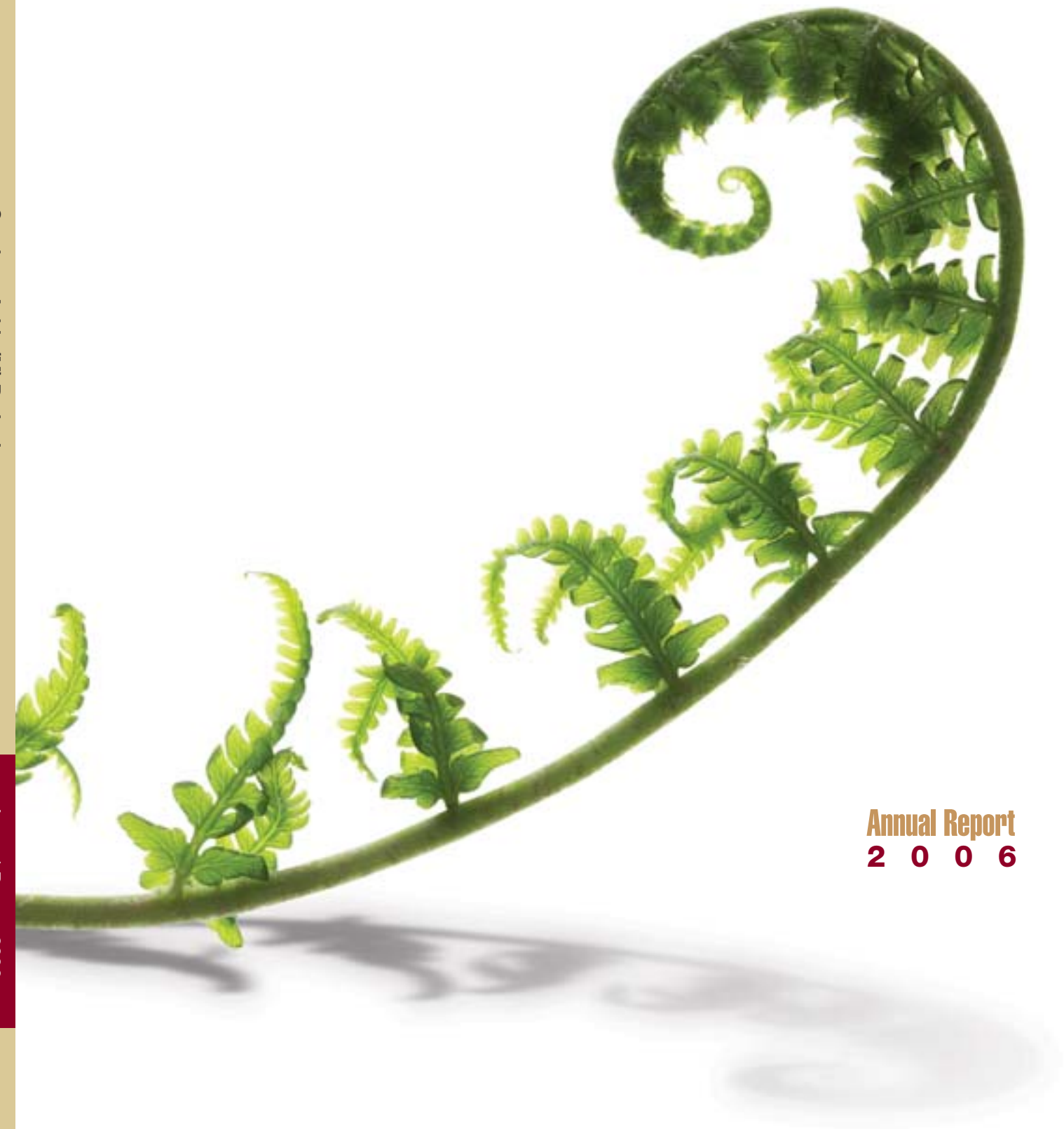




Southern Acids (M) Berhad

Company No. 64577-K
(Incorporated in Malaysia)



Annual Report
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Southern Acids (M) Berhad 64577-K (Incorporated in Malaysia)

Annual Report 2006

SOUTHERN ACIDS (M) BERHAD 64577-K

Wisma Southern, 6th Floor, No. 26-34

Jalan Dato' Hamzah, 41000 Klang

Selangor Darul Ehsan, Malaysia

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SOUTHERN ACIDS (M) BERHAD 64577-K

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Commitment to
QUALITY...

notice of the 25th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY-FIFTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT CROWN HALL, LEVEL 1, CRYSTAL CROWN HOTEL, 217 PERSIARAN RAJA MUDA MUSA, 42000 PELABUHAN KLANG, SELANGOR DARUL EHSAN ON MONDAY, 30 OCTOBER 2006 AT 11.00 A.M. FOR THE FOLLOWING PURPOSES:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 April 2006 together with the Reports of the Directors and Auditors thereon.

Resolution 1

2. To declare a Final Dividend (tax exempt) of 3.50% per ordinary share for the financial year ended 30 April 2006.

Resolution 2

3. To approve the payment of Directors' Fees.

Resolution 3

4. To re-elect the following Directors who are retiring under Articles 95 & 96 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:-

- a) Mr. Low Mun Chong

Resolution 4

- b) Mr. Low Mong Chai @ Low Ah Kow

Resolution 5

5. To re-appoint Dato' Panglima Kubu Mohd Yusoff bin Haji Amin, SMS, PJK, JP to hold office until the conclusion of the next Annual General Meeting pursuant to Section 129(6) of the Companies Act, 1965.

Resolution 6

6. To re-appoint Messrs Deloitte KassimChan as Auditors to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors.

Resolution 7

Notice of the 25th Annual General Meeting

SPECIAL BUSINESS

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

a) Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

Resolution 8

"That subject always to the Companies Act, 1965, and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

b) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

Resolution 9

"That subject always to the Listing Requirement of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into the categories of recurrent transactions of a revenue or trading nature and with those Related Parties as specified in Section 2.2.2 of the Circular to Shareholders dated 5 October 2006 subject further to the following:-

i. That the transaction 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; and

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, are 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 continue to be in force until:-

- the conclusion of the next Annual General Meeting ("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 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
- revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

Notice of the 25th Annual General Meeting

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a Final Dividend (tax exempt) of 3.50% per ordinary share will be payable on 29 November 2006 to depositors who are registered in the Record of Depositors at the close of business on 10 November 2006 if approved by members at the Twenty-Fifth Annual General Meeting on 30 October 2006.

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 8 November 2006 (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 10 November 2006 in respect of ordinary transfers; 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

PAUL IGNATIUS STANISLAUS (MACS 01330)
LIM KING HUA (F) (MAICSA 0798613)
Secretaries

Klang, Selangor Darul Ehsan
5 October 2006

NOTES

1. A member entitled to attend and vote at the Meeting of the Company is entitled to appoint a proxy to attend and vote on his behalf. A proxy shall be a member of the Company, and if the proxy is not a member of the Company, the proxy shall be an Advocate or an approved Company Auditor or a person approved by the Registrar of Companies.
2. A member shall be entitled to appoint one (1) proxy to attend and vote at the meeting.
3. Where a member appoints more than one (1) proxy the appointment shall be invalid.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 26, Jalan Istana, 41000 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. Authority to issue Shares pursuant to Section 132D of the Companies Act, 1965. The proposed Resolution 8, if passed will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.
6. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions. The proposed Resolution 9, if passed, will authorise the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of Company. Please refer to Section 2.2.2 of the Circular to Shareholders dated 5 October 2006 for more information.

statement accompanying NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad

1. Twenty-Fifth Annual General Meeting of Southern Acids (M) Berhad

Place : Crown Hall, Level 1, Crystal Crown Hotel 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan

Date : Monday, 30 October, 2006

Time : 11.00 a.m.

2. Directors who are seeking re-election or re-appointment are as follows:-

(i) Mr. Low Mun Chong, pursuant to Article 95 and 96 of the Company's Articles of Association.

(ii) Mr. Low Mong Chai @ Low Ah Kow, pursuant to Article 95 and 96 of the Company's Articles of Association.

(iii) Dato' Mohd Yusoff bin Haji Amin, SMS, PJK, JP, pursuant to Section 129 of the Companies Act, 1965.

The details of the three (3) Directors seeking re-election and re-appointment are set out in the Directors' Profile from pages 10 to 14 and the Directors' Shareholdings in the Company on page 42 of the Annual Report.

3. Board Meetings held during the financial year ended 30 April 2006.

A total of eight (8) Board meetings were held at 6th Floor, Wisma Southern, 26-34, Jalan Dato' Hamzah, 41000 Klang, Selangor Darul Ehsan during the financial year ended 30 April 2006 on the following dates and times:-

- 27 June 2005 (4.00 pm)
- 29 July 2005 (4.30 pm)
- 10 August 2005 (4.00 pm)
- 25 August 2005 (10.00 am)
- 28 September 2005 (4.00 pm)
- 27 December 2005 (4.00 pm)
- 13 January 2006 (3.30 pm)
- 28 March 2006 (4.30 pm)

4. Details of attendance of Directors in office at the end of the financial year are as follows:

Name of Director	Number of Meetings held in financial year during Director's tenure in office	Number of Meetings Attended
Dato' Mong Hua @ Low Mong Hua, DPMS	8	8
Dato' Mohd Yusoff bin Haji Amin SMS, PJK, JP	8	8
Mr. Sukhinderjit Singh Muker	8	7
Mr. Low Mong Chai @ Low Ah Kow	8	7
Mr. Low Mun Chong	8	8
Dato' Low Boon Eng, DPMS, JP	5	5
Mr. Lim Kim Long	5	4
Mr. Yap Soon Nam	5	4
En. Mohd Hisham bin Harun	5	5

corporate INFORMATION



BOARD OF DIRECTORS

Dato' Mong Hua @ Low Mong Hua

Non-Independent Executive Chairman/
Managing Director

Low Mun Chong

Non-Independent Executive Director

Low Mong Chai @ Low Ah Kow

Non-Independent Executive Director

Dato' Mohd Yusoff bin Haji Amin

Independent Non-Executive Director

Mohd Hisham bin Harun

Independent Non-Executive Director

Yap Soon Nam

Independent Non-Executive Director

Sukhinderjit Singh Muker

Independent Non-Executive Director

Dato' Low Boon Eng

Non-Independent Non-Executive Director

Lim Kim Long

Non-Independent Non-Executive Director

AUDIT COMMITTEE

Mohd Hisham bin Harun

- Chairman
Independent Non-Executive Director

Dato' Mohd Yusoff bin Haji Amin

Independent Non-Executive Director

Dato' Mong Hua @ Low Mong Hua

Non-Independent Executive Chairman/
Managing Director

REMUNERATION COMMITTEE

Sukhinderjit Singh Muker

- Chairman
Independent Non-Executive Director

Dato' Mong Hua @ Low Mong Hua

Non-Independent Executive Chairman/
Managing Director

Dato' Mohd Yusoff bin Haji Amin

Independent Non-Executive Director

Yap Soon Nam

Independent Non-Executive Director

Corporate Information

NOMINATION COMMITTEE

Dato' Mohd Yusoff bin Haji Amin
Independent Non-Executive Director

Sukhinderjit Singh Muker
Independent Non-Executive Director

Mohd Hisham bin Harun
Independent Non-Executive Director

COMPANY SECRETARIES

Paul Ignatius Stanislaus (MACS 01330)
Lim King Hua (MAICSA 0798613)

REGISTERED OFFICE

26, Jalan Istana, 41000 Klang
Selangor Darul Ehsan, Malaysia
Telephone : 03-3371 0611
Facsimile : 03-3371 2886

SHARE REGISTRAR

Symphony Share Registration Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square, No 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia.
Telephone : 03-2721 2222
Facsimile : 03-2721 2530

HEAD OFFICE / PRINCIPAL PLACE OF BUSINESS

Wisma Southern, 6th Floor
No. 26-34, Jalan Dato Hamzah
41000 Klang, Selangor Darul Ehsan
Malaysia
Telephone : 03-3375 6789
Facsimile : 03-3371 3898/3371 2080
E-mail : southern@tm.net.my

AUDITORS

Deloitte KassimChan
Level 19, Uptown 1,
1, Jalan SS21/58, Damansara Uptown
47400 Petaling Jaya, Malaysia

PRINCIPAL BANKERS

Bumiputra-Commerce Bank Berhad
Standard Chartered Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

LEGAL STATUS

Public listed company limited by shares

COUNTRY OF DOMICILE & INCORPORATION

Malaysia

board of DIRECTORS



L – R : [Standings] : Mohd Hisham bin Harun, Dato' Low Boon Eng, Yap Soon Nam, Lim Kim Long, Sukhinderjit Singh Muker and Low Mong Chai @ Low Ah Kow



L – R : [Sittings] : Dato' Mohd Yusoff bin Haji Amin, Low Mun Chong and Dato' Mong Hua @ Low Mong Hua

profile of DIRECTORS

Dato' Mong Hua @ Low Mong Hua
Non-Independent Executive Chairman/
Managing Director



DATO' MONG HUA @ LOW MONG HUA, DPMS, a Malaysian, aged 67, is the Executive Chairman and Managing Director of the Company. He is one of the founders of the Company and was appointed to the Board on 20 November 1980. Dato' Low is a man with vast experience in the plantation, palm oil milling, palm oil refinery and oleochemical industries. He is also extensively involved in the housing and property development business. Dato' Low attained his General Certificate of Education in ACS Klang. He is actively involved and takes on leadership role in several key Palm Oil and Trade Associations namely, Chairman of Federation of Palm Oil Millers Association of Malaysia (POMA), Chairman of the Finance and General Affairs Committee of Malaysia Palm Oil Promotion Council and co-founder and First Vice Chairman of the Palm Oil Refineries Association of Malaysia (PORAM). In addition, he is also a Malaysian Representative of the Malaysia/Indonesia Private Sector Consultative Group on Palm Oil Trade.

Dato' Low is also a member of the Audit Committee and Remuneration Committee of the Company. Dato' Low attended all the eight (8) Board of Directors' Meetings held during the financial year ended 30 April 2006. Dato' Low is the brother of Mr. Low Mun Chong and Mr. Low Mong Chai @ Low Ah Kow and the first cousin to Dato' Low Boon Eng. Dato' Low has never been convicted for any offence within the past ten (10) years.

Profile of Directors



Dato' Mohd Yusoff bin Haji Amin
Independent Non-Executive Director

Low Mong Chai @ Low Ah Kow
Non-Independent Executive Director

DATO' MOHD YUSOFF BIN HAJI AMIN, SMS, PJK, JP, a Malaysian, aged 76, is an Independent Non-Executive Director of the Company and was appointed to the Board on 18 September 1990. Dato' Yusoff completed his secondary education in Victoria Institute Kuala Lumpur. Dato' Yusoff is the Honorary Advisor to Society of the Royal Datas and Council of the Justice of the Peace Selangor Darul Ehsan. He also sits on the Board of Khee San Berhad and The Store Corporation Berhad. These two (2) companies are listed on the Main Board of Bursa Malaysia Securities Berhad.

Dato' Yusoff is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Dato' Yusoff attended all the eight (8) Board of Directors' Meetings held during the financial year ended 30 April 2006. Dato' Yusoff has no family relationship with any other directors or major shareholders of the Company. He has never been convicted for any offence within the past ten (10) years.

LOW MONG CHAI @ LOW AH KOW, a Malaysian, aged 60, is an Executive Director of the Company and was appointed to the Board on 28 July 1984. Mr. Low is a graduate of Queensland Agriculture College, Australia with a Major in Horticulture in 1970. He is responsible for the planning and development of the plantation business of the Company. Mr. Low also holds directorship in several private companies.

Mr. Low attended seven (7) of the eight (8) Board of Directors' Meetings held during the financial year ended 30 April 2006. Mr. Low is the brother of Dato' Mong Hua @ Low Mong Hua and Mr. Low Mun Chong and the first cousin to Dato' Low Boon Eng. He has never been convicted for any offence within the past ten (10) years.

Profile of Directors



Sukhinderjit Singh Muker
Independent Non-Executive Director

Low Mun Chong
Non-Independent Executive Director

SUKHINDERJIT SINGH MUKER, a Malaysian, aged 59, is an Independent Non-Executive Director of the Company and was appointed to the Board on 28 July 1994. Mr. Muker is a practising lawyer and obtained his L.L.B (Honours) in 1972 from the University of London. He was conferred the Degree of an Utter Barrister by the Honourable Society of Grays Inn in 1973 and was called to the Malaysian Bar in 1974.

