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

# Teamwork

**Trust**
**Leadership**
**Inspiration**

ANNUAL REPORT 2011

# THE FLYING V - TRANSCENDING TEAMWORK

The Flying Geese is symbolic of Trust, Leadership and Inspiration. These values are embraced at Southern Acids (M) Berhad. The flying V depicts the steady progression of Southern Acids (M) Berhad over the years - both in building and expanding our various portfolios through teamwork. Southern Acids (M) Berhad believes in the integration of its People talent to sustain continued success and would remain a customer focused, market driven organization.


# CONTENTS

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**

| | |
|---|---|
| **Tan Sri Dato' Low Boon Eng (PSM, DPMS, JP)** | Chairman, Non-Independent Non-Executive Director |
| **Lim Kim Long** | Non-Independent Executive Director |
| **Sukhinderjit Singh Muker** | Independent Non-Executive Director |
| **Mohd. Hisham bin Harun** | Independent Non-Executive Director |
| **Leong So Seh (f)** | Independent Non-Executive Director |
| **Teo Leng** | Independent Non-Executive Director |

## AUDIT COMMITTEE

**Mohd. Hisham bin Harun**
Chairman
Independent Non-Executive Director

**Sukhinderjit Singh Muker**
Independent Non-Executive Director

**Leong So Seh (f)**
Independent Non-Executive Director

## REMUNERATION COMMITTEE

**Leong So Seh (f)**
Chairperson
Independent Non-Executive Director

**Mohd. Hisham bin Harun**
Independent Non-Executive Director

## NOMINATION COMMITTEE

**Mohd. Hisham bin Harun**
Chairman
Independent Non-Executive Director

**Tan Sri Dato' Low Boon Eng (PSM, DPMS, JP)**
Non-Independent Non-Executive Director

**Sukhinderjit Singh Muker**
Independent Non-Executive Director

**Leong So Seh (f)**
Independent Non-Executive Director

## CORPORATE GOVERNANCE COMMITTEE

**Leong So Seh (f)**
Chairperson
Independent Non-Executive Director

**Lim Kim Long**
Non-Independent Executive Director

**Mohd. Hisham bin Harun**
Independent Non-Executive Director

## COMPANY SECRETARIES

**Lim Kui Suang** (MAICSA 0783327)
**Paul Ignatius Stanislaus** (MACS 01330)

# CORPORATE INFORMATION

## REGISTERED OFFICE

9, Jalan Bayu Tinggi 2A/KS6,
Taipan 2, Batu Unjur,
41200 Klang,
Selangor Darul Ehsan,
Malaysia.
Tel : 03-3323 1916
Fax : 03-3323 3584

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia.
Tel : 03-7841 8000
Fax : 03-7841 8008

## HEAD OFFICE / PRINCIPAL PLACE OF BUSINESS

Level 29, Centro Tower,
No. 8, Jalan Batu Tiga Lama,
41300 Klang,
Selangor Darul Ehsan,
Malaysia.
Tel : 03-3258 3333
Fax : 03-3258 3300
Website : www.southernacids.com

## AUDITORS

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

## PRINCIPAL BANKERS

CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad
AmBank (M) Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

## LEGAL STATUS

Public listed company limited by shares

## COUNTRY OF DOMICILE & INCORPORATION

Malaysia

# 5-YEAR GROUP FINANCIAL SUMMARY

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **FINANCIAL PERFORMANCE** (in RM'000) | | | | | |
| Revenue | 370,164 | 463,321 | 441,955 | 453,200 | **501,373** |
| Profit before taxation | 25,457 | 43,856 | 4,321 | 30,721 | **55,460** |
| Profit for the year | 17,798 | 28,989 | 924 | 20,271 | **40,950** |
| **FINANCIAL POSITION** (in RM'000) | | | | | |
| Total Assets | 443,752 | 458,093 | 438,246 | 451,346 | **506,564** |
| Total Liabilities | 67,205 | 62,433 | 53,401 | 52,908 | **57,690** |
| Net Current Assets | 89,909 | 121,572 | 110,241 | 122,810 | **158,450** |
| Equity Attributable to Shareholders of the Company | 368,147 | 383,264 | 367,952 | 374,561 | **418,388** |
| Issued Share Capital | 136,934 | 136,934 | 136,934 | 136,934 | **136,934** |
| Net Assets | 376,547 | 395,660 | 384,845 | 398,438 | **448,874** |
| **KEY FIGURES** | | | | | |
| Earnings/(Loss) Per Share Sen | 10.30 | 16.93 | (2.86) | 8.50 | **21.44** |
| Dividend Per Share (Gross) Sen | 6.00 | 8.00 | 5.00 | 6.00 | **6.00** |
| Net Assets Per Share RM | 2.75 | 2.89 | 2.81 | 2.91 | **3.28** |

