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 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

| Direct subsidiary companies | Country of incorporation | Proportion of ownership interest 2017 | 2016 | Principal activities |
|---|---|---|---|---|
| Parson Medithor Medical Sdn. Bhd. (formerly known as Centre For Sight Sdn. Bhd.) | Malaysia | **100%** | 100% | Dormant |
| SAB Bio-Fuel Sdn. Bhd. | Malaysia | **100%** | 100% | Pre-operating |
| Imayos Letting Sdn. Bhd. (formerly known as SAB Logistics & GrainsTerminal Sdn. Bhd.) | Malaysia | **100%** | 100% | Pre-operating |

| Indirect subsidiary companies | Country of incorporation | Proportion of ownership interest 2017 | 2016 | 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 2017 | 2016 |
|---|---|---|---|
| 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 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

| Principal activity | Place of incorporation and operation | Number of non-wholly-owned subsidiary companies 2017 | 2016 |
|---|---|---|---|
| Sales of oil palm fruit and crude palm oil | Indonesia | **2** | 2 |
| Others | Malaysia | **1** | 1 |
| | | **3** | 3 |

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 |
|---|---|---|---|---|
| **2017** | | | | |
| 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% | **950** | **6,172** |
| Total | | | **8,690** | **59,417** |
| **2016** | | | | |
| Firstview Development Sdn. Bhd. | Malaysia | 10.0% | 344 | 10,027 |
| PT Mustika Agro Sari (Held through Firstview Development Sdn. Bhd.) | Indonesia | 37.0% | 3,794 | 29,463 |
| PT Wanasari Nusantara (Held through PT Mustika Agro Sari) | Indonesia | 37.0% | (2,486) | 5,086 |
| Total | | | 1,652 | 44,576 |

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.

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Firstview Development Sdn. Bhd.** | | |
| Statement of financial position | | |
| Current assets | **21,254** | 19,514 |
| Non-current assets | **9,039** | 9,039 |
| Current liabilities | **232** | 207 |
| Equity attributable to owners of the Company | **17,089** | 18,319 |
| Non-controlling interests | **12,972** | 10,027 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Firstview Development Sdn. Bhd. (Cont'd)** | | |
| Statement of profit or loss | | |
| Revenue | - | 3,613 |
| Other income (net) | 1,830 | 258 |
| Profit before tax | 1,830 | 3,871 |
| Income tax expense | (114) | (433) |
| Profit for the year | 1,716 | 3,438 |
| Profit attributable to owners of the Company | 1,544 | 3,094 |
| Profit attributable to the non-controlling interests | 172 | 344 |
| Profit for the year | 1,716 | 3,438 |
| Statement of other comprehensive income | | |
| Other comprehensive income for the year | - | - |
| Total comprehensive income attributable to owners of the Company | 1,544 | 3,094 |
| Total comprehensive income attributable to the non-controlling interests | 172 | 344 |
| Total comprehensive income for the year | 1,716 | 3,438 |
| Statement of cash flows | | |
| Net cash used in operating activities | (988) | (900) |
| Net cash generated from investing activities | 713 | 2,722 |
| Net cash generated from/(used in) financing activities | 24 | (447) |
| Net cash inflow | (251) | 1,375 |
| **PT Mustika Agro Sari** | | |
| Statement of financial position | | |
| Current assets | 126,085 | 89,948 |
| Non-current assets | 28,241 | 23,002 |
| Current liabilities | 18,175 | 11,370 |
| Non-current liabilities | 2,290 | 2,207 |
| Equity attributable to owners of the Company | 93,588 | 69,910 |
| Non-controlling interests | 40,273 | 29,463 |
| Statement of profit or loss | | |
| Revenue | 143,848 | 89,421 |
| Expenses | (123,395) | (76,926) |
| Profit for the year | 20,453 | 12,495 |
| Profit attributable to owners of the Company | 12,885 | 8,701 |
| Profit attributable to the non-controlling interests | 7,568 | 3,794 |
| Profit for the year | 20,453 | 12,495 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **PT Mustika Agro Sari (Cont'd)** | | |
| Statement of other comprehensive income | | |
| Other comprehensive income for the year | **228** | 24 |
| Total comprehensive income attributable to owners of the Company | **13,029** | 7,887 |
| Total comprehensive income attributable to the non-controlling interests | **7,652** | 4,632 |
| Total comprehensive income for the year | **20,681** | 12,519 |
| Statement of cash flows | | |
| Dividends paid to non-controlling interests | **-** | (1,470) |
| Net cash from operating activities | **21,237** | 7,054 |
| Net cash used in investing activities | **(9,234)** | (14,589) |
| Net cash used in financing activities | **(194)** | (4,958) |
| Net cash inflow/(outflow) | **11,809** | (13,963) |
| **PT Wanasari Nusantara** | | |
| Statement of financial position | | |
| Current assets | **24,006** | 14,275 |
| Non-current assets | **83,177** | 73,845 |
| Current liabilities | **75,846** | 62,460 |
| Non-current liabilities | **2,451** | 2,502 |
| Equity attributable to owners of the Company | **22,714** | 18,072 |
| Non-controlling interests | **6,172** | 5,086 |
| Statement of profit or loss | | |
| Revenue | **137,626** | 45,477 |
| Expenses | **(135,419)** | (53,369) |
| Profit/(Loss) for the year | **2,207** | (7,892) |
| Profit/(Loss) attributable to owners of the Company | **1,390** | (4,972) |
| Profit/(Loss) attributable to the non-controlling interests | **817** | (2,920) |
| Profit/(Loss) for the year | **2,207** | (7,892) |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **PT Wanasari Nusantara (Cont'd)** | | |
| Statement of other comprehensive income | | |
| Other comprehensive income for the year | **406** | 92 |
| Total comprehensive income/(loss) attributable to owners of the Company | **1,646** | (4,914) |
| Total comprehensive income/(loss) attributable to the non-controlling interests | **967** | (2,886) |
| Total comprehensive income/(loss) for the year | **2,613** | (7,800) |
| Statement of cash flows | | |
| Net cash from/(used in) operating activities | **10,642** | (1,563) |
| Net cash used in investing activities | **(4,699)** | (11,471) |
| Net cash from financing activities | **2,268** | 12,609 |
| Net cash inflow/(outflow) | **8,211** | (425) |

**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") (formerly known as SAB Logistics & Grains Terminal Sdn. Bhd.), 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 2017.

**Disposal of subsidiary in 2016**

On 4 September 2015, the Company disposed 973,750 ordinary shares in PKE (Malaysia) Sdn. Berhad ("PKEM") representing 38.56% of the issued and paid up capital of PKEM for a total cash consideration of RM2,462,148. Upon completion of the disposal, the Company no longer has control over PKEM and ceased to be the subsidiary of the Group and is accounted for as an associate of the Group.