Mr. Muker also sits on the Board of Harvest Court Industries Berhad and Pahanco Corporation Berhad. These two (2) companies are listed on the Second Board of Bursa Malaysia Securities Berhad.

Mr. Muker is a member of the Remuneration Committee and Nomination Committee of the Company. He attended seven (7) of the eight (8) Board of Directors' Meetings held during the financial year ended 30 April 2006. Mr. Muker has no family relationship with any other directors or major shareholders of the Company. He has never been convicted for any offence within the past ten (10) years.

LOW MUN CHONG, a Malaysian, aged 62, is an Executive Director of the Company and was appointed to the Board on 28 May 1990. He is responsible for the Company's fund management and control. Mr. Low holds a General Certificate of Education from Klang High School and has more than twenty six (26) years experience in the Company. Mr. Low also holds directorship in several private companies.

Mr. Low attended all the eight (8) Board of Directors' Meetings held during the financial year ended 30 April 2006. Mr. Low Mun Chong is the brother to Dato' Mong Hua @ Low Mong Hua and Mr. Low Mong Chai @ Low Ah Kow and the first cousin to Dato' Low Boon Eng. He has never been convicted for any offence within the past ten (10) years.

Profile of Directors



Dato' Low Boon Eng
Non-Independent Non-Executive Director

Lim Kim Long
Non-Independent Non-Executive Director

DATO' LOW BOON ENG, DPMS, JP, a Malaysian, aged 56, is a Non-Independent Non-Executive Director of the Company and was appointed to the Board on 10 August 2005. Dato' Low holds a Bachelor of Science in Mechanical Engineering from Imperial College, University of London (1st Class Honours) and a 1st Grade Steam Engineer Certificate.

Dato' Low started his career as an Engineer with Southern Realty (Malaya) Sdn. Berhad, a company which is principally involved in oil palm plantations, palm oil milling and investment holdings. Dato' Low is also a director of the Malaysia Palm Oil Board (MPOB) and a member of its Training Committee. He is also the Vice President of the Southern Palm Peninsular Oil Miller Association (SPPOMA). He also holds directorship in several private companies.

During the financial year ended 30 April 2006, Dato' Low attended all the five (5) Board of Directors' Meetings which were held since his appointment. Dato' Low is the first cousin to Dato' Mong Hua @ Low Mong Hua, Mr. Low Mun Chong and Mr. Low Mong Chai @ Low Ah Kow. Dato' Low has never been convicted for any offence within the past ten (10) years.

LIM KIM LONG, a Malaysian, aged 46, is a Non-Independent Non-Executive Director of the Company and was appointed to the Board on 10 August 2005. Mr. Lim did his pre-university education at Kolej Tunku Abdul Rahman, Kuala Lumpur. He has been employed by Southern Realty (Malaya) Sdn. Berhad, a company which is principally involved in oil palm plantations, palm oil milling and investment holdings since 1982. Mr. Lim also holds directorship in several private companies including subsidiaries of the Company.

During the financial year ended 30 April 2006, Mr. Lim attended four (4) of the five (5) Board of Directors' Meetings which were held since his appointment. He has never been convicted for any offence within the past ten (10) years.

Profile of Directors



Yap Soon Nam
Independent Non-Executive Director

Mohd Hisham bin Harun
Independent Non-Executive Director

YAP SOON NAM, a Malaysian, aged 55, is an Independent Non-Executive Director of the Company and was appointed to the Board on 10 August 2005. Mr. Yap is a practising lawyer and holds a B.A. Law (Hons) London, Barrister at Law (Middle Temple). He was admitted to the Middle Temple Bar in 1977 and called to the Utter Bar in 1978. He was later admitted to the Malaysian Bar in 1979 and was called to the Victorian Bar in Australia in 1985. Mr. Yap was also called upon by the Malaysian Cabinet and Treasury to advise on the takeover and restructuring of Metramac Sdn Bhd.

Mr. Yap was appointed as a member of the Remuneration Committee of the Company on 10 August 2005. During the financial year ended 30 April 2006, Mr. Yap attended four (4) of the five (5) Board of Directors' Meetings which were held since his appointment.

Mr. Yap has no family relationship with any other directors or major shareholders of the Company. He has never been convicted for any offence within the past ten (10) years.

MOHD HISHAM BIN HARUN, a Malaysian, aged 38, is an Independent Non-Executive Director of the Company and was appointed to the Board on 10 August 2005. En. Hisham is a member of the Chartered Institute of Management Accountants and is a General Manager (Office of Group Managing Director and Chief Executive Officer) at Lembaga Tabung Haji. En. Hisham started his career at Coopers & Lybrand/PricewaterhouseCoopers, where he was attached to the Audit Division and the Consultancy Division. En. Hisham also sits on the Board of Englotechs Holding Berhad which is listed on the Main Board of Bursa Malaysia Securities Berhad and also holds directorship in other private companies.

En. Hisham was appointed as a member of the Audit Committee on 10 August 2005 and the Chairman of the Audit Committee on 25 August 2005. He is also a member of the Nomination Committee of the Company. During the financial year ended 30 April 2006, Encik Hisham attended all the five (5) Board of Directors' Meetings which were held since his appointment.

En. Hisham has no family relationship with any other directors or major shareholders of the Company. He has never been convicted for any offence within the past ten (10) years.



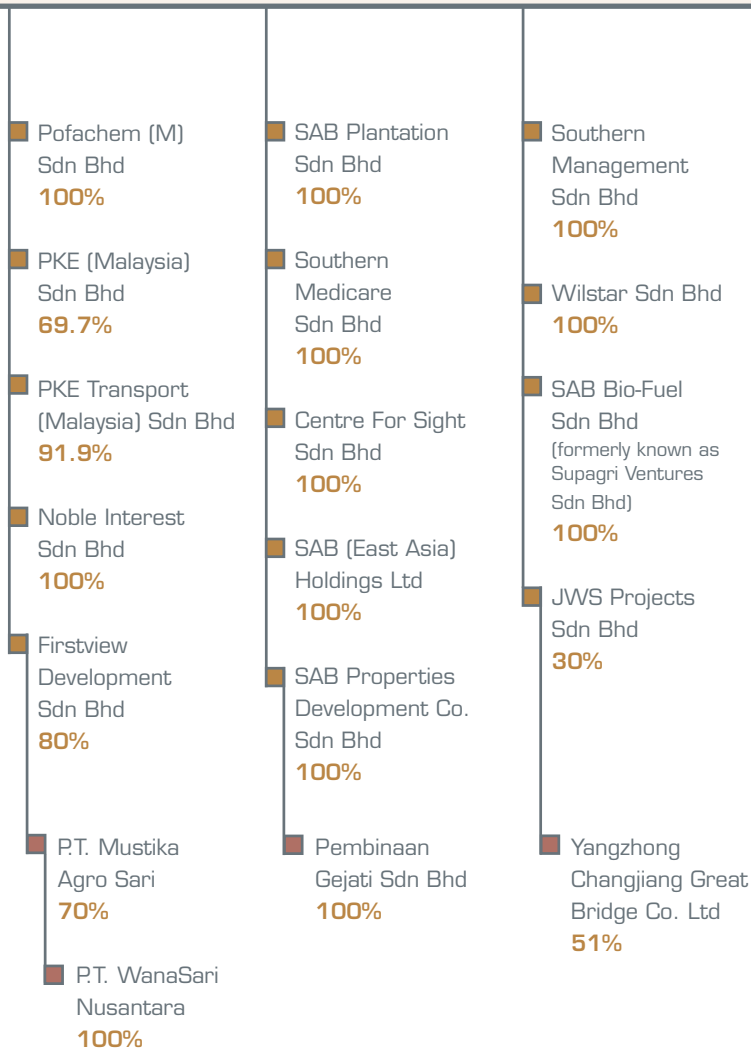
Ensuring
Operational
EFFICIENCY...

corporate STRUCTURE



Southern Acids (M) Berhad

Company No. 64577-K
(Incorporated in Malaysia)





DELIVERING
Better Standards...



audit

COMMITTEE

REPORT



THE BOARD IS PLEASED TO PRESENT THE REPORT OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 30 APRIL, 2006.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee was established on 29 July 1994. The Audit Committee members and the details of attendance of each member at Committee meetings during the financial year are as follows:-

Committee Member	Number of meetings attended during the financial year
1. En. Mohd Hisham bin Harun - Chairman * Independent Non-Executive Director	4 of 4
2. Dato' Mohd Yusoff bin Haji Amin Independent Non-Executive Director	5 of 5
3. Dato' Mong Hua @ Low Mong Hua Non-Independent Executive Chairman/Managing Director	5 of 5

- * Five (5) Audit Committee meetings were held during the financial year. Saved for the meeting held on 27 June 2005, when the Company was formalizing the appointment of En. Mohd Hisham bin Harun as the new Audit Committee Member and Chairman in replacement of the outgoing Audit Committee Chairman Dato' Mohd Bakke bin Salleh, the quorum and composition of the Audit Committee were always maintained so that the majority of the members were Independent Directors and that the Committee composed of no less than 3 members in compliance with paragraph 15.19 and 15.10(1) of Bursa Malaysia Listing Requirements.

Audit Committee Report

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership

- The Committee shall be appointed by the Board of Directors from amongst Directors of the Company and shall consist of not less than three (3) members, the majority of whom shall be Independent Non-Executive Directors.
- At least one (1) member shall be a member of the Malaysian Institute of Accountants or similar qualification as prescribed in Part 1 or Part 11 of the First Schedule of the Accountants Act 1967 with at least three (3) years working experience.
- The Audit Committee shall not consist of any Alternate Director of the Company.
- The members of the Audit Committee shall elect a Chairman from among their members who shall be an Independent Non-Executive Director.
- In the event a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Meetings

- Meetings shall be held not less than four (4) times a year.
- A quorum shall be two (2) members, majority of whom must be Independent Non-Executive Directors.
- Other Directors and employees may also attend the Audit Committee meeting upon the invitation of the Committee.
- The Company Secretary shall act as the Secretary of the Committee.

Authority

The Committee is authorised by the Board and shall:-

- have authority to investigate any matter within its terms of reference.
- have the resources which are required to perform its duties.
- have full and unrestricted access to any information pertaining to the Group.
- have direct communication channels with the external auditors and the internal auditors.
- be able to obtain independent professional or other advice as necessary.
- be able to convene meetings with the external auditors, excluding the attendance of the executive member of the Committee, whenever deemed necessary.

Audit Committee Report

Duties of the Committee

The duties of the Audit Committee shall be amongst others:-

- To review with the external auditor the audit plan, their evaluation of the system of internal controls and their audit report.
- To review the assistance given by the employees of the Company to the external auditors.
- To review the adequacy of the scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work.
- To review the internal audit programme and processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- To review the quarterly results and year end financial statements, prior to the approval by the Board of Directors.
- To monitor any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or code of conduct that raised questions of management integrity.

- To consider and recommend the nomination and appointment of external auditors, the audit fees and any questions of resignation, dismissal or re-appointment.
- To report promptly to the Bursa Malaysia Securities Berhad where the Committee is of the view that a matter reported by it to the Board or Directors has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Listing Requirements.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 30 April 2006, the Audit Committee held five (5) meetings.

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year:-

- Review the quarterly and annual financial statements prior to the submission to the Board for consideration and approval.
- Review the audit reports for the Group prepared by both the external auditors and internal audit department, their findings and management responses thereto.
- Review the audit plans for the Group prepared by both the external auditors and internal audit department.
- Review and approve their minutes of the Committee's meetings.

Audit Committee Report

INTERNAL AUDIT FUNCTION

The Committee is aware of the need to have an independent internal audit function to assist in obtaining the assurance it requires regarding the effectiveness of Group's system of internal control. As such, the Company has established an internal audit function to independently conduct reviews of the Group's system of internal control so as to provide assurance that such systems continue to operate satisfactory and effectively.

The principal role of the internal audit function are as follows:-

- Ascertaining the adequacy of the Group's system of internal controls and procedures that are specifically designed to detect and/or prevent violations.
- Ascertaining the efficiency and effectiveness of operating policies and procedures.
- Ascertaining and reviewing the reliability and integrity of financial and operational information generated and means used to identify, measure, classify and report such information.
- Ascertaining that the financial and accounting records and reports contain accurate, reliable, timely, complete and relevant information and are prepared in compliance with applicable approved accounting standards.
- Coordinating with the external auditors in planning of audit activities.
- Performing special reviews and/or investigations as requested by management or the Audit Committee.
- Identifying opportunities to improve the operations of and processes within the Group.

statement ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS RECOGNISES THE IMPORTANCE OF CORPORATE GOVERNANCE IN DISCHARGING THE BOARD'S STEWARDSHIP RESPONSIBILITIES AND TO PROTECT AND ENHANCE SHAREHOLDERS' VALUE. IN THIS PREMISE, THE BOARD IS COMMITTED TO ENSURING HIGH STANDARDS OF CORPORATE GOVERNANCE ARE PRACTICED THROUGHOUT THE GROUP AND WILL TAKE ALL STEPS TO MEET THE PRINCIPLES AND BEST PRACTICES AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE.

1. THE BOARD OF DIRECTORS

An effective Board leads and controls the Group. Board meetings are held at least four (4) time a year and additional meetings are held when required. During the year ended 30 April 2006, eight (8) Board meetings were held. Details of the attendance of the Directors at the Board Meetings are disclosed in their respective personal profiles set out on pages 10 and 14.

1.1 Board Balance & Composition

The Board currently has nine (9) members, which comprised the Executive Chairman, two (2) Executive Directors and six (6) Non-Executive Directors. Four (4) of the six (6) Non-Executive Directors are Independent Directors. Together, the Directors have a mix of skills and experience ranging from business, financial, legal and technical experience. The mix of skills and experience is vital for the successful direction of the Group. A brief profile of each Director is presented on pages 10 and 14.

The role of the Managing Director and Chairman is presently combined but it is the intention to appoint a non executive chairman when a suitable candidate is identified. Dato' Mohd Yusoff bin Haji Amin, a senior Independent Non-Executive Director, is the Referral Director to whom investor concerns may be conveyed.

The Board reviews the financial performance and the business operations of the Group, the adequacy of the management and internal controls. The role of the executive directors is to implement the policies and decisions of the Board, and oversee the operations and development of the Group.



Statement On Corporate Governance

1.2 Supply of Information

All Directors are provided with agenda, minutes of the previous meeting and a set of Board papers prior to Board meetings. This is issued in sufficient time to enable the Directors to obtain further explanations where necessary, in order to be properly briefed before the meeting.

All Board members have access to all information within the Company and the advice and services of the Company Secretaries in carrying out their duties.

Management meetings are held during which the Executive Directors are briefed by the Management on operational aspects of the Group. During these meetings, Executive Directors are furnished with information on the operation units i.e. performance and problems. This enables the Executive Directors to participate in the problem solving and decision making processes.

1.3 Appointments to the Board

The Nomination Committee is responsible for evaluating and assessing the suitability of candidates for Board membership. In considering the nomination, the Committee will review the qualification and working experience of the candidate and how well the candidate fits into the existing skills mix of the Board to ensure a well-balanced Board composition before recommending to the Board for approval.

1.4 Re-election

In accordance with the Company's Articles of Association (the Articles), all Directors who are appointed by the Board are subjects to re-election by shareholders at the first Annual General Meeting after their appointment. The Articles also provide that one third of the Directors for the time being, shall be subject to re-election by rotation at each Annual General Meeting.

1.5 Directors' Training

With the recent amendment to Practice Note No. 15/2003, the Board of Directors will now assume the responsibility of determining and overseeing the training needs of its members.

To facilitate their understanding of the Group's business and operations, all the Independent Non-Executive Directors have also been invited to undergo an orientation and familiarisation programme.

All Board members also receives updates from time to time, particularly on regulatory and statutory developments.

Statement On Corporate Governance

1.6 Directors' Remuneration

The Board has established a Remuneration Committee for recommending the policy and framework of Executive Directors' remuneration.