# 5-YEAR
## GROUP FINANCIAL SUMMARY


**REVENUE**
(RM'000)


**PROFIT BEFORE TAXATION**
(RM'000)


**PROFIT FOR THE YEAR**
(RM'000)

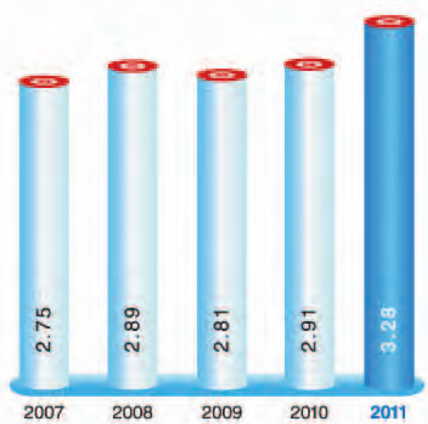

**TOTAL ASSETS**
(RM'000)


**SHAREHOLDERS' EQUITY**
(RM'000)


**NET ASSETS**
(RM'000)


**EARNINGS / (LOSS) PER SHARE**
(Sen)


**DIVIDEND PER SHARE**
(Sen)

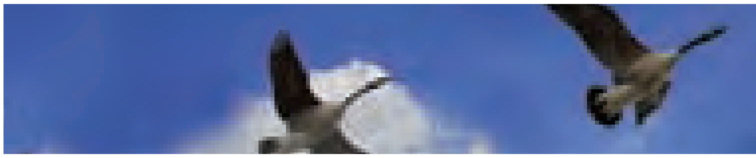


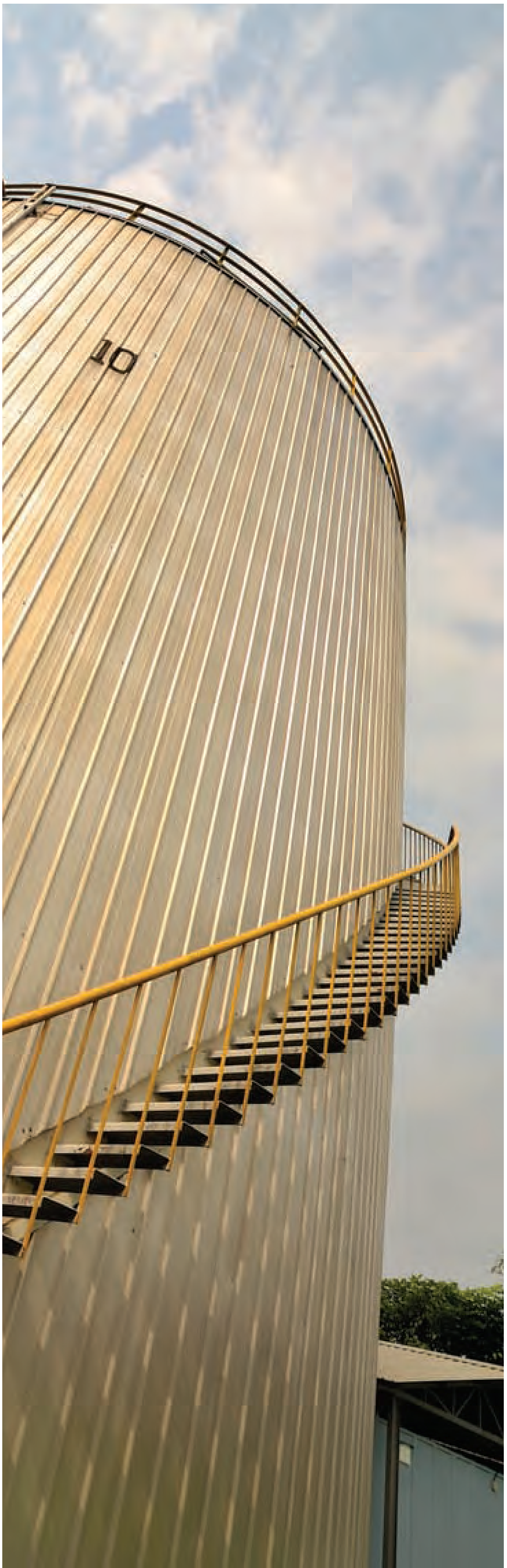

**NET ASSETS PER SHARE**
(RM)

# CORPORATE STRUCTURE

**SOUTHERN ACIDS (M) BERHAD**
**Company No: 64577-K**
**(Incorporated in Malaysia)**

- **69.7%** PKE (Malaysia) Sdn. Berhad. (56287-D)
- **100%** Noble Interest Sdn. Bhd. (349945-V)
- **100%** SAB Plantation Sdn. Bhd. (470422-X)
- **100%** Southern Medicare Sdn. Bhd. (352799-M)
- **80%** Firstview Development Sdn. Bhd. (433422-W)
  - **70%** P.T. Mustika Agro Sari (040110102386)
    - **100%** P.T. WanaSari Nusantara (040111505014)
- **100%** SAB Properties Development Co. Sdn. Berhad (324387-H)
  - **100%** Pembinaan Gejati Sdn. Bhd. (320201-W)
- **100%** Wilstar Sdn. Bhd. (433043-M)
- **100%** SAB (East Asia) Holdings Ltd. (476922)
- **100%** Southern Management (M) Sdn. Berhad. (65476-P)
- **100%** Centre For Sight Sdn. Bhd. (523049-H)
- **100%** SAB Bio-Fuel Sdn. Bhd. (363986-K)
- **100%** Southern Acids Industries Sdn. Bhd. (207048-P)
- **91.9%** PKE Transport (Malaysia) Sdn. Berhad (161855-T)






SIEMENS

# BOARD OF DIRECTORS

*En. Mohd. Hisham bin Harun*

*Mr. Lim Kim Long*

*Mdm. Leong So Seh*

*Mr. Sukhinderjit Singh Muker*

*Mr. Teo Leng*

*Tan Sri Dato' Low Boon Eng*

**TAN SRI DATO' LOW BOON ENG** (PSM, DPMS, JP), a Malaysian, aged 61, was appointed a Non-Independent Non-Executive Director of the Company on August 10, 2005. He was appointed the Non-Executive Chairman of the Board on May 1, 2010. He is also a member of the Nomination Committee. Other than the directorship in the Company and certain of its subsidiary companies, Tan Sri Dato' Low also holds directorship in several private companies.