The effect of the disposal on the financial position of the Group is as follows:

| | The Group 2016 RM'000 |
|---|---|
| **ASSETS** | |
| **Non-current Asset** | |
| Property, plant and equipment | 5,544 |
| **Current Assets** | |
| Trade receivables | 2,003 |
| Other receivables and prepaid expenses | 57 |
| Cash and cash equivalents | 4,159 |
| Tax recoverable | 130 |
| **Non-current Liability** | |
| Provision for retirement benefit | (204) |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

| | The Group 2016 RM'000 |
|---|---|
| **Disposal of subsidiary in 2016 (Cont'd)** | |
| **Current Liabilities** | |
| Trade payables | (108) |
| Other payables and accrual expenses | (2,283) |
| Amount owing to other related companies | (1,579) |
| Net assets disposed of | 7,719 |
| Consideration: | |
| Cash, representing consideration received | 2,462 |
| Loss on disposal of subsidiary: | |
| Total consideration | 2,462 |
| Net assets disposed | (7,719) |
| Non-controlling interests | 1,765 |
| Reclassification to investment in associate | 2,977 |
| Loss on disposal of subsidiary | (515) |

The loss on disposal of subsidiary is recorded as part of profit or loss for the year.

Cash outflow arising on disposal of subsidiary is as follows:

| | The Group 2016 RM'000 |
|---|---|
| Cash consideration received | 2,462 |
| Less: Cash and cash equivalents disposed | (4,159) |
| | (1,697) |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 17. INVESTMENT IN AN ASSOCIATE COMPANY

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Unquoted shares at cost | | | | |
| At beginning of the year | **2,977** | - | **917** | - |
| Reclassification from investment in direct subsidiary | **-** | 2,977 | **-** | 917 |
| At end of year | **2,977** | 2,977 | **917** | 917 |
| Share of post acquisition reserve | | | | |
| At beginning of the year | **364** | - | **-** | - |
| Share of results of associate | **(1,134)** | 364 | **-** | - |
| At end of the year | **(770)** | 364 | **-** | - |
| Share of net assets | **2,207** | 3,341 | **-** | - |

| Associate company | Country of incorporation | Proportion of ownership interest 2017 | Proportion of ownership interest 2016 | 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.

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **PKE (Malaysia) Sdn. Berhad** | | |
| Statement of financial position | | |
| Current assets | **1,623** | 4,325 |
| Non-current assets | **5,361** | 5,478 |
| Current liabilities | **1,178** | 1,054 |
| Equity | **5,806** | 8,749 |
| Statement of profit or loss | | |
| Revenue | **9,278** | 10,073 |
| Expenses | **(12,221)** | (9,951) |
| (Loss)/Profit for the year | **(2,943)** | 122 |
| Statement of other comprehensive income | | |
| Other comprehensive income for the year | **-** | - |
| Total comprehensive (loss)/income | **(2,943)** | 122 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 18. AVAILABLE-FOR-SALE INVESTMENTS

| | The Group and The Company 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Shares in Malaysia:** | | |
| Quoted shares - at fair value | **42,535** | 38,324 |
| Unquoted shares - at cost | **456** | 456 |
| **Total** | **42,991** | 38,780 |

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

| | The Group and The Company 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| At beginning of year | **38,324** | 38,637 |
| Additions during the year | **205** | 18 |
| Gain/(Loss) arising from revaluation of available-for-sale investments | **4,006** | (331) |
| At end of year | **42,535** | 38,324 |

## 19. ADVANCES FOR PLASMA PIR-TRANS PROGRAM

| | The Group 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Cost** | | |
| At beginning of year | **-** | 328 |
| Conversion | **-** | (334) |
| Effects of foreign exchange translation | **-** | 6 |
| At end of year | **-** | - |

| | The Group 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Accumulated Allowance for Loss on Conversion of Plasma PIR-TRANS Program** | | |
| At beginning of year | **-** | 328 |
| Provision no longer required (Note 8) | **-** | (334) |
| Effects of foreign exchange translation | **-** | 6 |
| At end of year | **-** | - |
| Net Book Value | **-** | - |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 19. ADVANCES FOR PLASMA PIR-TRANS PROGRAM (CONT'D)

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 (2016: 8,800) hectares have been converted.

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

| | The Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| **Cost** | | |
| At beginning of year | **4,831** | 3,381 |
| Additions | **2,069** | 1,932 |
| Amount recovered during the year | **(468)** | (638) |
| Effects of foreign exchange translation | **699** | 156 |
| At end of year | **7,131** | 4,831 |
| **Accumulated Allowance for Loss on Conversion of KKPA Program** | | |
| At beginning and end of year | **400** | 400 |
| **Net Book Value** | **6,731** | 4,431 |

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 (2016: 500) hectares, which are currently being self-financed by a subsidiary company.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 21. DEFERRED TAX ASSETS/(LIABILITIES)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| At beginning of year | **152** | 892 | **-** | - |
| Credited/(Charged) to profit or loss (Note 8): | | | | |
| Property, plant and equipment | **(437)** | 2,718 | **-** | - |
| Trade receivables | **(1,095)** | 1,526 | **-** | - |
| Advances for Plasma PIR-TRANS program | **-** | (82) | **-** | - |
| Other payables and accrued expenses | **(338)** | (1,146) | **-** | - |
| Provision for retirement benefits | **802** | 266 | **-** | - |
| Derivatives | **1,898** | (2,200) | **-** | - |
| Unabsorbed capital allowances | **-** | (1,793) | **-** | - |
| Unused tax losses | **-** | (29) | **-** | - |
| | **830** | (740) | **-** | - |
| At end of year | **982** | 152 | **-** | - |

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 | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Deferred tax assets | **2,339** | 1,574 | **-** | - |
| Deferred tax liabilities | **(1,357)** | (1,422) | **-** | - |
| | **982** | 152 | **-** | - |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Deferred tax assets (before offsetting)** | | | | |
| Temporary differences arising from: | | | | |
| Trade receivables | **413** | 1,508 | **-** | - |
| Other payables and accrued expenses | **2,367** | 2,705 | **-** | - |
| Provision for retirement benefits | **2,921** | 2,119 | **-** | - |
| Derivatives | **677** | - | **-** | - |
| | **6,378** | 6,332 | **-** | - |
| Offsetting | **(4,039)** | (4,758) | **-** | - |
| Deferred tax assets (after offsetting) | **2,339** | 1,574 | **-** | - |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Deferred tax liabilities** | | | | |
| Temporary differences arising from: | | | | |
| Property, plant and equipment | **(5,396)** | (4,959) | **-** | - |
| Derivatives | **-** | (1,221) | **-** | - |
| | **(5,396)** | (6,180) | **-** | - |
| Offsetting | **4,039** | 4,758 | **-** | - |
| Deferred tax liabilities (after offsetting) | **(1,357)** | (1,422) | **-** | - |

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 | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Temporary differences arising from provision for retirement benefits | **1,689** | 1,444 | **1,684** | 1,440 |
| Unabsorbed capital allowances | **2,822** | 2,635 | **1,492** | 1,301 |
| Unused tax losses | **12,695** | 13,364 | **11,044** | 10,332 |
| | **17,206** | 17,443 | **14,220** | 13,073 |

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 22. INVENTORIES

| | The Group 2017 RM'000 | The Group 2016 RM'000 |
|---|---|---|
| **At cost:** | | |
| Raw materials | **20,821** | 12,462 |
| Work-in-progress | **28,139** | 23,244 |
| Finished goods | **15,795** | 13,605 |
| Medical and surgical supplies | **2,007** | 2,836 |
| Consumables | **11,095** | 9,027 |
| | **77,857** | 61,174 |
| **At net realisable value:** | | |
| Work-in-progress | **1,307** | - |
| Finished goods | **1,089** | 778 |
| Total | **80,253** | 61,952 |

As at 31 March 2017, cost of inventories recognised as an expense of the Group amounted to RM533,973,000 (2016: RM314,351,000).