The details of the Directors remuneration are set out in the financial statements in this Annual Report. The aggregate remuneration of Directors received/receivable from the Company and subsidiary companies who were in office during the financial year for the financial year ended 30 April 2006 is as follows:-

In RM	Executive Directors	Non-Executive Directors
Fees	106,500	140,600
Salaries	210,216	-
Bonuses & Incentives	18,518	-
Allowances	10,800	28,400
Total	346,034	169,000

The number of Directors whose total remuneration falls within the following bands is as follows:-

Range of remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	1	5
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	1	-
RM200,001 to RM250,000	1	-

2. COMMITTEES OF THE BOARD

The following committees have been established to assist the Board in carrying out its duties and responsibilities. The terms and reference of each committee have been approved by the Board and where applicable, comply with the requirements of the Code.

2.1 Audit Committee

The Audit Committee assists the Board to meet its responsibilities regarding financial reporting and strengthens the independence of external auditors through the ability to communicate with Non-Executive Directors. It also monitors the work of the internal audit function.

The Audit Committee meets the external auditors annually to review the financial statements and their audit findings, including where necessary, the audit plan and any other matters arising on the annual reporting.

The report of the Audit Committee is set out on pages 18 to 21.

2.2 Remuneration Committee

The Remuneration Committee was formed on 17 November 2001. The Committee members are:

- Mr. Sukhinderjit Singh Muker (Chairman)
- Dato' Mong Hua @ Low Mong Hua
- Dato' Mohd Yusoff bin Haji Amin
- Mr. Yap Soon Nam

Statement On Corporate Governance

The Committee shall recommend to the Board the remuneration packages of the Managing Director, Executive Directors, in all its forms, drawing outside advice as necessary. The determination of remuneration packages of Non-Executive Director should be a matter for the Board a whole.

During the financial year ended 30 April 2006, one (1) meeting was held, which was attended by all the members of the committee.

2.3 Nomination Committee

The Committee members are:-

- Dato' Mohd Yusoff bin Haji Amin
- Mr. Sukhinderjit Singh Muker
- En. Mohd Hisham bin Harun

The Committee shall assess the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director. The Committee will also review the required mix of skills, experience and other qualities including core competencies which Non-Executive Directors should bring to the Board.

During the financial year ended 30 April 2006, one (1) meeting was held, which was attended by all the members of the committee.

3. SHAREHOLDER COMMUNICATION AND INVESTOR RELATIONS

The Board acknowledges the need for the shareholders to be informed of all material business matters affecting the Company. In addition to various announcements, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations. Copies of full announcement will be supplied to shareholders and members of the public upon request.

The Annual General Meeting (AGM) is the principal forum for dialogue with public shareholders. There is an open question and answer session in which shareholders may ask question both about resolutions being proposed at the meeting and also about the financial performance and business operations in general. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting.

Shareholders are also welcome to raise queries by contacting the Company and not just at AGM. Shareholders and investors may address their queries or seek information pertaining to Southern Acids (M) Berhad Group by writing to:-

Dato' Mohd Yusoff bin Haji Amin
6th Floor, Wisma Southern,
No. 26-34, Jalan Dato' Hamzah,
41000 Klang, Selangor Darul Ehsan,
Malaysia.

Statement On Corporate Governance

4. ACCOUNTABILITY AND AUDIT

a. Financial Reporting

In presenting the annual audited financial statements to shareholders and the announcement of quarterly financial results, the Board takes appropriate steps to present a true and fair view of the financial statements of the Company and its subsidiaries.

b. Internal Control

The Board has the overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and Group's assets by identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; and reviewing the adequacy and integrity of the internal control system.

The Statement on Internal Control provides an overview of the state of internal controls within the Group and is set out on pages 27 to 28 of this Annual Report.

c. Relationship with the Auditors

Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Group's external and internal auditors. From time to time, the auditors highlight to the Audit Committee and the Board on matters that require Board's attention.

The role of the Audit Committee in relation to the external auditors is stated under the terms of reference of the Audit Committee on pages 18 to 21.

statement ON INTERNAL CONTROL



INTRODUCTION

THE MALAYSIAN CODE ON CORPORATE GOVERNANCE REQUIRES PUBLIC LISTED COMPANIES TO MAINTAIN A SOUND SYSTEM OF INTERNAL CONTROL TO SAFEGUARD SHAREHOLDERS' INVESTMENTS AND THE GROUP'S ASSETS. IN ADDITION, THE DIRECTORS OF A PUBLIC LISTED COMPANY ARE ALSO REQUIRED BY PARAGRAPH 15.27(b) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD TO INCLUDE IN ITS ANNUAL REPORT A "STATEMENT ABOUT THE STATE OF INTERNAL CONTROL OF THE LISTED ISSUER AS A GROUP."

DIRECTORS' RESPONSIBILITY

As Southern Acids (M) Berhad's Board of Directors, our primary role is to set out the strategic direction of the Group and to oversee its operations by providing a framework where the Group's affairs could be directed and managed in a manner that would enhance business prosperity and corporate accountability with the ultimate objective of realizing long term shareholder value, whilst taking into account the interests of our other stakeholders,

The Board affirms its commitment to maintain a sound system of internal control and to seek regular assurance on the adequacy and the integrity of the internal control system to safeguard shareholders' investment and the Group's assets. To achieve this, the Board strives to ensure that the internal control system that has been put in place by the Management is adequate and operating at satisfactory levels to manage the risks that the Group is exposed to. The adequacy and integrity of the internal control system is monitored through independent examinations and appraisals that are done by both the internal and external auditors.

Statement On Internal Control

The Board also recognises that in view of the limitations inherent in any system of internal control, the systems put in place are designed to mitigate rather than to eliminate risks.

During the financial year under review and up to the date of the 2006 Annual Report and Financial Statements are approved, the Board confirms that there is an ongoing process for identifying and managing the significant risks faced by the Group. The process is reviewed by the Board through the Audit Committee which is assisted by the internal audit function.

The key processes that the Board has established to review the adequacy and integrity of the system of internal control are as follows:

- 1) A formal organisation structure for the individual companies in the Group.
- 2) Regular management reports to the Board.
- 3) Independent review of the system of internal control by the internal audit department.
- 4) Review of internal audit findings and the adoption of the recommendations put forth by the internal audit department where appropriate.
- 5) Regular review and update of internal policies and procedures to adapt to changing risks or resolve operational deficiencies.

CONCLUSION

The Board is of the view that the system of internal control that has been put in place throughout the Group is sound and sufficient, Notwithstanding this, control procedures are continuously being carried out to ensure that the system of internal control remains adequate and effective.

This statement is made in accordance with a resolution of the Board dated 25 August 2006.

other bursa securities

COMPLIANCE INFORMATION

1. **Share Buy-Back**

The Company has not purchased any of its own shares during the financial year ended 30 April 2006 and the preceding financial year.
2. **Material Contracts**

Other than those disclosed in Note 20 to the financial statements of the Group and of the Company for the financial year ended 30 April 2006, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and its subsidiaries involving the interests of Directors and Major Shareholders either still subsisting as at 30 April 2006 or entered into since the end of the previous financial year ended 30 April 2005.
3. **American Depository Receipt (ADR) or Global Depository Receipt (GDR)**

The Company has not sponsored any ADR or GDR programme for the financial year ended 30 April 2006.
4. **Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on the Company, directors or management by the relevant regulatory bodies during the financial year.
5. **Profit Guarantees**

During the financial year, there were no profit guarantees given by the Company.
6. **Non-Audit Fees**

There was no amount paid or is payable to the external auditors, Messrs. Deloitte KassimChan, for non-audit related works.
7. **Revaluation Policy**

The Company has not revalued its landed properties and therefore has not adopted any revaluation policy.
8. **Utilisation of Proceeds Raised from Corporate Proposals**

During the financial year ended 30 April 2006, there were no proceeds raised from any corporate proposals which required Securities Commission's approval.
9. **Options, Warrants or Convertible Securities**

There were no options, warrants or convertible securities exercised in respect of the financial year ended 30 April 2006.
10. **Variation in Results**

The Company did not release any profit estimates, forecast or projection for the financial year 30 April 2006. The audited results of the Company and Group did not differ by 10% or more from the unaudited results announced earlier.
11. **Recurrent Related Party Transactions of a Revenue or Trading Nature**

At the Twenty-Fourth Annual General Meeting held on 27 October 2005, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

The said mandate takes effect on 27 October 2005 until the forthcoming Annual General Meeting of the Company.

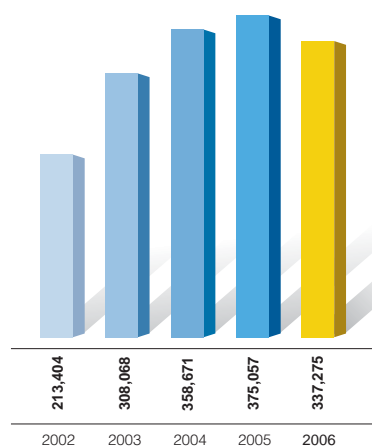
At the forthcoming Annual General Meeting to be held on 30 October 2006, the Company intends to seek its shareholders' approval to renew the existing mandate for recurrent related party transactions of a revenue or trading nature. The details of the shareholders' mandate to be sought will be furnished in the Circular to Shareholders dated 5 October 2006 accompanying this Annual Report.

5-year

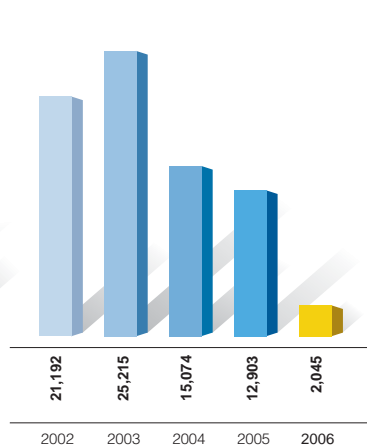
GROUP FINANCIAL SUMMARY

		2002	2003	2004	2005	2006
FINANCIAL PERFORMANCE						
Revenue	RM'000	213,404	308,068	358,671	375,057	337,275
Profit before taxation	RM'000	21,192	25,215	15,074	12,903	2,045
Net profit for the year	RM'000	21,423	26,049	10,118	12,573	209
FINANCIAL POSITION						
Total Assets	RM'000	381,507	404,924	442,469	436,920	433,557
Total Liabilities	RM'000	58,607	48,123	76,932	64,724	68,296
Net Current Assets	RM'000	42,470	69,607	76,427	71,802	68,106
Shareholders' Equity	RM'000	322,900	356,801	365,537	367,345	360,422
Issued Share Capital	RM'000	104,873	104,873	136,934	136,934	136,934
Net Tangible Assets	RM'000	321,221	339,439	352,223	351,794	345,451
KEY FIGURES						
Earnings Per Share	Sen	20.43	24.84	8.62	9.18	0.15
Dividend Per Share (Fully Diluted)	Sen	16.67	20.03	7.72	8.35	N/A
Dividend Per Share (Gross)	Sen	5.00	7.50	40.00	7.50	5.50
Net Tangible Assets Per Share	RM	3.06	3.24	2.57	2.57	2.52

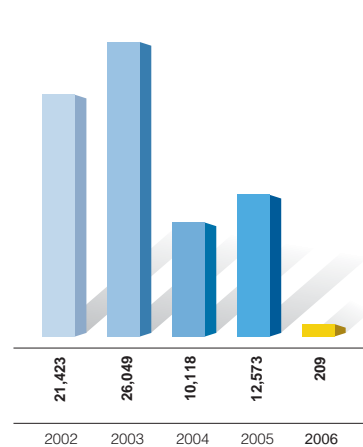
Revenue
RM'000



Profit Before Taxation
RM'000

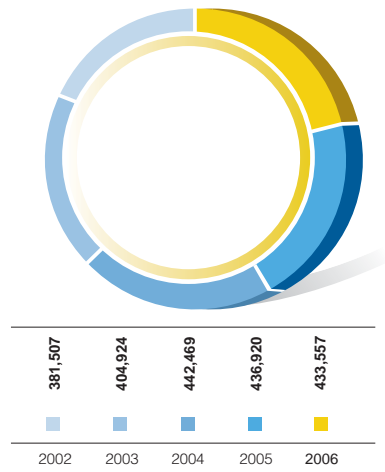


Net Profit For The Year
RM'000

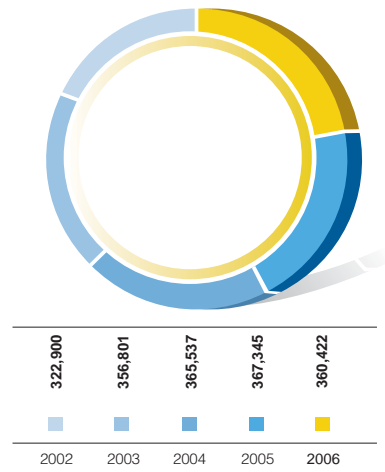


5-Year Group Financial Summary

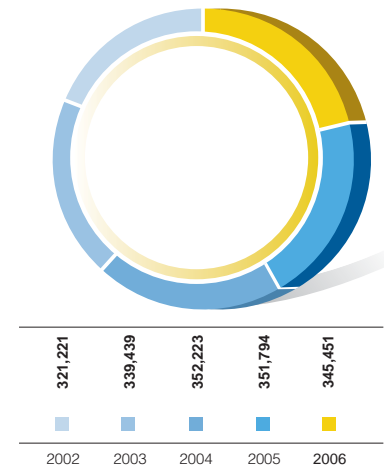
Total Assets
RM'000



Shareholders' Equity
RM'000

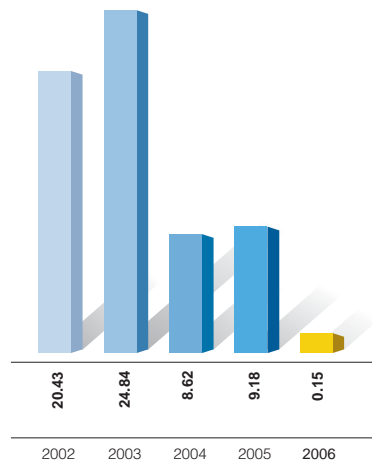


Net Tangible Assets
RM'000

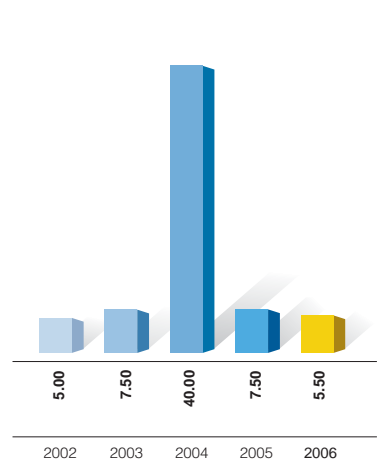


financial POSITION

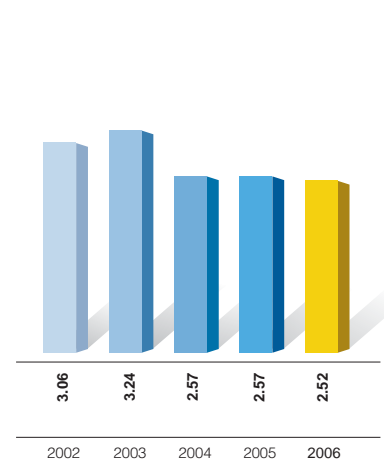
Earnings Per Share
SEN



Dividend Per Share (Gross)
SEN



Net Tangible Assets Per Share
SEN



key FIGURES

chairman's STATEMENT



Chairman's Statement

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS, I HAVE THE PLEASURE OF PRESENTING THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY FOR THE FINANCIAL YEAR ENDED 30 APRIL 2006.

REVIEW

The year under review had been a challenging year for the Group. Fuel price had remained high throughout the financial year and this together with its inflationary consequences and the growing competition in the oleochemical industry have had an adverse impact on the Group's results. Profit before taxation decreased from RM12.90 million in the last financial year to RM2.05 million in the current financial year. The lower earnings resulted mainly from the loss suffered by the oleochemical division, the lower profits from the Indonesian operations and a significantly lower write back of provision for diminution in value of the Company's quoted securities in the current year.

Turnover during the year had reduced by 10.36% to RM336.21 million from RM375.06 million in the last financial year mainly because of lower revenue recorded by the oleochemical division.