Tan Sri Dato' Low holds a Bachelor of Science in Mechanical Engineering from the Imperial College, London. He is an entrepreneur and has over thirty (30) years of experience in operations and management of oil plant plantation and palm oil milling.

During the financial period ended March 31, 2011, Tan Sri Dato' Low attended all seven (7) of the Board of Directors' Meetings.

# PROFILE OF DIRECTORS

**SUKHINDERJIT SINGH MUKER**, a Malaysian, aged 64, is an Independent Non-Executive Director of the Company. He was appointed to the Board on July 28, 1994 and became a member of the Audit Committee on November 2, 2007. Mr. Muker is also a member of the Nomination Committee. Other than the directorship in the Company and certain of its subsidiary companies, Mr. Muker also sits on the Board of Harvest Court Industries Berhad and Pahanco Corporation Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad.

Mr. Muker is a practicing lawyer and obtained his Bachelor of Laws (Honours) in year 1972 from the University of London. He was conferred the Degree of an Utter Barrister by the Honorable Society of Grays Inn in year 1973 and was called to the Malaysian Bar in year 1974.

During the financial period ended March 31, 2011, Mr. Muker attended five (5) of the seven (7) Board of Directors' Meetings.

Mr. Muker has no family relationship with any director or major shareholder of the Company.

**LIM KIM LONG**, a Malaysian, aged 51, is a Non-Independent Executive Director of the Company. He was appointed to the Board on August 10, 2005 and is also a member of the Corporate Governance Committee. Other than the directorship in the Company and certain of its subsidiary companies, Mr. Lim also holds directorship in several private companies.

Mr. Lim did his pre-university education at Kolej Tunku Abdul Rahman, Kuala Lumpur. He is actively involved in the corporate affairs and management of the Group especially in the area of oil palm plantation and employee relations.

During the financial period ended March 31, 2011, Mr. Lim attended all seven (7) Board of Directors' Meetings.

**MOHD. HISHAM BIN HARUN**, a Malaysian, aged 43, is an Independent Non-Executive Director of the Company. He was appointed to the Board and Audit Committee on August 10, 2005 and became the Chairman of the Audit Committee on August 25, 2005. Encik Mohd. Hisham is currently the Chairman of the Nomination Committee and member of the Remuneration Committee and Corporate Governance Committee. He also holds directorship in certain subsidiary companies of the Company.

Encik Mohd. Hisham is a member of the Chartered Institute of Management Accountants. He started his career with Coopers & Lybrand / PriceWaterhouse Coopers, where he was attached to the Audit Divison and the Consultancy Division. He is currently the Senior General Manager of Corporate Finance and Services of Lembaga Tabung Haji, a major shareholder of the Company.

During the financial period ended March 31, 2011, Encik Mohd. Hisham attended all seven (7) Board of Directors' Meetings.

Encik Mohd. Hisham has no family relationship with any director or major shareholder of the Company.

**MADAM LEONG SO SEH**, a Malaysian, aged 59 is an Independent Non-Executive Director of the Company. She was appointed to the Board on April 8, 2009 and is currently the Chairperson of the Corporate Governance Committee and Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Madam Leong holds a Bachelor of Economics from University of Malaya and a Masters Degree in Economics from Vanderbilt University, USA. Prior to her appointment as a director of the Company, she has held senior positions in the Economic Planning Unit and the Securities Commission of Malaysia.

During the financial period ended March 31, 2011, Madam Leong attended all seven (7) Board of Directors' Meetings.

Madam Leong has no family relationship with any director or major shareholder of the Company.

# PROFILE OF DIRECTORS


**TEO LENG**, a Malaysian, aged 59, is an Independent Non-Executive Director of the Company. He was appointed to the Board on December 1, 2010.

Mr. Teo holds a Bachelor of Agricultural Science (First Class Honours) from University of Malaya and a Master of Science (Soil Chemistry) from University of Wisconsin @ Madison, USA. Throughout his career with private and public listed corporations and government organisations, Mr. Teo has accumulated a wealth of experience spanning over thirty (30) years in the palm oil industry. This includes implementation of Roundtable on Sustainable Palm Oil (RSPO) certification and development of Mill Integrated Waste Management System.

During the financial period ended March 31, 2011, Mr. Teo attended all three (3) Board of Directors' Meetings since his appointment to the Board.

Mr. Teo has no family relationship with any directors or major shareholders of the Company.