The cost of inventories recognised is after taking into consideration a write down of inventories of RM838,000 (2016: RM370,000) to net realisable value and inventories written off of RM35,000 (2016: RM78,000).

## 23. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

| | The Group 2017 RM'000 | The Group 2016 RM'000 |
|---|---|---|
| **Derivative financial assets** | | |
| Foreign currency forward contracts | **183** | 2,359 |
| Commodity future contracts | **397** | - |
| | **580** | 2,359 |
| **Derivative financial liabilities** | | |
| Commodity future contracts | **1,040** | - |

At 31 March 2017, the fair value loss of the foreign currency forward contracts and commodity future contracts amounting to RM2,176,000 and RM643,000 respectively (2016: fair value gain of RM5,087,000 and RMNil respectively) has been recognised in statement of profit or loss. The details of the derivatives are disclosed in Note 39.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. TRADE RECEIVABLES

| | The Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Trade receivables | **54,264** | 30,069 |
| Less: Allowance for doubtful debts | **(789)** | (2,365) |
| Net | **53,475** | 27,704 |

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 (2016: 30 to 90 days).

An allowance of RM789,000 (2016: RM2,365,000) 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 RM5,279,000 (2016: RM6,087,000), 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.

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

| | The Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Neither past due nor impaired | **48,196** | 21,617 |
| Past due but not impaired: | | |
| 31 - 60 days | **4,209** | 4,457 |
| 61 - 90 days | **1,059** | 1,332 |
| 91 - 120 days | **11** | 298 |
| | **5,279** | 6,087 |
| Not past due but impaired | **-** | - |
| Past due and impaired: | | |
| More than 120 days | **789** | 2,365 |
| | **789** | 2,365 |
| Total trade receivables | **54,264** | 30,069 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. TRADE RECEIVABLES (CONT'D)

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

| | The Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| At beginning of year | **2,365** | 2,365 |
| Bad debts written off | **(833)** | - |
| Allowance no longer required | **(743)** | - |
| At end of year | **789** | 2,365 |

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 (2016: 1) major customer, which constitute approximately 8% (2016: 10%) of the total trade receivables.

Analysis of currency profile of trade receivables is as follows:

| | The Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| United States Dollar | **29,558** | 11,521 |
| Ringgit Malaysia | **23,617** | 18,375 |
| Pound Sterling | **305** | 173 |
| Euro | **556** | - |
| Chinese Renminbi | **228** | - |
| | **54,264** | 30,069 |

## 25. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Other receivables | **8,137** | 6,261 | **173** | 112 |
| Less: Allowance for doubtful debts | **(142)** | (255) | **-** | - |
| Net | **7,995** | 6,006 | **173** | 112 |
| Refundable deposits | **2,408** | 70 | **47** | 48 |
| Prepaid expenses | **7,829** | 3,080 | **51** | 57 |
| | **18,232** | 9,156 | **271** | 217 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

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

| | The Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| At beginning of year | **255** | 255 |
| Allowance no longer required | **(113)** | - |
| At end of year | **142** | 255 |

Analysis of currency profile of other receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Ringgit Malaysia | **8,078** | 6,237 | **173** | 112 |
| Indonesian Rupiah | **59** | 24 | **-** | - |
| | **8,137** | 6,261 | **173** | 112 |

## 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 | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Ringgit Malaysia | **1,035** | 889 |

### (b) Amount owing to a subsidiary company

Amount owing to a subsidiary company represent mainly unsecured advances and payments made on behalf and 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 | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Hong Kong Dollar | **140** | 140 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### (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 | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Subsidiary companies** | | |
| Southern Acids Industries Sdn. Bhd. | | |
| Dividend receivable (Note 5) | **-** | 7,500 |
| Management fees receivable | **1,268** | 1,087 |
| PKE Transport (Malaysia) Sdn. Berhad | | |
| Management fees receivable | **332** | 596 |
| Southern Medicare Sdn. Bhd. | | |
| Management fees receivable | **811** | 687 |
| PKE (Malaysia) Sdn. Berhad | | |
| Management fees receivable | **335** | 384 |
| Pembinaan Gejati Sdn. Bhd. | | |
| Management fees receivable | **17** | 17 |
| Firstview Development Sdn. Bhd. | | |
| Management fees receivable | **797** | 369 |
| Southern Management (M) Sdn. Bhd. | | |
| Administrative charges payable | **-** | (26) |

# 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 | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Related parties** | | |
| Southern Realty (Malaya) Sdn. Berhad | | |
| Administrative charges | **1,718** | 1,348 |
| Sale of goods | **1,617** | 953 |
| Share of property, plant and equipment charges | **16** | 16 |
| Purchases of goods | **(1,950)** | (1,362) |
| Plantation advisory | **(96)** | (96) |
| Rental paid/payable for: | | |
| Land (Note 8) | **(140)** | (140) |
| Premises (Note 8) | **(75)** | (56) |
| Staff quarters (Note 8) | **(67)** | (68) |
| Equipment (Note 8) | **(9)** | (9) |
| Bukit Rotan Palm Oil Sdn. Bhd. | | |
| Administrative charges | **32** | 30 |
| Southern Edible Oil Industries (M) Sdn. Berhad | | |
| Sale of goods | **292** | 241 |
| Purchases of goods | **(6,633)** | (1,872) |
| Administrative charges | **681** | 427 |
| Share of common expense | **717** | 871 |
| Share of property, plant and equipment charges | **16** | 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 2017 RM'000 | The Group 2016 RM'000 |
|---|---|---|
| Southern Keratong Plantations Sdn. Berhad | | |
| Purchases of goods | **(428)** | (295) |
| Administrative charges | **480** | 491 |
| Torita Rubber Works Sdn. Bhd. | | |
| Sale of goods | **22** | 35 |
| Administrative charges | **75** | 74 |
| Southern Hockjoo Plantation Sdn. Bhd. | | |
| Administrative charges | **203** | 137 |
| Banting Hock Hing Estate Company Sdn. Bhd. | | |
| Administrative charges | **115** | 104 |
| Southern Products Marketing Sdn. Bhd. | | |
| Administrative charges | **97** | 96 |
| Network charges | **(2)** | (2) |
| Kumsobina Development Sdn. Bhd. | | |
| Administrative charges | **65** | 27 |
| Southern Realty Plantations Sdn. Bhd. | | |
| Administrative charges | **21** | 21 |
| Kee Hup Oil & Cake Sdn. Bhd. | | |
| Rental paid/payable for: | | |
| Staff quarters | **(46)** | (54) |
| Administrative charges | **30** | - |
| Torita Trading (M) Sdn. Bhd. | | |
| Administrative charges | **21** | 18 |