Profit before taxation, as mentioned above decreased from RM12.90 million in the last financial year to RM2.05 million in the current financial year. Included in the previous year's results, however is a RM7.57 million write back in provision for diminution in value on the Company's quoted securities to the Income Statement. The write back in the current financial year is significantly lower at RM0.89 million. The write backs were made in line with the stronger and more stable stock market in the last two financial years compared with the late 1990's when the Company first wrote off about RM12.47 million from the value of its quoted investments to reflect the impairment in these investments then.

Current year's profit before taxation, on the other hand included an exceptional gain of RM2.86 million, realised from a liability assigned by the ex-shareholders of PT WanaSari Nusantara in favour of the Company.

During the financial year, the Company has also written down the cost of its investment in JWS Projects Sdn Bhd, the 30% owned associated company by RM1.465 million to recognise the potential impairment from the disposal of its 51% stake in Yangzhong Changiang Bridge Co. Ltd, the company which was awarded the concessionary rights to manage and collect toll in Yangzhong Changjiang Bridge in China.

Chairman's Statement

OLEOCHEMICAL DIVISION

The Group continued to derive the bulk of its revenue from the oleochemical division. For the financial year under review, the oleochemical division revenue accounted for 60.32% (2004:63.52%) of the Group's revenue.

However, the financial year under review had been a very difficult one for the division, which in addition to higher fuel price had also to cope with increased competition in the industry with additional players coming on-stream into the market. These difficulties had eroded the division's profit margin. The overall depressed glycerine (a by-product of the division) prices throughout the financial year had dampened the division results further. The division registered a loss before taxation of RM3.08 million in the current year against a profit of RMRMO.59 million in the last financial year.

On a brighter note, the division had installed and commissioned a compressed natural gas supply system (CNG Supply System) towards end December 2005 and I am pleased to report that the system is now in operation and should reduce the division's energy cost substantially and help improve the division's future results.

INDONESIAN OPERATIONS

The operating conditions in Indonesia are proving to be increasingly difficult. PT Mustika Agro Sari profit before taxation had reduced from RM3.20 million in 2005 to RM1.06 million during the financial year under review. The competition for fresh fruit bunches (FFB) among palm oil mills in the vicinity of its mill has driven up FFB costs and eroded the profit.

PT WanaSari Nusantara registered a loss before taxation of RMO.42 million in the financial year against a loss of RMO.38 million in the last financial year. Current year's results however, included a loss of RM3.43 million incurred from the conversion of land in favour of designated smallholders under an Indonesian government scheme which the company participates in. Without accounting for this loss, the company had recorded a profit before taxation of RM3.01 million during the financial year. The company has put much effort and attention to rehabilitate much of the planted area; adding fertilisers and clearing the land, where necessary to bring about an improved yield. We should see better contributions from the company in the coming year.



Chairman's Statement

HEALTH CARE DIVISION

The health care division continued to face many challenges during the financial year under review. In spite of this, the division managed to register a profit before taxation of RM0.57 million in the current year as against a loss before taxation of RM0.74 million during the last financial year. The improved results are assisted, in part by an improvement in the division's turnover which increased from the RM40.76 million recorded in the last financial year to RM43.44 million during the financial year under review. During the year, the hospital had increased the number of consultation rooms and taken in more specialists and have now extended itself to a wider range of disciplines.

The division will continue to take steps to help the division to turnaround without compromising on the quality of health care. As society becomes more health conscious, the division should benefit from this.

YANGZHONG CHANGJIANG BRIDGE CO. LTD, CHINA

As mentioned earlier, the Company had written down the cost of its investment in JWS Projects Sdn Bhd, the 30% owned associated company by RM1.465 million to recognise the potential impairment from the disposal of its 51% stake in Yangzhong Changjiang Bridge Co. Ltd, the company which was awarded the concessionary rights to manage and collect toll in Yangzhong Changjiang Bridge in China. JWS Projects Sdn Bhd will, with its other joint venture partners look into the possibility of other investments and will keep you, the shareholders informed accordingly.

DIVIDENDS

In spite of the lower profits, the Board of Directors is pleased to recommend a final dividend of 3.50% (tax exempt) for the current financial year. We seek your favourable consideration and approval on the proposed dividend in the forthcoming Annual General Meeting.



Chairman's Statement

PROSPECTS

We expect the forthcoming financial year to be challenging. Oil prices are likely to remain high and although the effect of this on the Group should be somewhat reduced with the CNG Supply System which the oleochemical division had put in place, the potential inflationary consequences could continue to erode the profit margin.

The focus for the forthcoming year will be to sustain our market share and improve the profitability of the oleochemical division, increase our earning capacities from our Indonesian operations and from the health care division.

In light of the challenges ahead, the Group will continue to exercise and employ prudence in its management and will strive to enhance its competitiveness and processing efficiency.

APPRECIATION

On behalf of the Board, I would like to extend our thanks to our valued customers, business partners, financiers and the relevant government authorities for their continued support. I would also like to express our appreciation to the management and staff of the Group for their dedication and hard work in seeing us through this challenging year.

In closing, my personal thanks and gratitude to my fellow directors for their valuable support and contribution, and our shareholders for their continued support and confidence in Southern Acids (M) Berhad.

Thank you.

Dato' Mong Hua @ Low Mong Hua
Chairman
28 September 2006



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financial STATEMENTS

SOUTHERN ACIDS (M) BERHAD 64577-K



director's REPORT

The directors of **SOUTHERN ACIDS (M) BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended April 30, 2006.

PRINCIPAL ACTIVITIES

The Company is principally involved in the marketing of oleochemical products for commercial use and investment holding.

The principal activities of the subsidiary companies are shown in Note 13 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

RESULTS OF OPERATIONS

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

	The Group RM	The Company RM
Profit before tax	2,045,179	10,617,801
Income tax expense	(1,848,932)	(275,289)
Profit after tax	196,247	10,342,512
Minority interests	12,764	-
Net profit for the year	209,011	10,342,512

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 other than the exceptional item as disclosed in Note 5 to the Financial Statements.

DIVIDENDS

A final dividend of 5.5%, tax exempt, amounting to RM7,531,377 proposed in the previous financial year and dealt with in the previous directors' report was paid by the Company during the current financial year.

The Directors proposed a final dividend (tax exempt) of 3.5% per ordinary share of RM1.00 each amounting to RM4,792,695 in respect of the current financial year on the issued and paid-up ordinary shares of the Company. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

Director's Report

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 parties 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.

EMPLOYEES' SHARE OPTION SCHEME (ESOS)

Under the Company's Employees' Share Option Scheme (ESOS) which expired on April 15, 2006, the granting and the exercise of options to subscribe up to 10% of the issued and paid-up share capital of the Company are made available to eligible directors and employees of the Group.

The salient features of the scheme are as follows:

- (a) the granting and exercise of options to subscribe up to 10% the issued and paid-up share capital of the Company whereby
 - (i) not more than 50% of the shares available under the scheme shall be allocated, in aggregate, to executive directors and senior management and
 - (ii) not more than 10% of the shares available under the scheme would be allocated to any individual executive director or eligible employee, who either singly or collectively holds 20% or more of the issued and paid-up share capital of the Company;
- (b) eligible employees are those who have been confirmed in writing as employees of the Group for at least one year prior to the date of the offer and be at least eighteen (18) years of age on the date of offer;

Director's Report

- (c) the option is personal to the grantee and is non-assignable;
- (d) the option price shall be at a discount of not more than 10% of the weighted average market price of the Company's ordinary shares as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five trading days preceding the date of the offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher;
- (e) the options granted may be accepted at anytime within forty-five days from the date of the offer; and
- (f) the options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares.

During the financial year, the Company has not offered any options to its eligible directors and employees.

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, 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 have 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 realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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 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 financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Director's Report

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 for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Dato' Mong Hua @ Low Mong Hua, DPMS
Dato' Mohd. Yusoff bin Haji Amin, SMS, PJK, JP
Low Mun Chong
Low Mong Chai @ Low Ah Kow
Sukhinderjit Singh Muker
Dato' Low Boon Eng, DPMS, JP
Mohd Hisham bin Harun
Yap Soon Nam
Lim Kim Long

In accordance with Article 95 and 96 of the Company's Articles of Association, Mr. Low Mun Chong and Mr. Low Mong Chai @ Low Ah Kow retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Dato' Mohd. Yusoff bin Haji Amin, SMS, PJK, JP retires pursuant to Section 129 of the Companies Act, 1965 and a resolution will be proposed for his reappointment as director under the provision of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

Director's Report

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	No. of ordinary shares of RM1.00 each			Balance as of 30.4.2006
	Balance as of of 1.5.2005	Bought	Sold	
Shares in the Company				
Registered in name of directors				
Direct interest				
Dato' Mong Hua @ Low Mong Hua, DPMS	9,217,846	10,000	-	9,227,846
Low Mun Chong	1,516,498	-	-	1,516,498
Low Mong Chai @ Low Ah Kow	261,495	-	-	261,495
Lim Kim Long	49,276	-	-	49,276
Dato' Low Boon Eng, DPMS, JP	2,487	-	-	2,487
Deemed interest				
Dato' Mong Hua @ Low Mong Hua, DPMS *	65,145,923	-	-	65,145,923
Lim Kim Long **	66,299,482	-	-	66,299,482

Notes:

* By virtue of his interest in Southern Cocoa Products Marketing Sdn. Bhd., Banting Hock Hin Estate Co. Sdn. Bhd., Southern Realty (Malaya) Sdn. Berhad, Southern Hock Joo Plantation Sdn. Berhad (formerly known as Hock Joo Plantation Sdn. Berhad), Naga Wira Sdn. Berhad, Bekalan Utama Sdn. Berhad, Southern Edible Oil Industries (M) Sdn. Berhad and Southern Palm Industries Sdn. Berhad (formerly known as Serata Kaya Sdn. Berhad).

** By virtue of his interest in Southern Cocoa Products Marketing Sdn. Bhd., Banting Hock Hin Estate Co. Sdn. Bhd., Southern Realty (Malaya) Sdn. Berhad, Southern Hock Joo Plantation Sdn. Berhad (formerly known as Hock Joo Plantation Sdn. Berhad), Naga Wira Sdn. Berhad, Bekalan Utama Sdn. Berhad, Southern Edible Oil Industries (M) Sdn. Berhad, Southern Palm Industries Sdn. Berhad (formerly known as Serata Kaya Sdn. Berhad) and Lim Thye Peng Realty Sdn. Bhd.

Director's Report

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

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

The deemed interest of directors disclosed above have been made in accordance with the requirements of the Companies Act, 1965 and does not in any way reflect the beneficial interest of the directors in the above companies.

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 he is a member, or with a company in which he 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 20 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.

AUDITORS

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

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

DATO' MONG HUA @ LOW MONG HUA, DPMS

LOW MUN CHONG

Klang,
August 25, 2006

report of the auditors

TO THE MEMBERS OF SOUTHERN ACIDS (M) BERHAD

We have audited the accompanying balance sheets as of April 30, 2006 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of April 30, 2006 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary company of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Report of the Auditors

We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors as shown in Note 13 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

WU CHIH SHAN
1887/03/08 (J)
Partner

August 25, 2006

income STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	4	337,274,948	375,057,306	208,371,981	244,329,796
Other operating income	5	3,991,899	8,642,108	3,667,991	7,598,342
Changes in inventories of finished goods and work-in-progress		1,845,436	(3,537,544)	-	-
Raw materials and consumables used		(235,658,554)	(276,666,460)	-	-
Purchase of trading merchandise		(163,458)	(222,543)	(200,856,193)	(232,629,185)
Share in (loss)/profit of associated company		(1,465,438)	424,572	-	-
Depreciation of property, plant and equipment	12	(16,472,607)	(15,884,364)	-	-
Directors' remuneration	6	(825,078)	(806,838)	(274,717)	(117,908)
Staff costs	5	(25,195,716)	(24,015,358)	(332,553)	(326,503)
Other operating expenses	5	(60,525,980)	(49,819,372)	(828,613)	(322,561)
Profit from operations		2,805,452	13,171,507	9,747,896	18,531,981
Finance costs	7	(1,821,577)	(1,363,678)	-	-
Income from other investments	8	1,061,304	1,095,196	869,905	804,672
Profit before tax		2,045,179	12,903,025	10,617,801	19,336,653
Income tax (expense)/credit	9	(1,848,932)	188,476	(275,289)	1,251,003
Profit after tax		196,247	13,091,501	10,342,512	20,587,656
Minority interests		12,764	(518,745)	-	-
Net profit for the year		209,011	12,572,756	10,342,512	20,587,656
Earnings per share (sen)					
Basic	11	0.15	9.18		
Fully diluted	11	N/A	8.35		

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

balance SHEETS

AS AT APRIL 30, 2006

	Note(s)	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Property, plant and equipment	12	264,375,519	270,142,191	-	-
Investment in subsidiary companies	13	-	-	44,573,498	43,823,499
Investment in associated company	14	5,177,518	6,642,956	30,000	30,000
Other investments	15	23,574,955	22,764,971	23,574,955	22,764,971
Property development projects	16	4,098,630	3,977,112	-	-
Deferred tax assets	17	14,971,008	15,550,291	1,476,311	1,476,311
Current Assets					
Inventories	18	38,799,642	39,159,303	-	-
Trade receivables	19&20	31,125,895	30,581,439	22,281,085	25,392,093
Other receivables, deposits and prepaid expenses	19&20	9,195,624	6,487,323	794,291	728,027
Amount owing by subsidiary companies	20	-	-	225,189,744	225,107,199
Amount owing by associated company	20	462,000	462,000	462,000	462,000
Fixed deposits, short-term placements, cash and bank balances	21	41,776,054	41,152,373	31,557,076	30,277,241
		121,359,215	117,842,438	280,284,196	281,966,560
Current Liabilities					
Trade payables	20&22	17,123,961	14,130,391	-	-
Other payables and accrued expenses	20&22	27,043,946	26,482,472	2,739,815	1,350,187
Amount owing to subsidiary companies	20	-	-	117,366,368	121,706,499
Amount owing to directors	23	53,846	74,786	-	-
Bank borrowings	24	8,876,251	4,897,328	-	-
Tax liabilities		34,057	334,211	-	-
Dividend payable		121,500	121,500	121,500	121,500
		53,253,561	46,040,688	120,227,683	123,178,186

Balance Sheets

	Note (s)	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Net Current Assets		68,105,654	71,801,750	160,056,513	158,788,374
Long-term and Deferred Liabilities					
Term loans	25	(11,961,674)	(16,038,313)	-	-
Provision for retirement benefits	26	(3,080,641)	(2,645,028)	(158,245)	(141,258)
		(15,042,315)	(18,683,341)	(158,245)	(141,258)
Minority interests		(4,838,560)	(4,851,349)	-	-
Net Assets		360,422,409	367,344,581	229,553,032	226,741,897
Represented by:					
Issued capital	27	136,934,132	136,934,132	136,934,132	136,934,132
Reserves	28	223,488,277	230,410,449	92,618,900	89,807,765
Shareholders' Equity		360,422,409	367,344,581	229,553,032	226,741,897

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

STATEMENTS OF changes in equity

FOR THE YEAR ENDED APRIL 30, 2006

The Group	Note	Non-distributable Reserves			Distributable Reserve		Total RM
		Issued Capital RM	Share Premium RM	Foreign Exchange Reserve RM	Capital Reserve RM	Unappropriated Profit RM	
Balance as of May 1, 2004		136,934,132	34,321,050	3,493,159	7,220,556	183,567,912	365,536,809
Net profit for the year		-	-	-	-	12,572,756	12,572,756
Dividends	10	-	-	-	-	(7,394,443)	(7,394,443)
Exchange differences arising on translation of overseas subsidiary companies		-	-	(3,370,541)	-	-	(3,370,541)
Balance as of April 30, 2005		136,934,132	34,321,050	122,618	7,220,556	188,746,225	367,344,581
Net profit the year		-	-	-	-	209,011	209,011
Dividends	10	-	-	-	-	(7,531,377)	(7,531,377)
Exchange differences arising on translation of overseas subsidiary companies		-	-	400,194	-	-	400,194
Balance as of April 30, 2006		136,934,132	34,321,050	522,812	7,220,556	181,423,859	360,422,409