***None of the Directors have been convicted for any offence within the past ten (10) years.***

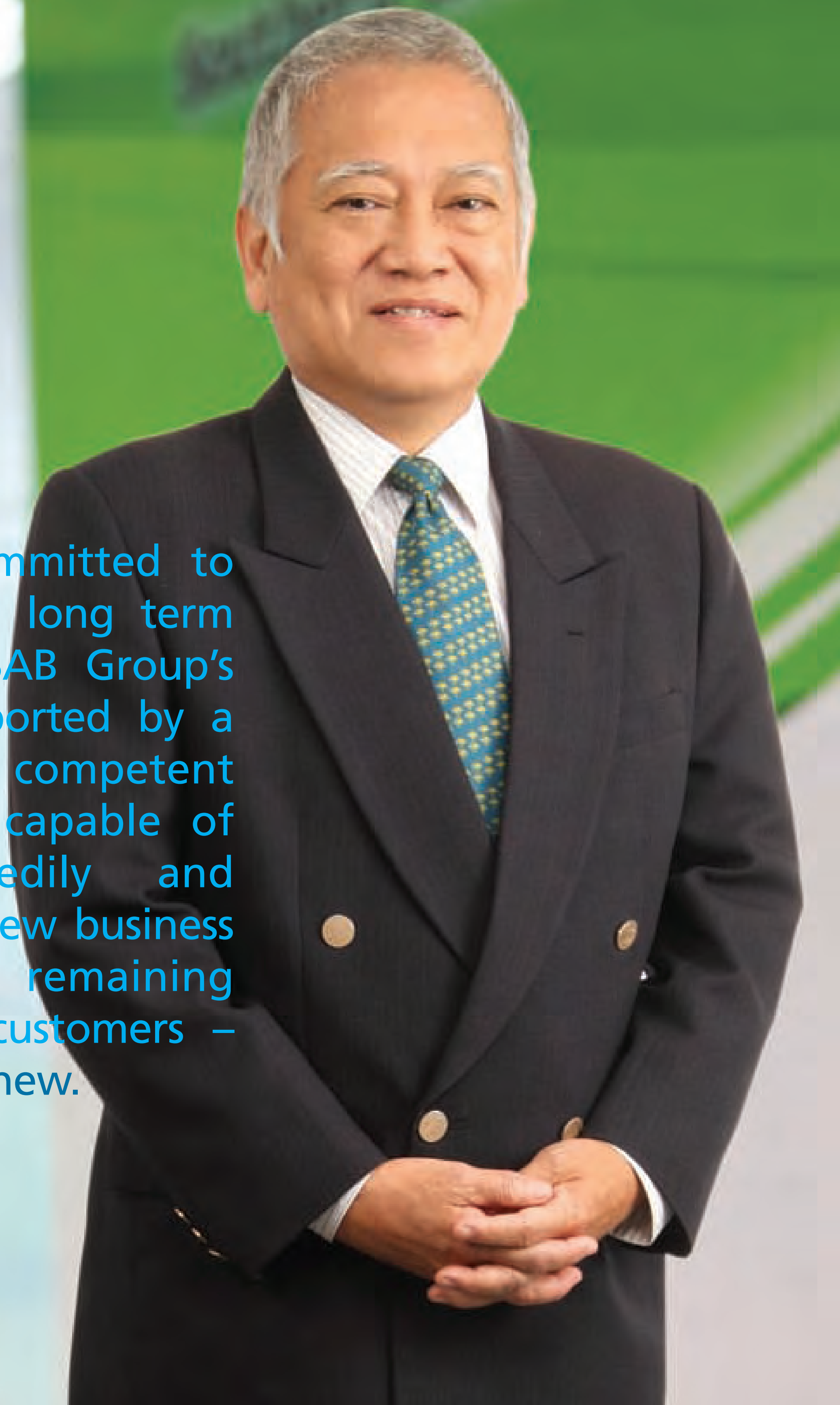
# CEO'S PROFILE

**LEONG KIAN MING**, a Malaysian, aged 54, was appointed as the Chief Executive Officer on June 1, 2009. Mr. Leong, a Chartered Accountant by profession, is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Fellow of CPA Australia.

Mr. Leong's experience spanned more than twenty (20) years in Senior Management positions and across a range of industries including chain-store retailing, wholesale trading, discreet manufacturing and assembling, steel manufacturing and processing, forestry, healthcare, mobile telecommunications, wood-based processing, mining and renewable fuels. Before assuming the Chief Executive Officer position, Mr. Leong was the Executive Director and Chief Executive Officer of a company listed on both the Australian Securities Exchange (ASX) and the Singapore Stock Exchange (SGX).

Mr. Leong has no family relationship with any director or major shareholder of the Company.

# CHAIRMAN'S STATEMENT



The Board is committed to ensuring that the long term sustainability of SAB Group's businesses is supported by a strong and competent leadership team capable of responding speedily and appropriately to new business challenges while remaining focused on our customers – both existing and new.

# CHAIRMAN'S STATEMENT

**Dear Shareholders,**

**On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of Southern Acids (M) Berhad ("SAB" or "Company") and its subsidiaries ("SAB Group" or "the Group") for the 11 months ended March 31, 2011 ("FY2011").**

## OPERATING ENVIRONMENT

As anticipated, the various business divisions of SAB Group operated under a more buoyant business environment during the financial period ended March 31, 2011. Fiscal stimulus programs and more relaxed monetary policies initiated by Governments worldwide have had a positive impact of improving business confidence, lifted demand sentiments and accelerated the recovery momentum of a generally fragile global economy. During this period, world commodities, including crude palm oil (CPO), palm kernel enjoyed a price surge which helped to uphold the margins for our Plantation and Milling Division.

Performance of SAB's plantation and milling division, is however partly a function of weather patterns occasioned by El Nino and La Nina phenomena, harvest statistics of other oil seeds like soya bean and rapeseed which in turn impact production volume and inventory levels of these vegetable oils. During FY2011, higher global demand of CPO supported by supply constraints of vegetable oils in the world markets help push average CPO price to new heights. Average CPO price increased by 12.8% to RM2,590/mt compared to RM2,296/mt in FY2010. Average CPO price in February 2011 was RM3,141/mt compared to RM2,335/mt in April 2010.

Prices of fatty acids and glycerine kept in tandem with CPO prices during FY2011 and margins kept pace during this period while prices of raw materials moved in tandem. Overall global demand for fatty acids, particularly from India and China, kept our oleochemical manufacturing division operating at near full capacity which in turn aided effective inventory planning and supply chain activities.