# 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 | |
|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 |
| **Trade receivables** | | |
| Southern Realty (Malaya) Sdn. Berhad | **398** | 180 |
| Southern Edible Oil Industries (M) Sdn. Berhad | **287** | 63 |
| Southern Keratong Plantations Sdn. Berhad | **30** | 25 |
| Victory Enghoe Plantations Sdn. Bhd. | **12** | 15 |
| Southern Hockjoo Plantations Sdn. Bhd. | **10** | 11 |
| PT Pradisi Gunatama | **9** | 248 |
| PT Senabangun Anekapertiwi | **8** | 91 |
| Banting Hock Hin Estate Company Sdn. Bhd. | **7** | 6 |
| Southern Products Marketing Sdn. Bhd. | **7** | 5 |
| Kumsobina Development Sdn. Bhd. | **4** | 4 |
| Bekalan Utama Sdn. Bhd. | **2** | 2 |
| Kee Hup Oil & Cake Sdn. Bhd. | **2** | 2 |
| Torita Rubber Works Sdn. Bhd. | **1** | 382 |
| Bukit Rotan Palm Oil Sdn. Bhd. | **1** | 2 |
| Southern Realty Plantation Co. Sdn. Bhd. | **1** | 2 |
| Victory Investment Land (J) Sdn. Bhd. | **1** | 2 |
| Guan Hing Edible Oil Ind Sdn. Bhd. | **1** | 1 |
| Naga Wira Sdn. Bhd. | **1** | 1 |
| SG Plantations (Sabah) Sdn. Bhd. | **1** | 1 |
| Perindustrian Sawit Karak Sdn. Bhd. | **1** | 1 |
| Torita Trading (M) Sdn. Bhd. | **-** | 212 |
| | **784** | 1,256 |

# 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 (Cont'd)**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Other receivables, deposits and prepaid expenses** | | | | |
| Southern Realty (Malaya) Sdn. Berhad | **83** | 22 | **-** | - |
| Southern Edible Oil Industries (M) Sdn. Berhad | **82** | 41 | **-** | - |
| Southern Palm Industries Sdn. Berhad | **24** | 24 | **24** | 24 |
| Southern Products Marketing Sdn. Bhd. | **8** | 2 | **-** | - |
| Southern Keratong Plantations Sdn. Berhad | **7** | 7 | **-** | - |
| Southern Hockjoo Plantations Sdn. Bhd. | **3** | 2 | **-** | - |
| Victory Enghoe Plantations Sdn. Bhd. | **2** | 2 | **-** | - |
| Banting Hock Hin Estate Company Sdn. Bhd. | **2** | 1 | **-** | - |
| Torita Rubber Works Sdn. Bhd. | **1** | 94 | **-** | - |
| Torita Trading (M) Sdn. Bhd. | **1** | 70 | **-** | - |
| PT Pradisi Gunatama | **1** | 22 | **-** | - |
| PT Senabangun Anekapertiwi | **1** | 4 | **-** | - |
| Bukit Rotan Palm Oil Sdn. Bhd. | **1** | - | **-** | - |
| Kumsobina Development Sdn. Bhd. | **1** | - | **-** | - |
| Bekalan Utama Sdn. Bhd. | **1** | - | **-** | - |
| Perindustrian Sawit Karak Sdn. Bhd. | **1** | - | **-** | - |
| Victory Investment Land (J) Sdn. Bhd. | **-** | 1 | **-** | - |
| | **219** | 292 | **24** | 24 |

| | The Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Trade payables** | | |
| Southern Realty (Malaya) Sdn. Berhad | **81** | 54 |
| Bukit Rotan Palm Oil Sdn. Bhd. | **5** | 5 |
| | **86** | 59 |
| **Other Payables** | | |
| Southern Realty (Malaya) Sdn. Berhad | **6** | 20 |
| Kee Hup Oil & Cake Sdn. Bhd. | **4** | - |
| Southern Edible Oil Industries (M) Sdn. Berhad | **-** | 25 |
| Southern Products Marketing Sdn. Bhd. | **-** | 5 |
| Southern Keratong Plantations Sdn. Bhd. | **-** | 4 |
| | **10** | 54 |

# 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**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly and indirectly. The key management personnel of the Group and of the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Company and heads of major subsidiary companies of the Group.

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Short-term employment benefits | **6,424** | 6,105 | **2,382** | 1,981 |
| Post-employment benefits | **549** | 512 | **220** | 174 |
| | **6,973** | 6,617 | **2,602** | 2,155 |

Included in the total compensation of key management personnel are:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Directors' remuneration (Note 7) | **3,237** | 3,077 | **1,322** | 1,048 |

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 RM91,540 and RM54,014 (2016: RM79,662 and RM45,020) respectively.

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

The amount owing (to)/by 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 | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Cash and bank balances | **83,194** | 70,067 | **1,777** | 10,728 |
| Fixed deposits with licensed banks | **25,593** | 19,729 | **-** | - |
| Short-term placements | **55,438** | 74,230 | **9,871** | 12,212 |
| | **164,225** | 164,026 | **11,648** | 22,940 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. CASH AND CASH EQUIVALENTS (CONT'D)

Included in short-term placements of the Group and of the Company is an amount of RM55,438,000 and RM9,871,000 (2016: RM74,230,000 and RM12,212,000), respectively, represents investment in trust funds managed by licensed investment management companies, which is tax exempt, fixed-deposit-linked and allows prompt redemption at any time.

The effective interest rates for fixed deposits of the Group range from 2.28% to 9.00% (2016: 2.54% to 9.00%) per annum respectively and have maturity periods ranging from 1 day to 1 year (2016: 1 day to 1 year).

Short-term placements of the Group and of the Company earned interest at prevailing market rates and have no fixed maturity period and allow prompt redemption on demand.