The Company	Note	Non-distributable Reserve			Distributable Reserve		Total RM
		Issued Capital RM	Share Premium RM	Unappropriated Profit RM	Non-distributable Reserve RM	Distributable Reserve RM	
Balance as of May 1, 2004		136,934,132	34,321,050	42,293,502	213,548,684		
Net profit for the year		-	-	20,587,656	20,587,656		
Dividends	10	-	-	(7,394,443)	(7,394,443)		
Balance as of April 30, 2005		136,934,132	34,321,050	55,486,715	226,741,897		
Net profit for the year		-	-	10,342,512	10,342,512		
Dividends	10	-	-	(7,531,377)	(7,531,377)		
Balance as of April 30, 2006		136,934,132	34,321,050	58,297,850	229,553,032		

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

cash flow STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2006

Note	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax				
Adjustments for:	2,045,179	12,903,025	10,617,801	19,336,653
Depreciation of property, plant and equipment	16,472,607	15,884,364	-	-
Finance costs	1,821,577	1,363,678	-	-
Bad debts written off	688,596	-	-	-
Provision for retirement benefits	478,061	312,913	16,987	16,987
Property, plant and equipment written off	76,440	-	-	-
Share in (loss)/profit of associated company	1,465,438	(424,572)	-	-
Loss/(Gain) on disposal of property, plant and equipment	3,434,243	(30,737)	-	-
Write back of allowance for diminution in value of quoted shares	(809,984)	(7,573,256)	(809,984)	(7,573,256)
Unrealised (gain)/loss on foreign exchange	(891,387)	1,130,953	504,168	(25,086)
Interest income	(1,056,437)	(1,095,196)	(869,905)	(804,672)
Dividend income	(1,515,789)	(1,200,611)	(7,515,789)	(11,700,611)
Operating Profit/(Loss) Before Working Capital Changes	22,208,544	21,270,561	1,943,278	(749,985)
(Increase)/Decrease in:				
Inventories	359,661	(805,507)	-	-
Trade receivables	(341,665)	4,664,148	2,606,840	3,107,124
Other receivables, deposits and prepaid expenses	526,554	575,204	(6,866)	667,809
Amount owing by subsidiary companies	-	-	(82,545)	8,212,699
Increase/(Decrease) in:				
Trade payables	2,993,570	(1,894,472)	-	-
Other payables and accrued expenses	561,474	(386,264)	1,389,628	(268,569)
Amount owing to subsidiary companies	-	-	(4,340,131)	(14,565,722)
Amount owing to directors	(20,940)	(388,714)	-	-
Property development projects	(121,518)	(375,261)	-	-
Cash Generated From/(Used In) Operations	26,165,680	22,659,695	1,510,204	(3,596,644)
Interest received	1,056,437	1,095,196	869,905	767,625
Retirement benefits paid	(42,448)	(171,750)	-	-
Income tax paid	(1,695,168)	(2,888,907)	(334,687)	(19,127)
Finance costs paid	(1,821,577)	(1,363,678)	-	-
Net Cash From/(Used In) Operating Activities	23,662,924	19,330,556	2,045,422	(2,848,146)

Cash Flow Statements

Note	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Dividend received	1,515,789	1,200,611	7,515,789	11,700,611
Proceeds from disposal of property, plant and equipment	3,700	31,760	-	-
Additions to property, plant and equipment	(15,773,173)	(9,423,511)	-	-
Repayment from associated company	-	201,829	-	201,829
Additional investment in quoted shares	-	(1,647,842)	-	(1,647,842)
Additional investment in subsidiary company	-	-	(749,999)	-
Net Cash (Used In)/From Investing Activities	(14,253,684)	(9,637,153)	6,765,790	10,254,598
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Drawdown of revolving credit	3,728,209	-	-	-
Dividend paid	(7,531,377)	(7,394,443)	(7,531,377)	(7,394,443)
Repayment of term loans	(4,200,001)	(2,363,600)	-	-
Repayment of hire-purchase liabilities	-	(5,320)	-	-
Net Cash Used In Financing Activities	(8,003,169)	(9,763,363)	(7,531,377)	(7,394,443)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,406,071	(69,960)	1,279,835	12,009
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	40,936,645	41,844,429	30,277,241	30,265,232
EFFECT OF EXCHANGE RATES DIFFERENCES	(1,156,466)	(837,824)	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	41,186,250	40,936,645	31,557,076	30,277,241
29				

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

notes to the FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally involved in the marketing of oleochemical products for commercial use and investment holding.

The principal activities of the subsidiary companies are shown in Note 13.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

The total number of employees of the Group and the Company as at year end were 1,412 (2005 : 1,390) and 3 (2005 : 3) respectively.

The registered office of the Company is located at No. 26, Jalan Istana, 41000 Klang, Selangor Darul Ehsan.

The principal place of business of the Company is located at Wisma Southern, 6th Floor, No. 26 - 34, Jalan Dato Hamzah, 41000 Klang, Selangor Darul Ehsan.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on August 25, 2006.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia.

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.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies as shown in Note 13 made up to the end of the financial year.

All significant intercompany balances and transactions are eliminated on consolidation.

The Group adopts both the acquisition and merger method of consolidation.

- (a) When the acquisition method is adopted, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed of during the financial year are included in the income statements from the effective date of acquisition or up to the effective date of disposal.

- (b) Under the merger method of consolidation, acquisition of subsidiary companies which meet the criteria for merger accounting under the Companies Act, 1965 and Malaysian Accounting Standard No. 2, Accounting for Acquisitions and Mergers, are accounted using the merger accounting principles.

The Company has used the merger relief under Section 60(4)(a) of the Companies Act, 1965 and, accordingly, the excess of the issue price over the nominal value of the new shares issued for the acquisition of additional equity interest in one of its subsidiary companies is not recorded as share premium in the Company's financial statements.

Capital reserve represents the accretion in net attributable assets of the Group arising from the acquisition of additional equity interests from minority interests in subsidiary companies.

Revenue

Revenue of the Company represents gross invoiced value of sales less returns and discounts and dividend income.

Revenue of the Group represents gross invoiced value of sales less returns and discounts, dividend income, medical and consultation charges for services rendered in connection with hospital operations, income from administrative services and provision of handling, hiring and port services.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue (Cont'd)

Revenue is recognised on the following basis:

Gross invoiced value of goods sold - upon delivery of products and customer acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

Services rendered in connection with hospital operations, administrative services and provision of handling, hiring and port services - when services are rendered.

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

Foreign Currency Translations

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates, or where settlement has not yet been made at the end of the financial year, at the approximate exchange rates prevailing at that date. All gains or losses on foreign exchange are taken up in the income statements.

For the purpose of consolidation, the financial statements of foreign incorporated subsidiary companies have been translated into Ringgit Malaysia as follows:

Assets and liabilities - at the following closing rates per unit of Ringgit Malaysia:

	2006	2005
Indonesia Rupiah	2,421.31	2,518.89
Hong Kong Dollar	2.1388	2.0524

Issued capital - at historical rate

Revenue and expenses - at average rate

Gains or losses on translation into Ringgit Malaysia are taken up in the foreign exchange reserve account.

Income Tax

The tax effects of transactions are recognised, using the "balance sheet liability" method and all taxable temporary differences are recognised. Where such temporary differences would give rise to net deferred tax asset, the tax effects are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Assets

The carrying amounts of property, plant and equipment, investment in subsidiary companies and associated company, other investments and property development expenditure are reviewed at each balance sheet date 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. An impairment loss is recognised in the income statements, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal is recognised in the income statements, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

Property, Plant and Equipment

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

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 the income statements.

Depreciation and amortisation 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 the estimated useful lives. The principal annual rates used are as follows:

Factory buildings	2%
Plantation land right	3.33%
Plantation	3% - 5%
Palm oil mills	3.33%
Hospital building	2% - 10%
Medical equipment	10%
Plant, machinery, equipment and electrical installation	7.5% - 25%
Motor vehicles	20% - 25%
Office equipment, furniture and fittings	10% - 25%
Leasehold warehouse cum office block	10%
Freehold warehouse	2%

Notes to the Financial Statements

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 the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Investment in Subsidiary Companies

Investment in unquoted shares of the subsidiary companies, which is eliminated on consolidation, is stated at cost in the Company's financial statements. Where there is an indication of impairment in the value of the assets, the carrying amount of the investments is assessed and written down immediately to its recoverable amount.

Investment in Associated Company

An associated company is a non-subsiary company in which the Group holds as long-term investment of between 20% to 50% of the equity voting rights and in which the Group is in a position to exercise significant influence in its management.

Investment in associated company is stated at cost in the Company's financial statements. The Group's investment in associated company is accounted for under the equity method of accounting based on the management financial statements of the associated company made up to the end of the financial year. Under this method of accounting, the Group's interest in the post-acquisition profit and reserves of the associated company is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet. The carrying amount of such investment is reduced to recognise any decline, other than a temporary decline, in the value of the investment.

Unrealised profits and losses arising on transactions between the Group and its associated company are eliminated to the extent of the Group's equity interest in the associated company except where unrealised losses provide evidence of an impairment of the asset transferred.

Other Investments

Investments in quoted and unquoted shares are stated at cost, less impairment in the value of the investments to recognise any decline, other than a temporary decline in the value of the investments.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property Development Projects

Property development projects consist of the cost of freehold land and related development expenditure incurred less cost recognised in income statement and allowances for foreseeable loss.

Allowance for foreseeable loss is made based on losses estimated to arise upon the completion of the property development projects which are already in progress.

The Company considers as current assets that portion of property development projects on which significant development work has been done and is expected to be completed within the normal operating cycle.

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 of bringing these inventories to their present location and condition. The costs of 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.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Employee Benefits

i) Short term employee benefits

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

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits (Cont'd)

ii) Post employment benefits

(a) Defined contribution plans

The Group and the Company contribute to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(b) Defined benefit plans

The Company and a subsidiary company have an unfunded defined retirement plan for eligible employees. Provision for retirement benefits is computed at half a month's salary for each year of service based on the last drawn salary of the employees.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Manufacturing and marketing	203,168,900	238,621,637	200,856,192	232,629,185
Plantation	81,834,336	91,075,417	-	-
Development, managing and operating of private hospital	43,368,733	39,216,430	-	-
Warehousing and bulk conveyor operations	4,287,324	3,421,241	-	-
Administrative services	3,099,866	1,521,970	-	-
Dividend income	1,515,789	1,200,611	7,515,789	11,700,611
	337,274,948	375,057,306	208,371,981	244,329,796

Notes to the Financial Statements

5. OTHER OPERATING INCOME/(EXPENSES)

Included in other operating income/(expenses) are the following:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unrealised gain/(loss) on foreign exchange	891,387	(1,130,953)	(504,168)	25,086
Exceptional item:				
Amount no longer payable to former shareholders of an indirect subsidiary company on debts previously assigned to the Company	2,858,007	-	2,858,007	-
Write back of allowance for diminution in value of quoted shares	809,984	7,573,256	809,984	7,573,256
Realised gain on foreign exchange	538,076	373,372	-	-
Rental income	125,733	103,883	-	-
(Loss)/Gain on disposal of property, plant and equipment	(3,434,243)	30,737	-	-
Bad debt written off	(688,596)	-	-	-
Provision for retirement benefits	(478,061)	(312,913)	(16,987)	(16,987)
Lease rental of land	(376,358)	(376,358)	-	-
Rental of:				
Storage tanks	(306,671)	(280,926)	-	-
Premises paid/payable to related party (Note 20)	(278,362)	(254,765)	-	-
Warehouse	(177,365)	(183,227)	-	-
Premises paid/payable to third parties	(1,879)	(1,040)	-	-
Plant and machinery	-	(28,080)	-	-
Motor vehicles	-	(1,353)	-	-
Audit fee				
- current	(107,324)	(106,473)	(28,000)	(25,000)
- over/(under) provision in prior year	1,900	3,040	(3,000)	-
Property, plant and equipment written off	(76,440)	-	-	-

Staff cost include salaries, bonus, contributions to Employees' Provident Fund ("EPF") and all other related expenses. Contributions to EPF for the staff during the current financial year for the Group and Company amounted to RM2,176,923 and RM33,636 (2005 : RM1,939,883 and RM32,630) respectively.

Notes to the Financial Statements

6. DIRECTORS' REMUNERATION

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Company's directors				
Executive directors:				
Fees	123,881	59,500	123,881	59,500
Other emoluments	562,761	695,730	12,400	6,400
	686,642	755,230	136,281	65,900
Non-executive directors:				
Fees	123,142	43,208	123,143	43,208
Other emoluments	15,294	8,400	15,293	8,800
	138,436	51,608	138,436	52,008
	825,078	806,838	274,717	117,908

Contributions to EPF for the directors during the current financial year for the Group amounted to RM55,793 (2005 : RM25,305).

7. FINANCE COSTS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest on:				
Term loans	1,809,951	1,191,713	-	-
Bank overdrafts	11,626	171,457	-	-
Hire-purchase	-	508	-	-
	1,821,577	1,363,678	-	-

Notes to the Financial Statements

8. INCOME FROM OTHER INVESTMENTS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest income on fixed deposits and short-term placements with licensed banks	1,061,304	1,095,196	869,905	767,625
Interest income receivable from subsidiary company	-	-	-	37,047
	1,061,304	1,095,196	869,905	804,672

9. INCOME TAX EXPENSE/(CREDIT)

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current estimated tax payable	1,300,697	2,203,395	322,377	225,308
Deferred taxation (Note 17)	(789,239)	2,129,604	-	2,201,754
	511,458	4,332,999	322,377	2,427,062
Over provision of current tax in prior year	(31,048)	(154,980)	(47,088)	-
(Over)/Under provision of deferred taxation in prior year	1,368,522	(4,366,495)	-	(3,678,065)
	1,337,474	(4,521,475)	(47,088)	(3,678,065)
	1,848,932	(188,476)	275,289	(1,251,003)

Notes to the Financial Statements

9. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

A reconciliation of income tax expense applicable to profit before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before tax	2,045,179	12,903,025	10,617,801	19,336,653
Tax at the applicable tax rate of 28%	572,650	3,612,847	2,972,984	5,414,263
Tax effects of:				
Expenses that are not deductible in determining taxable profit	129,236	607,187	-	26,799
Utilisation of deferred tax assets previously not recognised	(170,153)	-	-	-
Deferred tax assets not recognised during the year	-	297,921	-	-
Income not subject to tax	(202,828)	(184,956)	(2,796,530)	(3,014,000)
Others	182,553	-	145,923	-
Tax expense	511,458	4,332,999	322,377	2,427,062

A subsidiary company has tax-exempt profits amounting to approximately RM179,893,000 (2005 : RM185,893,000) arising from tax-exempt profits earned during the pioneer period under the Promotion of Investments Act, 1986. This exempt profits account is available for distribution as tax-exempt dividends to the shareholders of the said subsidiary company and is subject to approval by the tax authorities.

10. DIVIDENDS

	The Group and the Company	
	2006 RM	2005 RM
Final dividend of 5.5%, tax exempt, in 2005	7,531,377	-
Final dividend of 7.5%, less tax at 28%, in 2004	-	7,394,443
	7,531,377	7,394,443

The Directors proposed a final dividend (tax exempt) of 3.5% per ordinary share of RM1.00 each amounting to RM4,792,695 in respect of the current financial year on the issued and paid-up ordinary shares of the Company. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

Notes to the Financial Statements

11. EARNINGS PER SHARE

(a) Basic earnings per share

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

	The Group	
	2006 RM	2005 RM
Net profit for the year	209,011	12,572,756
Number of ordinary shares in issue	136,934,132	136,934,132
Basic earnings per share (sen)	0.15	9.18

(b) Fully diluted earnings per share

The Company's dilutive potential ordinary shares are its ESOS, which expired on April 15, 2006 and as such, the fully diluted earnings per share is not applicable for 2006.

The computation of fully diluted earnings per share for 2005 is as follows:

	The Group 2005 RM
Net profit for the year	12,572,756
Number of ordinary shares in issue (as in (a) above)	136,934,132
Adjusted for ESOS	13,693,413
Adjusted number of ordinary shares in issue and issuable	150,627,545
Fully diluted earnings per share (sen)	8.35

Fully diluted earnings per share for 2005 is calculated by dividing the adjusted profit after taxation less minority interests for the financial year by the adjusted number of ordinary shares in issue and issuable during the financial year. The adjusted number of ordinary shares in issue and issuable in 2005, have been arrived at based on the assumption that dilutive share options are exercised at beginning of year.