## OVERVIEW OF RESULTS

I am pleased to report that all of SAB Group's operating units returned a profit during FY2011. As announced, we have changed our financial year-end to March 31, 2011. This change to align our operating quarter with calendar quarter is intended to improve planning and allow meaningful benchmarking against industry trends for all our operating units. As such, for FY2011, we have reported operating results for only 11 months.

The SAB Group returned a pre-tax profit of RM55.5 million for the 11 months ended March 31, 2011 against RM30.7 million for the 12 months ended April 30, 2010 (FY2010). The RM24.8 million or 80.8% increase in pre-tax profit was achieved on the back of total revenue of RM501.4 million (2010 : RM453.2 million). Group after-tax profit amounted to RM40.9 million (2010 : RM20.3 million) – an increase of 101.5%.

Earnings per share (EPS) attributable to equity holders of the Company increased to 21.44 sen from 8.50 sen, while net assets per share increased to RM3.28 per share from RM2.91 per share in the previous financial year. A more detailed report and management discussion on each operating division is provided in the **CEO's Review of Operations.**

## BOARDROOM

On December 1, 2010, we welcomed a new member, Mr Teo Leng, to your Board. Mr Teo Leng brings with him a wealth of experience spanning more than 30 years in the oil palm industry, in both research and plantation management. Mr Teo Leng is expected to lend his wide expertise to both Board and Management in upgrading standards in the area of plantation management to enhance current field disciplines to measure up to industry best practices. In accordance with the company's Articles of Association, he retires at the forthcoming Annual General Meeting (AGM), and being eligible, offers himself for re-election.

Mr Lim Kim Long and Mr Sukhinderjit Singh Muker, both retiring by rotation in the forthcoming AGM, in accordance with the Company's Articles of Association, and being eligible, offer themselves for re-election.

## MANAGEMENT AND BUSINESS SUSTAINABILITY

The need to continually reinforce the foundation of SAB Group's management team is always kept in mind. The Board is committed to ensuring that the long term sustainability of SAB Group's businesses is supported by a strong and competent leadership team capable of responding speedily and appropriately to new business challenges while remaining focused on our customers – both existing and new.

# CHAIRMAN'S STATEMENT

In the current as well as in future years, strenuous efforts will be made to identify, develop, and recruit talents with a view of developing a strong pool of talented managers and leaders at various levels of management. Experienced and talented senior managers have been given the opportunity to prove their mettle and assume leadership roles within the Group. This is aimed at ensuring that the Group will continue to benefit from a highly experienced, competent and motivated management team that will propel our business performances in the years ahead.

Management has been entrusted with appropriate authority and power to discharge their responsibilities effectively and to realise the goals of their respective business units. It is therefore required that those who have been given a trust must prove faithful. In this regard, senior management is thus encouraged to invest in the construction of their trust from their subordinates and outsiders as passionately as they pursue their leadership goals.

This year's annual report theme of **"Teamwork"** succinctly captures the unifying idea of esprit de corps linking operating performance to the individual and team efforts of all staff and management within the SAB Group.

## OUTLOOK AND PROSPECTS

In the new financial year, renewed concerns about the lack of resilience of the US economic recovery exacerbated by the recent downgrade of US Government borrowings and the Eurozone's sovereign debt crisis, will affect business sentiments and prospects of a sustained global economic recovery. The Group will remain vigilant and will position our business direction as close to the emerging economies of South Asia and China as possible where demand remain strong. We, however, expect our oleochemical manufacturing division to be adversely impacted in the first half of the new financial year. Measures to contain controllable cost will be aggressively pursued.

Our plantation and milling division, operated through our Indonesian subsidiaries, PT Mustika Agro Sari and PT Wanasari Nusantara, is expected to lead in contribution to

the Group's bottom-line in the new financial year notwithstanding current concerns of a sluggish global recovery, as demand for palm oil in emerging markets in the new financial year is expected to remain strong. The growing acceptance and popularity of palm oil in developed countries coupled with the tight supply of other vegetable oils in the world markets will help keep the demand for CPO reasonably resilient in the new financial year. Yield of fresh fruit bunches (FFB) from our oil palm plantation in Riau Province, Sumatra, is expected to show improvement due to the fertilizer program being implemented and improvement in plantation management practices. Available opportunities to expand our plantation land bank will be seized upon as part of our stated strategy to invest further upstream and downstream in the oil palm plantation sector for sustainable long-term returns to shareholders.

Our health care division operated through Sri Kota Specialist Medical Centre ("Sri Kota"), is expected to outperform operating targets of FY2011 through increase in patient flow. Our focus is on people and will strive to uphold the trust and confidence of the community we serve. Towards this end, we have allocated resources to continually upgrade our medical equipment and facilities at Sri Kota in support of our medical specialists and surgeons. Our resident surgeons have also done us proud during FY2011 by performing the first XLIFR minimally invasive spine surgery in Asia (including Japan). To date, Sri Kota also takes pride in having the most number of XLIFR surgeries performed in Asia (including Japan) supported by a very experienced operating theater team.

Our warehousing and conveying division will remain at Northport, Pelabuhan Kelang, until plans to relocate its operations to Westport have been finalized. The planned relocation is to better serve our customers through larger warehouse space and faster cargo-handling capabilities using high-speed conveyor facilities. Barring any unforeseen circumstances, this division will maintain its current performance targets at its current location in Northport.