Analysis of fixed deposits, short-term placements, and cash and bank balances by currency is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Ringgit Malaysia | **79,901** | 100,346 | **11,596** | 22,894 |
| Indonesian Rupiah | **66,450** | 43,554 | **-** | - |
| United States Dollar | **17,786** | 20,040 | **52** | 46 |
| Hong Kong Dollar | **88** | 86 | **-** | - |
| | **164,225** | 164,026 | **11,648** | 22,940 |

## 29. SHARE CAPITAL

| | The Group and The Company | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | No. of shares ('000) | RM'000 | No. of shares ('000) | RM'000 |
| **Authorised:** | | | | |
| Ordinary shares of RM1 each | **-** | **-** | 200,000 | 200,000 |
| **Issued and fully paid:** | | | | |
| Ordinary shares: | | | | |
| At beginning of year | **136,934** | **136,934** | 136,934 | 136,934 |
| Transfer from share premium | **-** | **34,321** | - | - |
| At end of year | **136,934** | **171,255** | 136,934 | 136,934 |

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act, 2016 (Act), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provision of the Act, 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 manner as specified by the Act.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| ***Non-distributable:*** | | | | |
| Share premium | **-** | 34,321 | **-** | 34,321 |
| Foreign exchange reserve | **980** | (9,042) | **-** | - |
| Other reserve | **(322)** | (322) | **-** | - |
| Fair value reserve | **18,244** | 14,238 | **18,244** | 14,238 |
| | **18,902** | 39,195 | **18,244** | 48,559 |
| ***Distributable:*** | | | | |
| Retained earnings | **380,064** | 337,813 | **113,336** | 119,293 |
| | **398,966** | 377,008 | **131,580** | 167,852 |

### Share premium

The share premium arose from the issuance of ordinary shares of the Company, exercise of warrants and bonus issues in prior years. During the current 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 2017 RM'000 | The Group 2016 RM'000 |
|---|---|---|
| Total outstanding | **660** | 912 |
| Less: Interest-in-suspense | **(55)** | (104) |
| Principal outstanding | **605** | 808 |
| Less: Amount due within 12 months (shown under current liabilities) | **(408)** | (327) |
| Non-current portion | **197** | 481 |

The non-current portion is payable as follows:

| | The Group 2017 RM'000 | The Group 2016 RM'000 |
|---|---|---|
| Not later than 1 year | **182** | 336 |
| More than 1 year and less than 5 years | **15** | 145 |
| | **197** | 481 |

The average term of hire purchase is approximately 3 years. For the financial year ended 31 March 2017, the effective borrowing rate ranged from 9% to 15% (2016: 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

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 2015 | 5,346 | 3,431 | 8,777 |
| Addition (Note 8): | | | |
| Current | 462 | 886 | 1,348 |
| Actuarial loss arising from changes in financial assumptions | - | (155) | (155) |
| Benefits paid | (24) | (72) | (96) |
| Effects of foreign exchange translation | - | 145 | 145 |
| As at 31 March 2016/1 April 2016 | 5,784 | 4,235 | 10,019 |
| Addition (Note 8): | | | |
| Current | 700 | 954 | 1,654 |
| Actuarial loss 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** | **6,408** | **4,549** | **10,957** |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 32. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

| | The Company 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| At beginning of year | **1,440** | 1,226 |
| Addition (Note 8) | **218** | 214 |
| Transfer from subsidiary and associate | **26** | - |
| At end of year | **1,684** | 1,440 |

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

| | The Group Malaysia RM'000 | Indonesia RM'000 | Total RM'000 |
|---|---|---|---|
| **2017** | | | |
| Present value of defined benefit obligations | **6,408** | **4,549** | **10,957** |
| **2016** | | | |
| Present value of defined benefit obligations | 5,784 | 4,235 | 10,019 |

| | The Company 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Present value of defined benefit obligations | **1,684** | 1,440 |

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

| | The Group Malaysia RM'000 | Indonesia RM'000 | Total RM'000 |
|---|---|---|---|
| **2017** | | | |
| At beginning of year | **5,784** | **4,235** | **10,019** |
| Current service cost | **355** | **600** | **955** |
| Interest cost on obligation | **345** | **354** | **699** |
| Actuarial loss 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** |
| **2016** | | | |
| At beginning of year | 5,346 | 3,431 | 8,777 |
| Current service cost | 341 | 617 | 958 |
| Interest cost on obligation | 316 | 269 | 585 |
| Actuarial loss arising from changes in financial assumptions | - | (155) | (155) |
| Benefits paid | (24) | (72) | (96) |
| Derecognition | (195) | - | (195) |
| Effects of foreign exchange translation | - | 145 | 145 |
| At end of year | 5,784 | 4,235 | 10,019 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 32. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

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

| | The Group | | |
|---|---|---|---|
| | Malaysia RM'000 | Indonesia RM'000 | Total RM'000 |
| **2017** | | | |
| Current service cost | **355** | **600** | **955** |
| Interest cost on obligation | **345** | **354** | **699** |
| | **700** | **954** | **1,654** |
| **2016** | | | |
| Current service cost | 341 | 617 | 958 |
| Interest cost on obligation | 316 | 269 | 585 |
| Derecognition | (195) | - | (195) |
| | 462 | 886 | 1,348 |

| | The Company | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Current service cost | **136** | 137 |
| Interest cost on obligation | **82** | 77 |
| | **218** | 214 |

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

| | 2017 | 2016 |
|---|---|---|
| **Malaysia** | | |
| Discount rate (%) | **5.8** | 5.8 |
| Future salary increments (%) | **8.0** | 8.0 |
| Normal retirement age: | | |
| Male | **60** | 60 |
| Female | **60** | 60 |
| **Indonesia** | | |
| Discount rate (%) | **8.4** | 8.4 |
| Future salary increments (%) | **10.0** | 10.0 |
| Normal retirement age: | | |
| Male | **55** | 55 |
| Female | **55** | 55 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 32. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

**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 have 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.

## 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 (2016: 7 to 60) days.

Analysis of currency profile of trade payables is as follows:

| | The Group | |
|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 |
| Ringgit Malaysia | **17,208** | 12,563 |
| Indonesian Rupiah | **15,181** | 9,135 |
| | **32,389** | 21,698 |

### (b) Other Payables and Accrued Expenses

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Other payables | **3,984** | 4,812 | **64** | 53 |
| Advances from customers | **2,451** | 3,988 | **-** | - |
| Accrued expenses | **18,197** | 19,758 | **1,243** | 1,254 |
| Provision for incremental rental charges | **6,074** | 5,048 | **-** | - |
| | **30,706** | 33,606 | **1,307** | 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 (2016: 60 days) from the transaction dates.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 33. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

### (b) Other Payables and Accrued Expenses (cont'd)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Ringgit Malaysia | **4,256** | 3,170 | **64** | 53 |
| Indonesian Rupiah | **2,016** | 5,485 | **-** | - |
| Euro | **-** | 5 | **-** | - |
| United States Dollar | **163** | 140 | **-** | - |
| | **6,435** | 8,800 | **64** | 53 |

## 34. BANKING FACILITIES

The Group and the Company have credit facilities amounting to RM45,000,000 (2016: RM20,000,000) and RM6,000,000 (2016: RM11,000,000) respectively. These facilities are secured by the assets of the subsidiary companies and corporate guarantee from the Group.

These facilities bear interest at rate of 7.75% (2016: 7.85%) per annum.

As at 31 March 2017, the Group and the Company have utilised RM4,380,440 and RM827,640 (2016: RM4,482,628 and RM868,428), respectively, of the bank guarantee facility.