Notes to the Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost	Beginning	Additions	Effects of	Disposals	Reclassifi-	Written	End	Net book value	
	of year		foreign					translation	cation
	RM	RM	exchange	RM	RM	RM	RM	RM	RM
Freehold land	145,697,749	-	-	-	-	-	145,697,749	145,697,749	145,697,749
Factory buildings	7,238,561	40,000	-	-	-	-	7,278,561	4,719,627	5,348,158
Plantation land right	424,657	-	17,116	-	-	-	441,773	331,330	339,725
Plantation	32,954,738	5,438,892	986,673	(6,546,782)	-	-	32,833,521	29,841,834	31,154,508
Palm oil mills	18,998,229	620,765	777,933	-	-	-	20,396,927	12,928,787	13,690,006
Hospital building	23,659,429	2,687,108	-	-	812,313	-	27,158,850	25,270,792	21,771,371
Medical equipment	40,715,862	166,615	-	-	386,222	-	41,268,699	15,364,219	18,928,446
Plant, machinery, equipment and electrical installation	94,836,240	2,439,321	119,964	-	2,411,250	(254,800)	99,551,975	15,446,398	17,256,675
Motor vehicles	3,666,826	358,764	42,402	(9,633)	-	-	4,058,359	1,112,701	1,076,736
Office equipment, furniture and fittings	16,303,716	306,388	16,375	(5,400)	-	-	16,621,079	6,532,846	7,804,483
Leasehold warehouse cum office block	5,924,986	-	-	-	-	-	5,924,986	71,459	87,313
Freehold warehouse	2,310,056	-	-	-	-	-	2,310,056	1,955,479	2,001,748
Construction-in-progress:									
Plant and machinery	4,778,182	3,556,150	-	-	(3,609,785)	-	4,724,547	4,724,547	4,778,182
Building	207,091	159,170	11,490	-	-	-	377,751	377,751	207,091
Total	397,716,322	15,773,173	1,971,953	(6,561,815)	-	(254,800)	408,644,833	264,375,519	270,142,191

Notes to the Financial Statements

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

The Group

Accumulated Depreciation	Beginning of year RM	Charge for the year RM	Effects of foreign exchange translation RM	Disposals RM	Reclassifi- cation RM	Written off RM	End of year RM	Depreciation charge for 2005 RM
Freehold land	-	-	-	-	-	-	-	-
Factory buildings	1,890,403	668,531	-	-	-	-	2,558,934	630,151
Plantation land right	84,932	21,661	3,850	-	-	-	110,443	21,233
Plantation	1,800,230	1,095,750	95,707	-	-	-	2,991,687	892,318
Palm oil mills	5,308,223	1,908,289	251,628	-	-	-	7,468,140	1,827,470
Hospital building	1,888,058	-	-	-	-	-	1,888,058	-
Medical equipment	21,787,416	4,117,064	-	-	-	-	25,904,480	4,063,546
Plant, machinery, equipment and electrical installation	77,579,565	6,662,065	42,307	-	-	(178,360)	84,105,577	6,409,132
Motor vehicles	2,590,090	349,796	15,404	(9,632)	-	-	2,945,658	418,998
Office equipment, furniture and fittings	8,499,233	1,587,328	6,397	(4,725)	-	-	10,088,233	1,558,533
Leasehold warehouse cum office block	5,837,673	15,854	-	-	-	-	5,853,527	16,714
Freehold warehouse	308,308	46,269	-	-	-	-	354,577	46,269
Total	127,574,131	16,472,607	415,293	(14,357)	-	(178,360)	144,269,314	15,884,364

The factory building of the Group is situated on a parcel of land belonging to a company in which certain directors of the Company are also directors.

The leasehold warehouse cum office block and certain plant, machinery, equipment and electrical installation of the Group belonging to two subsidiary companies are situated on a parcel of leasehold land leased from Lembaga Pelabuhan Kelang. The primary lease expired on March 15, 2003 and was renewed for a period of another seven years up to March 15, 2010. On the expiry of the lease period, all buildings and fixtures erected on the said land shall without payment be transferred to the landowner.

Notes to the Financial Statements

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

As of April 30, 2006, the title to a parcel of leasehold land and a parcel of freehold land and building of two subsidiary companies with carrying value of RM33,630,686 (2005 : RM30,642,033) has not been registered in the name of the subsidiary companies.

Certain property, plant and equipment of two subsidiary companies with net book values totalling RM6,986,473 (2005 : RM7,109,522) are pledged as security to certain local banks for bank overdrafts and other credit facilities as mentioned in Note 24.

Included in property, plant and equipment of the Group are fully depreciated assets which are still in use, with a cost of approximately RM24,587,503 (2005 : RM24,576,367).

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2006 RM	2005 RM
Unquoted shares - at cost	44,573,498	43,823,499

The subsidiary companies are as follows:

Direct Subsidiary Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
Southern Management (M) Sdn. Bhd. *	Malaysia	100%	100%	Provision of administrative services
Pofachem (M) Sdn. Berhad	Malaysia	100%	100%	Manufacturing and marketing of oleochemical products for commercial use
PKE (Malaysia) Sdn. Bhd. *	Malaysia	69.7%	69.7%	Warehousing
PKE Transport (Malaysia) Sdn. Bhd. *	Malaysia	91.9%	91.9%	Bulk conveyor operations
SAB Properties Development Co. Sdn. Berhad *	Malaysia	100%	100%	Property development

Notes to the Financial Statements

13. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Direct Subsidiary Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
SAB (East Asia) Holdings Ltd. *	Hong Kong	100%	100%	Investment holding
Noble Interest Sdn. Bhd. *	Malaysia	100%	100%	Owner, lessor and manager of hospital building
Southern Medicare Sdn. Bhd. *	Malaysia	100%	100%	Operator of private hospital
Wilstar Sdn. Bhd. *	Malaysia	100%	100%	Trading
SAB Plantation Sdn. Bhd. *	Malaysia	100%	100%	Pre-operating
Firstview Development Sdn. Bhd. *	Malaysia	80%	80%	Investment holding and oil palm plantation
Centre For Sight Sdn. Bhd. *	Malaysia	100%	100%	Lasik eye correction centre
SAB Bio-Fuel Sdn. Bhd. (Formerly known as Supagri Ventures Sdn. Berhad) *	Malaysia	90%	90%	Pre-operating
Indirect Subsidiary Companies				
Pembinaan Gejati Sdn. Bhd. * (Held through SAB Properties Development Co. Sdn. Berhad)	Malaysia	100%	100%	Oil palm plantation operations and property development
PT Mustika Agro Sari * (Held through Firstview Development Sdn. Bhd.)	Indonesia	56%	56%	Oil palm plantation operations
PT Wanasari Nusantara * (Held through PT Mustika Agro Sari)	Indonesia	56%	56%	Oil palm plantation operations

* The financial statements of these subsidiary companies are examined by auditors other than the auditors of the Company.

Notes to the Financial Statements

14. INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares - at cost	30,000	30,000	30,000	30,000
Share of post - acquisition reserves	5,147,518	6,612,956	-	-
	5,177,518	6,642,956	30,000	30,000

Analysis of associated company is as follows:

	The Group	
	2006 RM	2005 RM
Group's share of tangible assets	5,177,518	6,642,956

The associated company is as follows:

Associated Company	Country of Incorporation	Effective Equity Interest		Principal Activity
		2006	2005	
JWS Projects Sdn. Bhd.	Malaysia	30%	30%	Investment holding

15. OTHER INVESTMENTS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Shares in Malaysia:				
Quoted shares - at cost	27,201,932	27,201,932	27,201,932	27,201,932
Less: Allowance for diminution in value	(4,082,977)	(4,892,961)	(4,082,977)	(4,892,961)
	23,118,955	22,308,971	23,118,955	22,308,971
Unquoted shares - at cost	456,000	456,000	456,000	456,000
	23,574,955	22,764,971	23,574,955	22,764,971
Market value: Quoted shares	24,394,644	22,513,264	24,394,644	22,513,264

Notes to the Financial Statements

16. PROPERTY DEVELOPMENT PROJECTS

	The Group	
	2006 RM	2005 RM
Freehold land - at cost	2,661,516	2,661,516
Development expenditure	1,315,596	940,335
	3,977,112	3,601,851
Add: Development expenditure incurred during the year	121,518	375,261
Total cost incurred to date	4,098,630	3,977,112
Less : Expenditure recognised as expense in income statement		
Previous year	-	-
Current year	-	-
	-	-
Non-current portion	4,098,630	3,977,112

17. DEFERRED TAX ASSETS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At beginning of year	15,550,291	13,313,400	1,476,311	-
Transfer (to)/from income statements	(579,283)	2,236,891	-	1,476,311
Balance at end of year	14,971,008	15,550,291	1,476,311	1,476,311

Notes to the Financial Statements

17. DEFERRED TAX ASSETS (CONT'D)

The net deferred tax assets are in respect of the tax effects of the following:

	Deferred Tax Assets/(Liabilities)			
	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax effects of:				
Temporary differences in respect of property, plant and equipment	1,051,290	7,827,980	-	-
Unabsorbed capital allowances	11,707,456	5,541,000	-	-
Allowance for diminution in value of quoted shares	1,370,029	1,370,029	1,370,029	1,370,029
Provision for retirement benefit	776,060	740,552	44,309	39,552
Unutilised tax losses	57,140	73,754	57,140	73,754
Provision for unutilised leave	4,200	4,000	-	-
Unrealised loss/(gain) on foreign exchange	134,143	(7,024)	134,143	(7,024)
Others	(129,310)	-	(129,310)	-
	14,971,008	15,550,291	1,476,311	1,476,311

The unabsorbed capital allowances are subject to agreement of the tax authorities.

As mentioned in Note 3, the tax effect of temporary differences which could give rise to net deferred tax assets are recognised generally to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. As of April 30, 2006, the estimated amount of net deferred tax assets, calculated at the prevailing tax rate which has not been recognised in the financial statements of the Group due to its uncertainty of realisation, is as follows:

	The Group Deferred Tax Assets/ (Liabilities)	
	2006 RM	2005 RM
Tax effect of:		
Unabsorbed capital allowances	10,924,359	12,041,333
Unutilised tax losses	2,198,633	2,088,778
Temporary differences arising from:		
Property, plant and equipment	(5,407,158)	(6,186,601)
Allowance for doubtful debts	83,318	83,339
Provision for medical training expenses	(348,539)	(406,083)
	7,450,613	7,620,766

Notes to the Financial Statements

18. INVENTORIES

	The Group	
	2006 RM	2005 RM
At cost:		
Raw materials	7,558,782	11,613,598
Work-in-progress	14,363,621	13,310,380
Finished goods	8,102,990	5,911,965
Medical and surgical supplies	2,053,432	1,917,114
Consumables	6,720,817	6,406,246
	38,799,642	39,159,303

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	31,405,895	30,861,439	22,281,085	25,392,093
Less: Allowance for doubtful debts	(300,000)	(300,000)	-	-
Net	31,125,895	30,581,439	22,281,085	25,392,093

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other receivables				
- Sale of property, plant and equipment	3,109,515	-	-	-
- Others	4,023,899	3,087,987	23,589	-
	7,133,414	3,087,987	23,589	-
Tax recoverable	1,041,116	915,751	632,188	572,790
Refundable deposits	233,695	184,600	94,488	88,930
Prepaid expenses	787,399	2,298,985	44,026	66,307
	9,195,624	6,487,323	794,291	728,027

Notes to the Financial Statements

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Trade receivables comprise amounts receivable for the sale of goods and services rendered. The credit period granted on sale of goods and services rendered ranges from 30 to 60 days (2005 : 30 to 60 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods and services rendered of RM300,000 (2005 : RM300,000). This allowance has been determined by reference to past default experience.

Analysis of trade and other receivables by currency:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables:				
United States Dollar	17,394,409	20,076,730	17,394,409	20,076,730
Ringgit Malaysia	13,929,949	10,571,740	4,785,139	5,082,394
Pound Sterling	101,537	232,969	101,537	232,969
	31,425,895	30,881,439	22,281,085	25,392,093
Other receivables:				
Ringgit Malaysia	3,023,519	2,340,685	23,589	-
Indonesia Rupiah	4,109,895	747,302	-	-
	7,133,414	3,087,987	23,589	-

20. RELATED COMPANIES AND RELATED PARTIES TRANSACTIONS

Amount owing by subsidiary companies represent mainly unsecured advances and payments made on behalf, net of administrative charges. This amount outstanding is interest-free and has no fixed terms of repayment.

Amount owing by associated company represents interest-free advances with no fixed terms of repayment.

Amount owing to subsidiary companies represent mainly trade transactions, advances and payments made on behalf, net of dividend receivable. The amount outstanding is interest-free and has no fixed terms of repayment.

Notes to the Financial Statements

20. RELATED COMPANIES AND RELATED PARTIES TRANSACTIONS (CONT'D)

Other than as disclosed elsewhere in the financial statements, the related parties and their relationship with the Company and its related companies are as follows:

Name of related parties	Relationship
Southern Edible Oil Industries (M) Sdn. Berhad, Southern Realty (Malaya) Sdn. Berhad and Southern Keratong Plantations Sdn. Bhd.	Companies in which Dato' Mong Hua @ Low Mong Hua, DPMS, Mr. Low Mun Chong and Mr. Low Mong Chai @ Low Ah Kow, directors of the Company, have direct financial interests
Torita Rubber Works Sdn. Bhd., Torita Trading (M) Sdn. Bhd., Southern Products Marketing Sdn. Bhd., Southern Keratong Plantations Sdn. Bhd., Sunny Futures Sdn. Bhd., Bukit Rotan Palm Oil Sdn. Bhd. and Guan Heng Edible Oil Industries Sdn. Bhd.	Companies in which Dato' Mong Hua @ Low Mong Hua, DPMS, Mr. Low Mun Chong and Mr. Low Mong Chai @ Mr. Low Ah Kow, directors of the Company, have indirect financial interests
Low Mong Hing Enterprise Sdn. Bhd.	Company in which Mr. Low Mong Hing, director of a subsidiary company, has financial interest
Danny Soh Agency	Companies in which Mr. Soh Ah Bah, the brother-in-law of Dato' Mong Hua @ Low Mong Hua, DPMS, Mr. Low Mun Chong and Mr. Low Mong Chai @ Low Ah Kow, has financial interest.