## DIVIDENDS

The Board of Directors is pleased to recommend a final dividend of 6% (tax exempt) for the financial period ended March 31, 2011. The Board seeks your approval of the proposed dividend at the forthcoming AGM.

## ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to thank our dedicated and loyal management and staff during FY2011 for staying focused and vigilant in a fast changing and challenging business environment. Our valued shareholders, customers, business partners, bankers and all stakeholders deserve our heartfelt and sincere thanks for their continued support, trust and confidence in SAB.

Last but not least, I am grateful to my Board colleagues for their wise guidance, support and invaluable contribution.

Thank you.

**Tan Sri Dato' Low Boon Eng, PSM, DPMS, JP**
Chairman

# Teamwork & Integration

# CHIEF EXECUTIVE OFFICER'S
## REVIEW OF OPERATIONS

" EVERY EFFORT WILL BE EMPLOYED TO STRENGTHEN THE CULTURE OF TRUST, DISCIPLINE AND TEAMWORK IN OUR PROFESSIONAL WORKFORCE WHICH WE ACKNOWLEDGE ARE THE CRUCIAL CHARACTERISTICS LINKING COMMITMENT AND PERSEVERANCE AS WE WORK TOWARDS ACHIEVING OUR CORPORATE GOALS "

# CHIEF EXECUTIVE OFFICER'S
## REVIEW OF OPERATIONS

**"The Southern Acids (M) Berhad Group returned a pre-tax profit of RM55.5 million for the 11 months ended March 31, 2011. This represents an increase of RM24.8 million or 80.5% over the pre-tax profit for the comparative year ended April 30, 2010."**

### OVERVIEW

The Southern Acids (M) Berhad ("**SAB**") Group returned a pre-tax profit of RM55.5 million for the 11 months ended March 31, 2011 ("**FY2011**"). This represents an increase of RM24.8 million or 80.5% over the pre-tax profit for the comparative year ended April 30, 2010 ("FY2010"). After-tax profit achieved for FY2011 amounted to RM41.0 million (FY2010 : 20.3 million), an increase of 102.0%, on a total revenue of RM6.9 million (FY2010 : 453.2 million). Group after-tax profit attributable to equity holders of SAB amounted to RM29.4 million against RM11.6 million achieved in FY2010.

During FY2011, all operating divisions of SAB Group delivered positive bottom-lines in a generally challenging operating environment. The plantation and milling division continued to be a leading contributor of Group pre-tax profits; posting a profit of RM30.5 million (FY2010 : RM27.2 million) on the back of a revenue of RM87.8 million (FY2010 : million 79.4) while the oleochemical manufacturing division delivered a profit of RM19.6 million (FY2010 : RM6.1 million).

The Group's health care division during FY2011 delivered an encouraging reversal of last year's loss by returning a pre-tax profit of RM2.8 million (FY2010 : (RM5.5) million) on an increased revenue of RM54.3 million (FY2010 : RM53.0). Diligent marketing efforts in previous years is now bearing fruits as improved access to and support from corporate clients is being reflected in marked increased in patient flow during FY2011. Profit from the warehousing and conveying division, however, was lower at RM2.1 million (FY2010 : RM2.8 million) on a reduced revenue of RM5.1 million (FY2010 : RM7.0 million).

The Group's earnings per share (EPS) rose to 21.44 sen per share in FY2011 (FY2010 : 8.50 sen) and overall Group improved operating performance strengthened the net assets (NA) per share from RM2.91 in FY2010 to RM3.28 as at March 31, 2011.