## 35. DIVIDENDS

| | The Group and The Company | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Final dividend of 5 sen, single tier, in respect of financial year ended 31 March 2016 | **6,847** | - |
| Final dividend of 5 sen, single tier, in respect of financial year ended 31 March 2015 | **-** | 6,847 |
| | **6,847** | 6,847 |

## 36. SEGMENTAL INFORMATION

The Group's operating businesses are classified according to the following operating divisions:

(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) Warehousing and bulk conveyor operations (ceased in financial year ended 31 March 2016)
(v) Others

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 2017 | 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 | Warehousing and bulk conveyor operations RM'000 | Others 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 | 32,013 | - | (342) | - | 70,603 |
| Profit from operations | | | | | | | 70,603 |
| Investment revenue | | | | | | | 4,443 |
| Finance cost | | | | | | | (81) |
| Share of results of associate | | | | | | | (1,134) |
| Profit before tax | | | | | | | 73,831 |
| Income tax expense | | | | | | | (16,487) |
| Profit for the year | | | | | | | 57,344 |
| **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 | - | - | 577 | - | - | - | 577 |
| 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 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 36. SEGMENTAL INFORMATION (CONT'D)

| The Group 2017 | 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 | Warehousing and bulk conveyor operations RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **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 | 336,262 | - | 326,711 | (254,479) | 683,414 |
| Deferred tax assets | - | - | 2,237 | - | - | 102 | 2,339 |
| Tax recoverable | 3,240 | 96 | 19,058 | - | 48 | (1,382) | 21,060 |
| Consolidated assets | | | | | | | 706,813 |
| **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 |

| The Group 2016 | 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 | Warehousing and bulk conveyor operations RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| External sales | 284,020 | 71,257 | 135,010 | 7,822 | 3,687 | - | 501,796 |
| External dividend income | - | - | - | - | 1,618 | - | 1,618 |
| Inter-segment sales | - | - | - | - | 11,242 | (11,242) | - |
| Total revenue | 284,020 | 71,257 | 135,010 | 7,822 | 16,547 | (11,242) | 503,414 |
| **Financial Results** | | | | | | | |
| Segment results | 14,553 | 13,022 | 7,006 | 65 | (3,284) | - | 31,362 |
| Profit from operations | | | | | | | 31,362 |
| Investment revenue | | | | | | | 5,259 |
| Finance cost | | | | | | | (69) |
| Share of results of associate | | | | | | | 364 |
| Profit before tax | | | | | | | 36,916 |
| Income tax expense | | | | | | | (10,952) |
| Profit for the year | | | | | | | 25,964 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 36. SEGMENTAL INFORMATION (CONT'D)

| The Group 2016 | 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 | Warehousing and bulk conveyor operations RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **Other Information:** | | | | | | | |
| Capital expenditure | 1,331 | 2,692 | 7,887 | 418 | 61 | - | 12,389 |
| Additions to biological assets | - | - | 6,229 | - | - | - | 6,229 |
| Additions of available-for-sale investments | - | - | - | - | 18 | - | 18 |
| **Non-cash expenses:** | | | | | | | |
| Depreciation of property, plant and equipment | 3,550 | 2,792 | 5,033 | 76 | 489 | - | 11,940 |
| Provision for retirement benefits | 443 | - | 887 | 195 | 213 | - | 1,348 |
| Amortisation of biological assets | - | - | 720 | - | - | - | 720 |
| Inventories written down | 370 | - | - | - | - | - | 370 |
| Inventories written off | - | 78 | - | - | - | - | 78 |
| Provision for incremental rental charges | 1,027 | - | - | - | - | - | 1,027 |
| Unrealised loss/(gain) on foreign exchange - net | 4,561 | - | (601) | - | (3) | - | 3,957 |
| **Non-cash income:** | | | | | | | |
| Gain arising from derivative financial assets | 5,087 | - | - | - | - | - | 5,087 |
| Gain on disposal of property, plant and equipment | 6 | - | 1 | - | 2 | - | 9 |
| Allowance for loss on conversion of Plasma PIR-TRANS program no longer required | - | - | (334) | - | - | - | (334) |
| **Statement of Financial Position** | | | | | | | |
| **Assets** | | | | | | | |
| Segment assets | 163,931 | 75,315 | 296,716 | 8,194 | 313,201 | (248,595) | 608,762 |
| Deferred tax assets | - | - | 1,472 | - | - | 102 | 1,574 |
| Tax recoverable | 2,357 | 511 | 13,153 | 15 | - | - | 16,036 |
| Consolidated assets | | | | | | | 626,372 |
| **Liabilities** | | | | | | | |
| Segment liabilities | 24,209 | 16,540 | 23,547 | 325 | 3,420 | (1,756) | 66,285 |
| Deferred tax liabilities | 893 | 493 | - | 36 | - | - | 1,422 |
| Tax liabilities | - | - | 770 | - | - | (623) | 147 |
| Consolidated liabilities | | | | | | | 67,854 |

# 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 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Asia: | | |
| Malaysia | **181,174** | 156,777 |
| Indonesia | **281,475** | 134,809 |
| Others | **177,621** | 131,410 |
| Europe | **25,497** | 20,498 |
| America | **47,810** | 35,834 |
| Others | **26,514** | 24,086 |
| | **740,091** | 503,414 |

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 | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Asia: | | | | |
| Malaysia | **493,344** | 476,228 | **3,352** | 4,502 |
| Indonesia | **183,015** | 139,151 | **13,675** | 7,887 |
| Others | **17,154** | 4,920 | **-** | - |
| Europe | **3,023** | 985 | **-** | - |
| America | **4,956** | 1,418 | **-** | - |
| Others | **5,321** | 3,670 | **-** | - |
| | **706,813** | 626,372 | **17,007** | 12,389 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 37. COMMITMENTS

(a) Capital Commitments

As at 31 March 2017, the Group has approved and contracted for capital commitments in respect of purchase of property, plant and equipment amounting to RM17,754,000 (2016: RM3,547,000).