Other than mentioned elsewhere in the financial statements, the significant related party transactions are as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Subsidiary companies				
Pofachem (M) Sdn. Berhad				
Purchases of goods	-	-	200,856,193	232,629,185
Dividend income received	-	-	6,000,000	10,500,000
PT Mustika Agro Sari				
Interest income receivable	-	-	-	37,047
Southern Management (M) Sdn. Bhd.				
Administrative charges	-	-	-	126,174

Notes to the Financial Statements

20. RELATED COMPANIES AND RELATED PARTIES TRANSACTIONS (CONT'D)

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Related parties				
Southern Edible Oil Industries (M) Sdn. Berhad				
Sales of goods	2,251,007	4,512,178	538,170	692,700
Purchases of goods	206,070	1,045,242	-	-
Administrative charges	203,208	135,851	-	-
Bukit Rotan Palm Oil Sdn. Bhd.				
Purchases of goods	6,810,723	5,880,080	-	-
Administrative charges	193,787	173,644	-	-
Southern Realty (Malaya) Sdn. Berhad				
Purchases of goods	4,082,083	4,797,723	-	-
Sales of goods	1,119,251	1,242,858	-	-
Administrative charges	680,569	483,947	-	-
Rental of premises	258,405	254,765	-	-
Southern Keratong Plantations Sdn. Bhd.				
Purchases of goods	14,432,083	20,492,618	-	-
Administrative charges	421,812	333,707	-	-
Low Mong Hing Enterprise Sdn. Bhd.				
Transportation charges	877,591	610,835	-	-
Danny Soh Agency				
Insurance brokerage services (including premium)	616,540	614,527	-	-

Notes to the Financial Statements

20. RELATED COMPANIES AND RELATED PARTIES TRANSACTIONS (CONT'D)

Included under the following accounts of the Group and of the Company are significant outstanding balances arising from trade and non-trade transactions with the above related parties:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables				
Sunny Futures Sdn. Bhd.	370,845	693,008	351,108	693,008
Tonita Rubber Works Sdn. Bhd.	345,523	183,618	168,818	183,618
Tonita Trading (M) Sdn. Bhd.	335,777	-	-	-
Southern Edible Oil Industries (M) Sdn. Berhad	227,398	761,723	58,350	64,600
Southern Keratong Plantations Sdn. Bhd.	157,386	-	-	-
Southern Realty (Malaya) Sdn. Berhad	99,231	192,945	-	-
	1,536,160	1,831,294	578,276	941,226
Other receivables, deposits and prepaid expenses				
Southern Realty (Malaya) Sdn. Berhad	54,401	-	-	-
Trade payables				
Southern Realty (Malaya) Sdn. Berhad	785,808	407,618	-	-
Bukit Rotan Palm Oil Sdn. Bhd.	550,784	277,233	-	-
Southern Keratong Plantations Sdn. Bhd.	13,951	1,748,915	-	-
	1,350,543	2,433,766	-	-
Other payables and accrued expenses				
Low Mong Hing Enterprise Sdn. Bhd.	17,915	55,707	17,915	45,553
Southern Realty (Malaya) Sdn. Berhad	16,222	7,620	16,222	7,620
Danny Soh Agency	-	17,829	-	-
Southern Products Marketing Sdn. Bhd.	-	375	-	-
	34,137	81,531	34,137	53,173

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

Notes to the Financial Statements

21. FIXED DEPOSITS, SHORT-TERM PLACEMENTS, CASH AND BANK BALANCES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits and short-term placements with licensed banks	34,408,750	34,048,750	28,000,000	29,200,000
Cash and bank balances	7,367,304	7,103,623	3,557,076	1,077,241
	41,776,054	41,152,373	31,557,076	30,277,241

The average effective interest rates for fixed deposits and short-term placements range from 2.50% to 2.80% (2005 : 2.40% to 2.56%) per annum and have an average maturity period of 1 to 14 days (2005 : 1 to 14 days).

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

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	37,309,511	39,340,858	28,974,239	30,072,673
Pound Sterling	2,407,991	135,263	2,407,991	135,263
Indonesia Rupiah	1,852,154	1,443,294	-	-
United States Dollar	190,459	69,305	174,846	69,305
Hong Kong Dollar	15,939	163,653	-	-
	41,776,054	41,152,373	31,557,076	30,277,241

22. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranges from 7 to 60 days (2005 : 7 to 60 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	15,337,079	14,041,541	1,557,648	698,243
Accrued expenses	5,172,814	3,007,735	1,182,167	651,944
Loan from shareholders of subsidiary companies	6,534,053	9,433,196	-	-
	27,043,946	26,482,472	2,739,815	1,350,187

Notes to the Financial Statements

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

Analysis of trade and other payables by currency:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables:				
Ringgit Malaysia	14,497,022	12,685,659	-	-
Indonesia Rupiah	2,626,939	1,444,732	-	-
	17,123,961	14,130,391	-	-
Other payables:				
Indonesia Rupiah	10,156,996	8,484,548	-	-
Ringgit Malaysia	5,079,190	5,458,156	1,557,648	698,243
Hong Kong Dollar	97,893	98,837	-	-
	15,337,079	14,041,541	1,557,648	698,243

Other payables arose mainly from on-going costs. These amounts are unsecured, interest-free and are repayable within 60 days from the transaction dates.

The loan from shareholders of subsidiary companies is interest-free and has no fixed terms of repayment.

23. AMOUNT OWING TO DIRECTORS

Amount owing to directors represents mainly remuneration payable to the directors. This amount is unsecured, interest-free and has no fixed terms of repayment.

24. BANK BORROWINGS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Term loans (Note 25)	4,558,238	4,681,600	-	-
Revolving credit	3,728,209	-	-	-
Bank overdrafts	589,804	215,728	-	-
	8,876,251	4,897,328	-	-

Notes to the Financial Statements

24. BANK BORROWINGS (CONT'D)

Bank overdrafts and other credit facilities of the Group and of the Company totalling RM118,267,350 (2005 : RM124,160,000) and RM72,200,000 (2005 : RM80,200,000) respectively obtained from certain local banks bear interest at rates ranging from 2.75% to 7.25% (2005 : 2.75% to 7.25%) per annum. These facilities are unsecured except for facilities of two subsidiary companies totalling RM400,000 (2005 : RM400,000) which are secured by debentures over all fixed and floating assets of these subsidiary companies and are jointly and severally guaranteed by certain former directors and shareholders of the said subsidiary companies. The credit facilities of the Company and of two subsidiary companies amounting to RM117,867,350 (2005 : RM123,760,000) are covered by a negative pledge on the assets of the Company and of the subsidiary companies and are guaranteed by the Company.

25. TERM LOANS

	The Group	
	2006 RM	2005 RM
Term loan I	5,074,932	7,125,000
Term loan II	11,444,980	13,594,913
	16,519,912	20,719,913
Less: Amount due within 12 months included under bank borrowings (Note 24)	(4,558,238)	(4,681,600)
	11,961,674	16,038,313

The non-current portion is repayable as follows:

	The Group	
	2006 RM	2005 RM
Financial years ending April 30:		
2007	-	4,681,600
2008	5,235,314	4,681,600
2009 and thereafter	6,726,360	6,675,113
	11,961,674	16,038,313

The term loans are denominated in United States Dollar.

Notes to the Financial Statements

25. TERM LOANS (CONT'D)

Term loan I pertaining to a subsidiary company is obtained from a foreign bank bears interest at rates ranging from 5.28% to 7.35% (2005 : 3.61% to 5.28%) per annum. This term loan is repayable over 20 quarterly instalments commencing April 2004 and is secured as follows:

- (a) A negative pledge on the said subsidiary company's current and future assets;
- (b) Jointly and severally guaranteed by the directors of the said subsidiary company; and
- (c) Corporate guarantee given by the Company.

Term loan II pertaining to a subsidiary company which is obtained from a foreign bank bears interest at rates ranging from 5.65% to 7.64% (2005 : 3.80% to 5.65%) per annum. This term loan is repayable over 60 monthly instalments commencing April 2005 and is secured as follows:

- (a) A negative pledge over all the current and future assets of the said subsidiary company; and
- (b) Corporate guarantee given by the Company.

26. PROVISION FOR RETIREMENT BENEFITS

	The Group RM	The Company RM
Balance as of May 1, 2004	2,503,865	124,271
Charged to income statements	312,913	16,987
Utilised during the year	(171,750)	-
Balance as of April 30, 2005	2,645,028	141,258
Charged to income statements	478,061	16,987
Utilised during the year	(42,448)	-
Balance as of April 30, 2006	3,080,641	158,245

Notes to the Financial Statements

26. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

The current and non-current portion of provision is as follows:

	The Group RM	The Company RM
Balance as of April 30, 2005:		
Current	-	-
Non-current	2,645,028	141,258
	2,645,028	141,258
Balance as of April 30, 2006:		
Current	-	-
Non-current	3,080,641	158,245
	3,080,641	158,245

The Company and a subsidiary company have an unfunded defined retirement plan for eligible employees. Provision for retirement benefits is computed at half a month's salary for each year of service based on the last drawn salary of the employees.

27. SHARE CAPITAL

	The Company	
	2006 RM	2005 RM
Authorised:		
Ordinary shares of RM1.00 each	200,000,000	200,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each	136,934,132	136,934,132

Notes to the Financial Statements

28. RESERVES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable:				
Share premium	34,321,050	34,321,050	34,321,050	34,321,050
Foreign exchange reserve	522,812	122,618	-	-
Capital reserve	7,220,556	7,220,556	-	-
	42,064,418	41,664,224	34,321,050	34,321,050
Distributable:				
Unappropriated profit	181,423,859	188,746,225	58,297,850	55,486,715
	223,488,277	230,410,449	92,618,900	89,807,765

Share premium

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Share premium arose from the following issue of shares:				
2,700,000 ordinary shares issued at a premium of RM1.45 per share in 1991, net of share issue expenses of RM1,048,207	2,866,793	2,866,793	2,866,793	2,866,793
Expenses relating to bonus issue in 1996	(356,866)	(356,866)	(356,866)	(356,866)
2,186,463 ordinary shares issued at a premium of RM3.00 per share in 1997	6,559,389	6,559,389	6,559,389	6,559,389
Exercise of 100 warrants 1996/2001 at a premium of RM3.80 per share in 1997	380	380	380	380
32,715,908 ordinary shares issued at a premium of RM0.20 per share in 2000, net of share issue expenses of RM537,074	6,006,108	6,006,108	6,006,108	6,006,108
Exercise of 134 warrants 1999/2003 at a premium of RM0.60 per share in 2000	80	80	80	80
Exercise of 332 warrants 1999/2003 at a premium of RM0.60 per share in 2001	199	199	199	199
Exercise of 14,000 warrants 1999/2003 at a premium of RM0.60 per share in 2002	8,400	8,400	8,400	8,400
Exercise of 32,060,945 warrants 1999/2003 at a premium of RM0.60 per share in 2004	19,236,567	19,236,567	19,236,567	19,236,567
	34,321,050	34,321,050	34,321,050	34,321,050

Notes to the Financial Statements

28. RESERVES (CONT'D)

Foreign exchange reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign exchange reserve, as described in the accounting policies.

Capital reserve

Capital reserve represents the accretion in net attributable assets of the Group arising from the acquisition of additional equity interests from minority interests in subsidiary companies.

Unappropriated profit

Distributable reserves are those available for distribution as cash dividends.

Based on the exempt income, the tax credits available and the prevailing tax rate applicable to dividends, the entire unappropriated profit of the Company as of April 30, 2006 is available for distribution by way of cash dividends without additional tax liability being incurred.

29. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash and bank balances	7,367,304	7,103,623	3,557,076	1,077,241
Fixed deposits and short-term placements with licensed banks	34,408,750	34,048,750	28,000,000	29,200,000
Bank overdrafts (Note 24)	(589,804)	(215,728)	-	-
	41,186,250	40,936,645	31,557,076	30,277,241

Notes to the Financial Statements

30. SEGMENTAL INFORMATION

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

- i) Manufacturing and marketing
- ii) Warehousing and bulk conveyor operations
- iii) Development, managing and operating of private hospital
- iv) Administrative services
- v) Plantation
- vi) Others

Inter-segment sales are charged at cost plus a certain percentage of profit mark-up other than administrative services which are charged at cost.

Financial Year Ended April 30, 2006

	Manufacturing and marketing RM	Development, managing and operating of private hospital RM	Plantation RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
External sales	204,684,688	43,368,734	81,834,336	7,387,190	-	337,274,948
Inter-segment sales	206,856,193	1,440,000	-	2,505,000	(210,801,193)	-
Total revenue	411,540,881	44,808,734	81,834,336	9,892,190	(210,801,193)	337,274,948
Financial Results						
Segment results	6,472,520	167,933	2,759,797	870,640	(6,000,000)	4,270,890
Share in loss of associated company						(1,465,438)
Profit from operations						2,805,452
Finance costs						(1,821,577)
Income from other investments						1,061,304
Profit before tax						2,045,179
Income tax credit						(1,848,932)
Profit after tax						196,247

Notes to the Financial Statements

30. SEGMENTAL INFORMATION (CONT'D)

	Manufacturing and marketing RM	Development, managing and operating of private hospital RM	Plantation RM	Others RM	Eliminations RM	Consolidated RM
Other Information						
Capital additions	5,733,498	2,989,013	6,824,140	226,522	-	15,773,173
Depreciation	6,570,941	6,062,135	3,585,586	253,945	-	16,472,607
Consolidated Balance Sheets						
Assets						
Segment assets	153,741,618	65,133,271	194,760,720	14,281,718	-	427,917,327
Investment in associated company						5,639,518
Consolidated assets						<u>433,556,845</u>
Liabilities						
Segment liabilities	18,969,367	6,623,011	41,227,466	1,476,032	-	<u>68,295,876</u>
Revenue						
External sales	238,621,637	39,321,732	91,074,252	6,039,685	-	375,057,306
Inter-segment sales	232,629,185	1,442,954	-	13,881,458	(247,953,597)	-
Total revenue	<u>471,250,822</u>	<u>40,764,686</u>	<u>91,074,252</u>	<u>19,921,143</u>	<u>(247,953,597)</u>	<u>375,057,306</u>
Financial Results						
Segment results	<u>7,145,527</u>	<u>(691,864)</u>	<u>4,563,099</u>	<u>1,730,173</u>	<u>-</u>	<u>12,746,935</u>
Share in profits of associated company						424,572
Profit from operations						<u>13,171,507</u>
Finance costs						(1,363,678)
Income from other investments						<u>1,095,196</u>
Profit before tax						12,903,025
Income tax credit						<u>188,476</u>
Profit after tax						<u>13,091,501</u>

Notes to the Financial Statements

30. SEGMENTAL INFORMATION (CONT'D)

	Manufacturing and marketing RM	Development, managing and operating of private hospital RM	Plantation RM	Others RM	Eliminations RM	Consolidated RM
Other Information						
Capital additions	2,430,458	1,357,513	5,316,368	319,172	-	9,423,511
Depreciation	6,406,381	5,957,862	3,199,504	320,617	-	15,884,364
Consolidated Balance Sheets						
Assets						
Segment assets	159,584,093	65,458,345	191,609,917	13,162,648	-	429,815,003
Investment in associated company						7,104,956
Consolidated assets						<u>436,919,959</u>
Liabilities						
Segment liabilities	16,758,070	5,241,553	41,445,049	1,279,357	-	<u>64,724,029</u>

Geographical Segments

The Group's operations are mainly located in Malaysia, Asia, Europe and America.

The following is an analysis of the Group's sales by geographical market:

	Sales revenue by geographical market	
	2006 RM	2005 RM
Asia	206,893,275	231,210,070
Malaysia	99,647,822	104,108,184
Europe	14,417,010	11,385,984
America	14,382,814	26,765,489
Others	1,934,027	1,587,579
	<u>337,274,948</u>	<u>375,057,306</u>

Notes to the Financial Statements

30. SEGMENTAL INFORMATION (CONT'D)

The following is an analysis of the carrying amount of segmental assets and capital additions by the geographical area in which assets are located:

	Carrying amount of segment assets		Capital additions	
	2006 RM	2005 RM	2006 RM	2005 RM
Malaysia	359,934,529	363,962,662	8,949,033	4,107,143
Asia	70,232,730	68,604,721	6,824,140	5,316,368
America	1,586,257	2,931,595	-	-
Europe	1,590,028	1,247,095	-	-
Others	213,301	173,886	-	-
	433,556,845	436,919,959	15,773,173	9,423,511

32. EMPLOYEES' SHARE OPTION SCHEME (ESOS)

Under the Company's Employees' Share Option Scheme (ESOS) which expired on April 15, 2006, the granting and the exercise of options to subscribe up to 10% of the issued and paid-up share capital of the Company are made available to eligible directors and employees of the Group.

The salient features of the scheme are as follows:

- (a) the granting and exercise of options to subscribe up to 10% the issued and paid-up share capital of the Company whereby
 - (i) not more than 50% of the shares available under the scheme shall be allocated, in aggregate, to Executive Directors and senior management and
 - (ii) not more than 10% of the shares available under the scheme would be allocated to any individual Executive Director or eligible employee, who either singly or collectively holds 20% or more of the issued and paid-up share capital of the Company;
- (b) eligible employees are those who have been confirmed in writing as employees of the Group for at least one year prior to the date of the offer and be at least eighteen (18) years of age on the date of offer;

Notes to the Financial Statements

32. EMPLOYEES' SHARE OPTION SCHEME (ESOS) (CONT'D)

- (c) the option is personal to the grantee and is non-assignable;
- (d) the option price shall be at a discount of not more than 10% of the weighted average market price of the Company's ordinary shares as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five trading days preceding the date of the offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher;
- (e) the options granted may be accepted at anytime within forty-five days from the date of the offer; and
- (f) the options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares.

During the financial year, the Company has not offered any options to its eligible directors and employees.