A more detailed discussion of each Division's performance are as follows:-

# Oleochemical Division

**Mr. Tiong Chuu Ling**
*Chief Operating Officer*
***– Oleochemical Division***

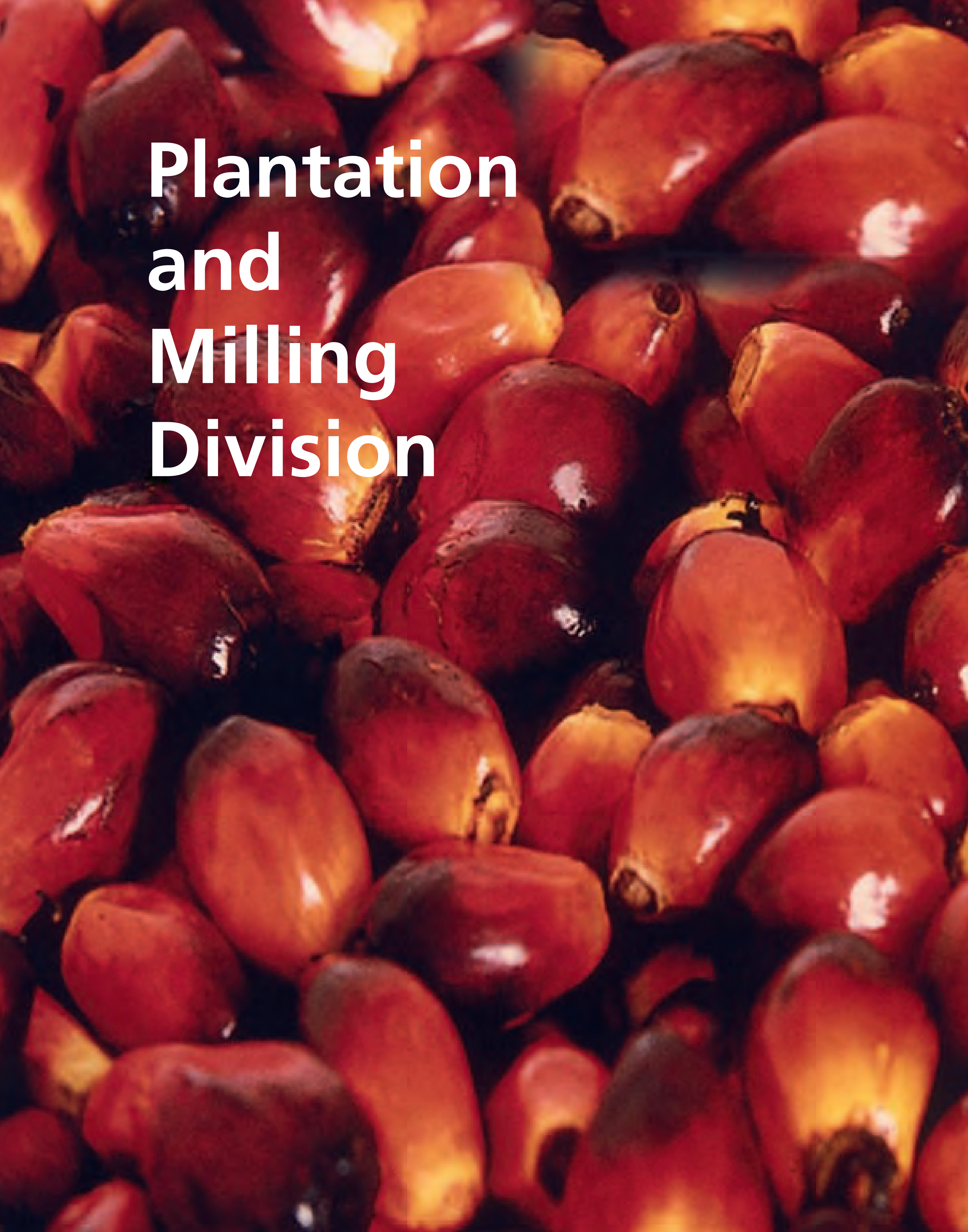
## OLEOCHEMICAL DIVISION

Sales performance of the oleochemical division, operated through **Southern Acids Industries Sdn. Bhd.** (formerly, Pofachem (M) Sdn. Berhad), was bolstered by increase in global demand for basic oleochemical during FY2011. Revenue from sales of fatty acids and glycerine increased by RM38.0 million or 12.2 %, to RM348.4 (FY2010 : RM310.4 million) and operating profits achieved was RM19.6 million (FY2010 : RM6.1 million).

The higher overall revenue, however, did not translate into improved margins as this was offset by higher raw materials and processing cost amid a depreciating US dollar vis-à-vis the Malaysian Ringgit during FY2011. The oleochemical manufacturing plant operated at full capacity during FY2011 enabled by dynamic production modules to meet our customers' requirements.

The glycerine market remained generally weak during FY2011. Sales volume of refined glycerine decreased by 10.2% to 8,800 mt (FY2010 : 9,800 mt) although this was mitigated by an overall increase in average SP during FY2011. Revenue from sales of refined glycerine amounted to RM18.9 million (FY2010 : RM19.1 million).The current depressed market for glycerine may well reverse in the foreseeable future with potential new demand for glycerine emerging from new uses such as manufacture of glycerine-based chemicals and the growing environmental push for green alternatives to petrochemical.

# Plantation and Milling Division



**Mr. Lee Choo Chai**
*General Manager*
***– Plantation and Milling Division***

## PLANTATION AND MILLING DIVISION

The plantation & milling division, operated through PT Mustika Agro Sari and PT Wanasari Nusantara (collectively, **"Indonesian subsidiaries"**) delivered a 12.1% increase in pre-tax profits of RM30.5 million during FY2011 (FY2010 : 27.2 million). Pre-tax profits from this division contributed 55% of Group pre-tax profit of RM53.6 million. Revenue from sale of crude palm oil (CPO) and palm kernel (PK) increase by 8.4% to RM87.8 million (FY2010 : 79.4 million) during FY2011. This division benefited from a surge in CPO prices during FY2011 from RM2,360/mt in May 2010 to peak at RM3,141/mt in January 2011 – averaging at RM2,622/mt ex-mill. PK prices during this period likewise increased from RM1,355/mt in May 2010 to RM2,484/mt in February 2011 – averaging at RM1,787/mt ex-mill.

Management had during FY2011 implemented a structured fertiliser programme along with more disciplined plantation management practices in order to improve fresh fruit bunches (FFB) yield per hectare. Management expect the FFB yield from our plantations to improve to about 20 mt/ha in the foreseeable 12 – 24 months. In the new financial year, in line with Indonesian Government policy, our plantations will prepare to implement plantation management practices to seek accreditation under Indonesian Sustainable Palm Oil (ISPO) in 2014.

Total FFB processed during FY2011 totalled 124,200 mt (FY2010 : 130,300 mt). This include FFB from smallholders under the Plasma and KKPA programme developed by our Indonesian subsidiaries, and from third party suppliers. Oil extraction rate (OER) of 23.5% achieved during FY2011 for CPO was consistent with previous year (FY2010 : 23.7%) and while PK extraction fell to 4.8% (FY2010 : 5.0%).