(b) Lease Commitments

As at 31 March 2017, total future minimum lease payment commitments are as follows:

| | The Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| Within one year | **70** | 211 |

## 38. CONTINGENCIES

As as 31 March 2017, 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 RM9,000,000 (2016: RM9,000,000) granted to one (2016: 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 | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Financial assets** | | | | |
| Available-for-sale investments | **42,991** | 38,780 | **42,991** | 38,780 |
| Fair value through profit or loss: | | | | |
| Derivative financial assets | **580** | 2,359 | **-** | - |
| Loans and receivables: | | | | |
| Advances for KKPA program | **6,731** | 4,431 | **-** | - |
| Trade receivables | **53,475** | 27,704 | **-** | - |
| Other receivables and refundable deposits (Note 25) | **10,403** | 6,076 | **220** | 160 |
| Amount owing by subsidiary companies | **-** | - | **1,035** | 889 |
| Amount owing by an associate company | **373** | 123 | **94** | 97 |
| Fixed deposits, short-term placements, and cash and bank balances | **164,225** | 164,026 | **11,648** | 22,940 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Financial liabilities** | | | | |
| Fair value through profit or loss: | | | | |
| Derivative financial liabilities | **1,040** | - | **-** | - |
| Other financial liabilities: | | | | |
| Trade payables | **32,389** | 21,698 | **-** | - |
| Other payables and accrued expenses | **30,706** | 33,606 | **1,307** | 1,307 |
| Amount owing to an associate company | **-** | 33 | **-** | - |
| Amount owing to a subsidiary company | **-** | - | **140** | 140 |
| Hire purchase payables | **605** | 808 | **-** | - |
| 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 and Chinese Renminbi, 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 | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **The Group** | | | | |
| United States Dollar | **47,344** | 14,384 | **163** | 2 |
| Euro | **556** | - | **-** | 5 |
| Pound Sterling | **305** | 196 | **-** | - |
| Chinese Renminbi | **228** | - | **-** | - |
| Hong Kong Dollar | **88** | 86 | **-** | - |
| **The Company** | | | | |
| United States Dollar | **52** | 46 | **-** | - |
| Hong Kong Dollar | **-** | - | **140** | 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)

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 |
|---|---|---|---|---|---|
| **The Group** | | | | | |
| 2017 | | | | | |
| Strengthened 10% | **4,718** | **9** | **31** | **56** | **23** |
| Weakened 10% | **(4,718)** | **(9)** | **(31)** | **(56)** | **(23)** |
| 2016 | | | | | |
| Strengthened 10% | 1,438 | 9 | 20 | 1 | - |
| Weakened 10% | (1,438) | (9) | (20) | (1) | - |
| **The Company** | | | | | |
| 2017 | | | | | |
| Strengthened 10% | **5** | **14** | **-** | **-** | **-** |
| Weakened 10% | **(5)** | **(14)** | **-** | **-** | **-** |
| 2016 | | | | | |
| 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 2017** | | | | |
| **Sell USD** | | | | |
| - Less than 3 months | **4.42** | **8,600** | **38,314** | **166** |
| - 3 to 6 months | **4.46** | **3,600** | **16,056** | **17** |
| **31 March 2016** | | | | |
| **Sell USD** | | | | |
| - Less than 3 months | 4.40 | 2,700 | 11,898 | 1,363 |
| - 3 to 6 months | 4.42 | 1,100 | 4,867 | 574 |
| - More than 6 months | 4.43 | 800 | 3,544 | 422 |

# 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 2017** | | | |
| Contract period for 7 months | **4,775** | **13,868** | **1,040** |
| **Sell Crude Palm Oil** | | | |
| **31 March 2017** | | | |
| Contract period for 3 months | **2,375** | **6,859** | **397** |

### 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's objective is to seek continual growth while minimising losses incurred due to credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers are subject to credit verification procedures. Receivables are monitored on an ongoing basis.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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.

At the end of the reporting period, it was not probable that the counterparties to the financial guarantee contracts will claim under the contracts. Consequently, no amount is included for financial guarantee contracts.

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 RM4,380,440 (2016: RM4,483,000).

**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)

| | 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** |

| | 2016 | | | |
|---|---|---|---|---|
| | 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) | 38,324 | - | - | 38,324 |
| Foreign currency forward contracts | - | 2,359 | - | 2,359 |
| **The Company** | | | | |
| Available-for-sale investments (quoted shares) | 38,324 | - | - | 38,324 |

# SUPPLEMENTARY INFORMATION
## ON DISCLOSURE OF REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements which requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as at 31 March 2017 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| **Total retained earnings/(losses):** | | | | |
| Realised | **396,810** | 345,380 | **113,330** | 119,290 |
| Unrealised | **(5,919)** | 461 | **6** | 3 |
| | **390,891** | 345,841 | **113,336** | 119,293 |
| Less: Consolidation adjustments | **(10,827)** | (8,028) | **-** | - |
| **Total retained earnings** | **380,064** | 337,813 | **113,336** | 119,293 |

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or credit to the profit or loss of a legal entity is deemed realised when it is resulting from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

# 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 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 2017 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out on page 139, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 'Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements' as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

**DR. LOW KOK TYHE**

**LIM KIM LONG**

Klang
14 July 2017

# 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**

Subscribed and solemnly declared by the abovenamed **CHEONG KEE YOONG** at **KUALA LUMPUR** on this 14th day of July, 2017.

Before me,

**KAPT. (B) JASNI BIN YUSOFF (W465)**
**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 2017 (RM'000) |
|---|---|---|---|---|---|---|---|
| 1. | **Southern Acids (M) Berhad** | | | | | | |
| | Level 29 Centro Tower<br>No 8 Jalan Batu Tiga Lama<br>41300 Klang, Selangor | Office Lot | 12,178 sq ft | Corporate Office | Freehold | 10 years | 3,102 |
| 2. | **Southern Acids Industries Sdn. Bhd.** | | | | | | |
| | Golconda Estate<br>Persiaran Hamzah Alang<br>10th Mile, Jalan Kapar<br>42200 Kapar, Klang, Selangor | Industrial Building | 27.90 acres | Oleochemical Factory | N/A | Ranging from 22 to 36 years | 7,098 |
| 3. | **SAB Properties Development Co. Sdn. Berhad** | | | | | | |
| | G.M. 2172 Lot 2824<br>Mukim Klang<br>Daerah Klang<br>Selangor | Industrial Land | 3.25 acres | Vacant | Freehold | N/A | 3,318 |
| 4. | **Pembinaan Gejati Sdn. Bhd.** | | | | | | |
| | Thangamallay Estate<br>Lot 14480, 14481, 14482, 14483<br>& Lot 1095, Batu 7, Jalan Kebun<br>Kampung Jawa<br>42450 Klang Selangor | Land | 644.49 acres | Oil Palm Plantation | Freehold | N/A | 141,944 |
| 5. | **Noble Interest Sdn. Bhd.** | | | | | | |
| | P.T. 1288, Seksyen 14<br>Mukim Klang<br>Daerah Klang, Selangor | Land & Building | 1.62 acres | Hospital Building | Freehold | N/A<br>18 years | 4,950<br>20,437 |
| 6. | **PT. Mustika Agro Sari** | | | | | | |
| | Kebun Tanjung Pauh<br>& Kebun Petai<br>Province of Riau<br>Sumatera Indonesia | Land & Buildings | 7,181 acres | Oil Palm Plantation, Palm Oil Mill & Workers Quarters | Leasehold expiring on 20-3-2036 and 9-4-2036 | 15 years | 7,166 |
| 7. | **PT. Wanasari Nusantara** | | | | | | |
| | Kebun Wanasari<br>Province of Riau, Sumatera<br>Indonesia | Land & Building | 13,136 acres | Oil Palm Plantation, Palm Oil Mill & Workers Quarters | Leasehold expiring on 31-12-2029 and 29-1-2032 | Ranging from 3 to 29 years | 53,912 |