33. CAPITAL COMMITMENTS

As of April 30, 2006 the Group has the following capital commitments:

	The Group	
	2006 RM	2005 RM
Purchase of property, plant and equipment: Approved and contracted for	623,530	1,567,990

34. CONTINGENT LIABILITY - UNSECURED

The Company has issued corporate guarantee without security to a local bank for credit facilities totalling RM47,141,000 (2005 : RM47,141,000) granted to four subsidiary companies and an associated company. Accordingly, the Company is contingently liable to the extent of credit facilities utilised by the said subsidiary companies and associated company.

35. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, price fluctuation risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders.

Notes to the Financial Statements

35. FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk

The Group undertakes trade transactions with its trade receivables, trade payables and related companies which are mainly denominated in Ringgit Malaysia (RM), United States Dollar (USD), Euro, Indonesia Rupiah and other foreign currencies, where the amounts outstanding are exposed to currency translation risks.

The Group enters into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuations on sales and assets purchase transactions denominated in foreign currencies.

Interest rate risk

The Group's significant interest bearing financial assets and financial liabilities are mainly its fixed deposits and short term placements and also its short-term and long-term obligations comprising bank overdraft, revolving credit and term loans.

The fixed deposits and short-term placements as at balance sheet date, which bear interest as disclosed in Note 21, are short-term and therefore their exposure to the effects of future changes in prevailing level of interest rates are limited.

Price fluctuation risk

The Group is exposed to the price fluctuation of raw materials used in the operations in particular commodities such as crude palm oil, crude palm stearine and palm kernel oil. The Group mitigates its risk to the price alternation on these key raw materials by entering into commodity contracts to cover the physical requirements of the commodities needed by the Group at pre-determined purchase prices.

Credit risk

The Group is exposed to credit risk mainly from trade and other receivables. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history.

The Group's exposure to credit risk in relation to its trade and other receivables, should all its customers fail to perform their obligations as of April 30, 2006, is the carrying amount of these receivables as disclosed in the balance sheet.

The Group places its fixed deposits with credit worthy financial institutions. The carrying amount of financial assets in the financial statements, net of any provision of losses, represents the Group's maximum exposure to credit risk without taking into account of the value of any collateral or other security obtained.

Liquidity risk

The Group practices prudent liquidity risk management to help maintain sufficient levels of cash and cash equivalents to meets its working capital requirements.

Notes to the Financial Statements

35. FINANCIAL INSTRUMENTS (CONT'D)

Financial Assets

The Group's principal financial assets are fixed deposits, cash and bank balances, trade and other receivables and amount owing by associated company.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

Financial Liabilities and Equity Instruments

Debts are classified as liabilities in accordance with the substance of the contractual arrangement.

Significant financial liabilities include trade and other payables, bank borrowings and amount owing to directors.

Bank overdrafts, revolving credit and term loans are recorded at the proceeds received net of direct issue costs.

Finance charges are accounted for on accrual basis.

Foreign Currency Forward Contracts

In order to hedge its exposure to foreign exchange risks, the Group enters into foreign currency forward contracts. Gains and losses on foreign exchange contracts designated as hedges of identified exposure are offset against the foreign exchange gains and losses on the hedged financial assets and liabilities.

Where the instruments is used to hedge against anticipated future transactions, gains and losses are not recognised until the transaction occurs.

At the balance sheet date, the Group had contracted to purchase and sell the following amounts under forward contracts:

	2006 RM	2005 RM	Average exchange rate per unit of Ringgit Malaysia	
			2006	2005
Purchase				
United States Dollar	-	11,389,800	-	0.26316
Sell	2006 RM	2005 RM	Average exchange rate per unit of Ringgit Malaysia	
			2006	2005
United States Dollar	21,014,302	39,997,303	0.27578	0.26319

Notes to the Financial Statements

35. FINANCIAL INSTRUMENTS (CONT'D)

All of these contracts mature within two months of the balance sheet date.

The net deferred loss arising on such contracts as of April 30, 2006 of approximately RM324,600 will be recognised in the underlying transactions in the first half of 2006.

Fair Values

The fair values of the financial assets and financial liabilities reported in the balance sheet approximate the carrying amount of those assets and liabilities because of the immediate or short-term maturity of those financial instruments except as follows:

	Note	Carrying Amount RM	Fair Value RM
Financial Assets			
Other investments:			
Quoted shares	15	23,118,955	24,394,644
Financial Liabilities			
Term loans	25	16,519,912	14,974,109

Other investments

The fair value of other investments is estimated based on the market value as at the balance sheet date.

Term loans

The fair value of term loans is estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Investment in subsidiary companies and associated company

It is not practical to estimate the fair value of investment in subsidiary companies and associated company. As at year end, based on the audited financial statements, the Company's share of net tangible assets of investment in subsidiary companies and associated company amounted to RM403,032,900 and RM5,177,518 respectively.

STATEMENTS by directors

The directors of **SOUTHERN ACIDS (M) BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of April 30, 2006 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the directors,

DATO' MONG HUA @ LOW MONG HUA, DPMS

LOW MUN CHONG

Klang,
August 25, 2006

declaration by the OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **LOU AI CHOO**, the officer primarily responsible for the financial management of **SOUTHERN ACIDS (M) BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity 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.

LOU AI CHOO

Subscribed and solemnly declared by the abovenamed **LOU AI CHOO** at **KLANG** this 25th day of August, 2006.

Before me,

OSMAN BIN MOHAMED SAID
COMMISSIONER FOR OATHS (NO : B123)

properties

OF THE GROUP

Subsidiaries	Types of Property	Area	Existing Use Purposes	Tenure	Age of Buildings	Net Book Value (RM)
1. Pembinaan Gejati Sdn Bhd						
Thangamallay Estate, Lot 3563, Batu 7, Jalan Kebun, Kampung Jawa 42450 Klang Selangor	Land	220.79 acres	Plantation Estate	Freehold	-	46,988,384
Thangamallay Estate, Lot 3860, Batu 7, Jalan Kebun, Kampung Jawa 42450 Klang Selangor	Land	14.33 acres	Plantation Estate	Freehold	-	3,049,701
Thangamallay Estate, Lot 1095, Batu 7, Jalan Kebun, Kampung Jawa 42450 Klang Selangor	Land	409.25 acres	Plantation Estate	Freehold	-	87,096,317
2. Pofachem (M) Sdn Bhd						
Golconda Estate, 10th Mile, Persiaran Hamzah Alang, Off Jalan Kapar, 42200 Kapar, Selangor	Buildings	23 acres	Factory Buildings	N/A	Ranging from 12 to 25 years	5,703,583
3. Noble Interest Sdn Bhd						
P.T. 1288, Seksyen 14, Mukim Klang, Daerah Klang, Selangor	Land	1.62 acres	Hospital Use	Freehold	-	4,950,000
	Buildings	262,000 sq. ft	Hospital Buildings	N/A	7 years	24,286,836

Properties of the Group

Subsidiaries	Types of Property	Area	Existing Use Purposes	Tenure	Age of Buildings	Net Book Value (RM)
4. PKE (M) Sdn Bhd						
Lot No. 15, Section 7, Taman Perusahaan Pulau Indah, Pulau Indah, Mukim Klang, Daerah Klang, Selangor	Land	6.67 acres	Vacant Land	Leasehold Expiring in 24-2-2097	-	4,393,850
Lot 6579, Jalan Jerung, Pelabuhan Utara, 42000 Port Klang, Selangor	Warehouse	132,858 sq. ft	Warehousing	Lease Rental Expiring in 15-3-2010	15 years	71,459
No. 18, Jalan Firma 2/1, Kawasan Perindustrian Tebrau, Johor Bahru, Johor	Warehouse	50,400 sq. ft	Vacant	N/A	9 years	1,958,879
5. SAB Properties Development Co. Sdn Bhd						
G.M. 2172 Lot 2824, Mukim Klang, Daerah Klang, Selangor	Land	3.25 acres	Leased	Freehold	-	3,318,127
6. P.T. Mustika Agro Sari						
Kebun Tanjung Pauh & Kebun Petai, Province of Riau, Indonesia	Plantation Land, Palm Oil Mill and Buildings	7,978 acres	Plantation and Palm-Oil Processing	Leasehold Expiring in 20-3-2036 and 9-4-2036	4 years	15,705,730
7. P.T. Wanasari Nusantara						
Kebun Wanasari Province of Riau Indonesia	Plantation Land, Palm Oil Mill and Buildings	13,136 acres	Plantation	Leasehold Expiring in 31-12-2029 and 29-1-2032	18 years	18,114,005

analysis of SHAREHOLDINGS

AS AT SEPTEMBER 6, 2006

Authorised share capital	: RM200,000,000
Issued and fully paid-up capital	: RM136,934,132
Class of shares	: Ordinary shares of RM1.00 each
Voting rights	: 1 vote per RM1.00 share
Number of shareholders	: 3,139

DISTRIBUTION SCHEDULE OF SHARES As At 6 September 2006

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHARE HELD
LESS THAN 100	164	5.23	6,313	0.00
100 – 1,000	895	28.51	691,345	0.50
1,001 – 10,000	1,740	55.43	6,349,567	4.64
10,001 – 100,000	279	8.89	7,593,434	5.54
100,001 – 6,846,706 (less than 5% of issued shares)	56	1.78	35,359,276	25.82
6,846,707 (5% of issued shares) and above	5	0.16	86,934,197	63.50
Total	3,139	100.00	136,934,132	100.00

SUBSTANTIAL SHAREHOLDERS

NAMES	DIRECT	%	INDIRECT	%
1. SOUTHERN PALM INDUSTRIES SDN BHD (Formerly known as Serata Kaya Sdn Bhd)	42,840,270	31.29	2,046,632	1.49
2. LEMBAGA TABUNG HAJI	17,864,605	13.05	0	0.00
3. SOUTHERN REALTY (MALAYA) SDN BERHAD	11,527,419	8.42	52,252,004	38.16
4. DATO' MONG HUA @ LOW MONG HUA	9,217,846	6.73	68,075,794	49.71
5. RASIONAL SDN BERHAD	7,392,666	5.40	49,845,234	36.40

Analysis of Shareholdings

DIRECTORS' INTERESTS IN SHARES

NAMES OF DIRECTORS	DIRECT	%	INDIRECT	%
1. DATO' MONG HUA @ LOW MONG HUA	9,217,846	6.73	68,075,794	49.71
2. LOW MUN CHONG	1,516,498	1.11	75,541,927	55.17
3. LOW MONG CHAI @ LOW AH KOW	261,495	0.19	76,773,820	56.07
4. LIM KIM LONG	49,276	0.04	69,048,892	50.43
5. DATO' LOW BOON ENG	2,487	0.025	65,626,507	47.93
6. DATO' MOHD YUSOFF BIN HAJI AMIN	0	0.00	0	0.00
7. SUKHINDERJIT SINGH MUKER	0	0.00	0	0.00
8. MOHD HISHAM BIN HARUN	0	0.00	0	0.00
9. YAP SOON NAM	0	0.00	0	0.00

Analysis of Shareholdings

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

NAMES	SHAREHOLDINGS	%
1. SOUTHERN PALM INDUSTRIES SDN BHD (FORMERLY KNOWN AS SERATA KAYA SDN BHD)	42,840,270	31.29
2. LEMBAGA TABUNG HAJI	17,864,605	13.05
3. SOUTHERN REALTY (MALAYA) SDN BERHAD	11,216,419	8.19
4. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD < PLEDGED SECURITIES ACCOUNT FOR RASIONAL SDN BERHAD (05-00051-000) >	7,000,000	5.11
5. SOUTHERN EDIBLE OIL INDUSTRIES (M) SDN BERHAD	4,958,332	3.62
6. MONG HUA @ LOW MONG HUA	4,206,780	3.07
7. GLAMOUR PARTNERSHIP SDN BHD	3,221,940	2.35
8. FOO LOKE CHEW	2,759,000	2.01
9. ANGSANA SUTERA SDN BHD	2,714,942	1.98
10. SOUTHERN COCOA PRODUCTS (M) SDN BERHAD	2,102,632	1.54
11. IJM CORPORATION BERHAD	1,863,466	1.36
12. LIM BOON ENG	1,820,837	1.32
13. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD < PLEDGED SECURITIES ACCOUNT FOR MONG HUA @ LOW MONG HUA (05-00045-000) >	1,800,000	1.31
14. LOW MUN CHONG	1,516,498	1.11
15. BANTING HOCK HIN ESTATE COMPANY SDN BHD	1,487,500	1.09
16. LOU AI CHOO	1,022,862	0.75

Analysis of Shareholdings

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

NAMES	SHAREHOLDINGS	%
17. SOUTHERN HOCK JOO PLANTATION SDN BERHAD (FORMERLY KNOWN AS HOCK JOO PLANTATION SDN BERHAD)	991,666	0.72
18. LIM THYE PENG REALTY SDN BHD	976,559	0.71
19. NAGA WIRA SDN BERHAD	720,938	0.53
20. BEKALAN UTAMA SDN BERHAD	694,166	0.51
21. BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN BHD < PLEDGED SECURITIES ACCOUNT FOR MONG HUA @ LOW MONG HUA (4851 DHAM) >	600,000	0.44
22. LOW MONG HUA SDN BHD	585,000	0.43
23. MONG TECK SDN BERHAD	559,972	0.41
24. TOH KAM CHOY	540,000	0.39
25. CHIN PEK FOO	412,000	0.30
26. RASIONAL SDN BERHAD	392,666	0.29
27. OOI LAY SUAN	384,500	0.28
28. MONG HUA @ LOW MONG HUA	374,332	0.27
29. MONG HUA @ LOW MONG HUA	328,125	0.24
30. TAN SOON MUAY @ TAN KIM HUAY	316,666	0.23
TOTAL	116,064,857	84.77

proxy FORM

SOUTHERN ACIDS (M) BERHAD (64577-K)

I/We _____

of _____

being a member/members of Southern Acids (M) Berhad hereby appoint _____

of _____

as my/our proxy to vote for me/us on my/our behalf at the Twenty-Fifth Annual General Meeting of the Company to be held at Crown Hall, Level 1, Crystal Crown Hotel, 217 Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Thursday, 30 October 2006 at 11.00 a.m. and at every adjournment thereof.

I/We direct my/our proxy to vote (See Note 3) for or against the resolutions to be proposed at the Meeting as hereunder indicated.

No.	Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 30 April 2006 together with the Reports of the Directors and Auditors thereon.		
2.	To declare a Final Dividend (tax exempt) of 3.50% per ordinary share for the financial year ended 30 April 2006.		
3.	To approve the payment of Directors' Fees.		
4.	To re-elect Mr Low Mun Chong as a Director of the Company in accordance with Articles 95 & 96 of the Company's Articles of Association.		
5.	To re-elect Mr. Low Mong Chai @ Low Ah Kow as a Director of the Company in accordance with Articles 95 & 96 of the Company's Articles of Association.		
6.	To re-appoint Dato' Panglima Kubu Mohd Yusoff bin Haji Amin, SMS, PJK, JP to hold office until the conclusion of the next Annual General Meeting pursuant to Section 129(6) of the Companies Act, 1965.		
7.	To re-appoint Messrs Deloitte KassimChan as Auditors to hold office until the conclusion of the next Annual General Meeting at remuneration to be fixed by the Directors.		
8.	To approve the Resolution pertaining to the Authority to issue shares pursuant to Section 132 D of the Companies Act, 1965.		
9.	To approve The Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature.		

Dated this _____ day of _____ 2006

Signature / Common Seal

No. of Shares held

NOTES

1. A member entitled to attend and vote at the Meeting of the Company is entitled to appoint a proxy to attend and vote on his behalf. A proxy shall be a member of the Company, and if the proxy is not a member of the Company, the proxy shall be an Advocate or an approved Company Auditor or a person approved by the Registrar of Companies.
2. A member shall be entitled to appoint one (1) proxy to attend and vote at the meeting.
3. Where a member appoints more than one (1) proxy the appointment shall be invalid.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 26, Jalan Istana, 41000 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. Authority to issue Shares pursuant to Section 132D of the Companies Act, 1965. The proposed Resolution 8, if passed will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.
6. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions. The proposed Resolution 9, if passed, will authorise the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of Company. Please refer to Section 2.2.2 of the Circular to Shareholders dated 5 October 2006 for more information.

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STAMP

SOUTHERN ACIDS (M) BERHAD
(COMPANY NO. 64577-K)

26, JALAN ISTANA
41000 KLANG
SELANGOR DARUL EHSAN
MALAYSIA

FOLD HERE