# ANALYSIS OF SHAREHOLDINGS
## AS AT 30 JUNE 2017

### DISTRIBUTION SCHEDULE OF SHARE AS AT 30 JUNE 2017

| Size of Shareholdings | No of Shareholders | % Shares Held | No of Shares Held | % of Shares Held |
|---|---|---|---|---|
| Less than 100 | 217 | 8.49 | 7,053 | 0.01 |
| 100 to 1,000 | 660 | 25.82 | 472,550 | 0.35 |
| 1,001 to 10,000 | 1,277 | 49.96 | 4,959,820 | 3.62 |
| 10,001 to 100,000 | 338 | 13.22 | 9,863,091 | 7.20 |
| 100,001 to 6,846,705 (less than 5% of issued shares) | 60 | 2.35 | 42,006,658 | 30.67 |
| 6,846,706 (5% of issued shares) and above | 4 | 0.16 | 79,624,960 | 58.15 |
| **TOTAL** | **2,556** | **100.00** | **136,934,132** | **100.00** |

### LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2017

| No. | Names | Shareholding | % |
|---|---|---|---|
| 1. | Southern Palm Industries Sdn. Bhd. | 42,840,270 | 31.29 |
| 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 30 JUNE 2017

| | | 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 | 65,689,824 | 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 | 65,684,977 | 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 |
| 9. | Raymond Wong Kwong Yee | 0 | 0.00 | 0 | 0.00 |

# ANALYSIS OF SHAREHOLDINGS (CONT'D)
## AS AT 30 JUNE 2017

### LIST OF TOP 30 HOLDERS

| No. | Name | No. of Shares Held | % of Issued Shares |
|---|---|---|---|
| 1. | Southern Palm Industries Sdn. Bhd. | 42,840,270 | 31.29 |
| 2. | Lembaga Tabung Haji | 17,864,605 | 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.<br>Pledged Securities Account for<br>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 | 1,249,398 | 0.91 |
| 15. | Southern Hockjoo Plantation Sdn. Bhd. | 991,666 | 0.72 |
| 16. | Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Lou Ai Choo | 908,135 | 0.66 |
| 17. | Naga Wira Sdn. Berhad | 720,938 | 0.53 |
| 18. | Bekalan Utama Sdn. Berhad | 694,166 | 0.51 |
| 19. | Leong Kok Tai | 655,300 | 0.48 |
| 20. | CIMB Group Nominees (Tempatan) Sdn. Bhd.<br>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. | Mong Teck Sdn. Berhad | 559,972 | 0.41 |
| 24. | Ng Phaik Lean. | 426,000 | 0.31 |
| 25. | Teo Kwee Hock | 389,900 | 0.29 |
| 26. | Eliyezer Resources Sdn. Bhd. | 334,500 | 0.24 |
| 27. | Neong Kok Hooi | 330,600 | 0.24 |
| 28. | Tan Soon Muay @ Tan Kim Huay | 319,666 | 0.23 |
| 29. | JF Apex Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Teo Siew Lai (Margin) | 306,700 | 0.22 |
| 30. | Tong Yoke Kim Sdn. Bhd. | 304,000 | 0.22 |
| | **TOTAL** | **115,690,775** | **84.49** |

# NOTICE OF THE THIRTY-SIXTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty-Sixth ("36th") 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 Wednesday, 23 August 2017 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 2017 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 2017. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM450,000 for the financial year ended 31 March 2017. **Resolution 2**

4. 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) Lim Kim Long **Resolution 3**

   b) Raymond Wong Kwong Yee **Resolution 4**

   c) Chung Kin Mun **Resolution 5**

5. 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 6**

**SPECIAL BUSINESS**

To consider and, if thought fit, adopt the following resolutions, with or without modification, as Ordinary Resolutions:

**6. Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016 (Note 6)** **Resolution 7**

"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-SIXTH ANNUAL GENERAL MEETING (CONT'D)

**7. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Note 7)** **Resolution 8**

"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 28 July 2017 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 36th 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 16 August 2017. Only a depositor whose name appears on the Record of Depositors as at 16 August 2017 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.

# NOTICE OF THE THIRTY-SIXTH 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 2017 ("Dividend") under Resolution 1 at the 36th AGM of the Company on 23 August 2017, the Dividend will be paid to the shareholders on 29 September 2017. The entitlement date for the Dividend shall be 8 September 2017.

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 6 September 2017 (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 8 September 2017 (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: 28 July 2017

# NOTICE OF THE THIRTY-SIXTH 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 the Audited Financial Statements do not require the formal approval of the shareholders pursuant to Section 248(2) and 340(1) of the Companies Act 2016. Hence, the matter will not be put forward for voting.

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

   The proposed Ordinary Resolution 7, 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 AGM and to avoid delay and cost in convening a General Meeting for such issuance of shares.

   As 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 24 August 2016 and which lapse at the conclusion of the 36th AGM.

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

   The proposed Ordinary Resolution 8, 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 28 July 2017, which is despatched together with the Company's Annual Report 2017, for more information.

8. 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

1. Directors who are seeking re-election are as follows:-

    (i) Lim Kim Long, pursuant to Articles 95 and 96 of the Company's Constitution.

    (ii) Raymond Wong Kwong Yee, pursuant to Articles 95 and 96 of the Company's Constitution.

    (iii) Chung Kin Mun, pursuant to Articles 95 and 96 of the Company's Constitution.

2. The details of the three Directors seeking re-election are set out in the Directors' Profile from pages 10 to 14 and the Directors' Shareholdings in the Company on page 54 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-Sixth Annual General Meeting ("AGM") of Southern Acids (M) Berhad ("the Company") to be held on 23 August 2017 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 2017. | | |
| 2 | To approve the payment of Directors' fees amounting to RM450,000 for the financial year ended 31 March 2017. | | |
| 3 | To re-elect Lim Kim Long as Director of the Company in accordance with Articles 95 and 96 of the Company's Constitution. | | |
| 4 | To re-elect Raymond Wong Kwong Yee as Director of the Company in accordance with Articles 95 and 96 of the Company's Constitution. | | |
| 5 | To re-elect Chung Kin Mun as Director in accordance with Articles 95 and 96 of the Company's Constitution. | | |
| 6 | To re-appoint Deloitte PLT as Auditors to hold office until the conclusion of the next AGM at a remuneration to be fixed by the Directors. | | |
| 7 | To approve the Authority to issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016. | | |
| 8 | 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...............................................2017

.....................................................................
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 16 August 2017. Only a depositor whose name appears on the General Record of Depositors as at 16 August 2017 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.

5. Voting by poll

   In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be voted by poll.

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STAMP

The Company Secretary

**SOUTHERN ACIDS (M) BERHAD** (Company No.: 64577-K)
9, Jalan Bayu Tinggi 2A/KS6
Taipan 2, Batu Unjur
41200 Klang
Selangor Darul Ehsan
Malaysia

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**Southern Acids (M) Berhad**
Company No. 64577-K
(Incorporated in Malaysia)

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