# Warehousing & Conveying Division

**Mr. S. Thamil Sudar**
*Manager*
***– Warehouse & Conveying Division***

## WAREHOUSING & CONVEYING DIVISION

The warehousing and conveying division, operated through **PKE** (Malaysia) Sdn. Berhad and PKE Transport (Malaysia) Sdn. Berhad (collectively, "PKE") delivered a reduced pre-tax profit of RM2.1 million (FY2010 : RM2.8 million). Revenue generated from PKE's cargo handling operation was 26.1% lower at RM5.1 million (FY2010 : RM6.9 million) due to lower warehouse and conveyor volume (mt) handled by PKE during FY2011. Total volume received into PKE's warehouse during FY2011 was 255,500 mt (FY2010 : 280,600 mt) and tonnage handled by PKE conveyor loading facility totalled 372,600 mt (FY2010 : 444,600 mt).

PKE's warehousing and conveying facilities are currently located on a land leased from Lembaga Pelabuhan Klang (LPK) and adjacent to Wharf 15 at Northport, Pelabuhan Klang. The lease from LPK will expire in September 2011. Management is currently planning to relocate the existing warehousing and conveying operations to a neighbouring Port facility and will seek an extension of the current lease with LPK until the new facility is ready. Management is confident that PKE's request for extension of its current lease at Northport will be granted by LPK in view of the strategic role played by PKE in this important sub-segment of the palm oil industry in the Central region of Peninsula Malaysia.

# Health Care Division

# CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

**Mr. Gideon Lim**
*Chief Executive Officer*
– **Health Care Division**

## HEALTH CARE DIVISION

The health care division, operated through Sri Kota Specialist Medical Centre ("**Sri Kota**") and managed by Southern Medicare Sdn. Bhd., returned a pre-tax profit of RM2.8 million during FY2011 (FY2010 : (RM5.5) million). This encouraging turnaround of operating performance was achieved on a revenue of RM54.3 million (FY2010 : RM53.0).

Notwithstanding a highly competitive operating environment where Sri Kota competes with a number of other private hospitals in the Klang valley; higher patient registration and stronger support received from its corporate customers have contributed to the improved performance.

Management have, during FY2011, diligently pursued a number of planned initiatives to further position Sri Kota as a premier 'tertiary-level' specialist medical centre in the 'hearts and minds' of the local community. These include initiatives to broaden our customer base via regular sponsorship of continuous medical education for general practitioners (GPs), organising and sponsorship of public and corporate healthcare forums to reinforce awareness of Sri Kota as a key player in the local health care scene.

During FY2011, we remained focused on our aspiration to obtain accreditation by Malaysian Society in Quality Health (MSQH), an internationally recognised healthcare standard. Sri Kota expects to receive formal accreditation in early 2012 following official evaluation by MSQH auditors.

Our orthopaedic and spine surgeons in Sri Kota have also done us proud by performing the 1st minimally invasive spine surgery in Asia using XLIF® (eXtreme Lateral Interbody Fusion) technology. To date, Sri Kota takes pride in having the most number of XLIF® surgeries performed in Asia (including Japan) backed by a very experienced operating theatre team in support of this procedure. This and other milestones achieved by Sri Kota have pioneered and paved the way for access to quality and affordable tertiary-level health care right in the heart of Klang City.

## STRATEGIC OUTLOOK

Performance of the various divisions will no doubt be affected by the volatile business environment in the current year. The extent of the contagion from the US economic slowdown and the Eurozone's sovereign debt crisis is yet unclear but the commodities market, including CPO, is already experiencing volatility in the second and third quarter of 2011.

Our oleochemical division is bracing for a year where margins are likely to be impacted by a softer market, higher energy and processing cost. Management's response to the threat of further uncertainty in global demand for our products is to position our markets near to the countries of South and East Asia where demand remain reasonably resilient.

The business landscape in the near horizon is expected to be more challenging with profit margins likely to be further impacted should more competitively priced downstream and refined palm oil derivative products produced from Indonesia enter the market. Current and proposed changes to export duty structure by the Indonesian Government have resulted in downstream players in Indonesia enjoying lower feedstock prices of CPO and RBD palm products. Management is monitoring this industry development closely and is currently studying an appropriate response to this potential threat.

Our plantation and milling division is expected to perform better in terms of FFB harvested from our plantation in Riau Province, Sumatra. Our mature palms will benefit from a more disciplined approach to plantation management and from the structured fertilizer program implemented during the year. To reinforce management's determination to drastically improve our plantation performance and productivity, our plantations will prepare to implement plantation management practices in the new financial year to seek accreditation under Indonesian Sustainable Palm Oil (ISPO) in 2014.

We expect this division to maintain its current performance although inventory levels of CPO in both Malaysia and Indonesia and weather patterns may occasionally influence periodic price adjustment. Management believe that the increased demand from India, the acceptance and popularity of palm oil in developed countries and the supply constraints of other vegetable oils in the world market will keep the prices of CPO reasonably steady in the medium to long term.

Efforts by our health care division to tap into the opportunities that the medical tourism market offers will bear fruits in the foreseeable future. Towards this end, Sri Kota will continue to engage qualified, experienced and eminent medical consultants into our team of medical specialists and will allocate resources to further upgrade our medical equipment and facilities. This is to ensure that Sri Kota's ability to meet both current and future needs of a highly informed and discerning market is supported by 'state-of-the-art' facilities and experienced medical specialists to cater to a full range of patient needs.

Given this overall outlook, we remained vigilant and are focused on striving for maximisation of profit margins in all our businesses and will intensify efforts to improve efficiencies across all our operations. Efforts will be put into lowering our energy cost through innovative solutions and to stringently contain controllable costs.

Management is assessing our current strategy in respect of expanding the oleochemical division's plant capacity in the foreseeable future. Available opportunities to increase our plantation land bank will be seized upon as part of a longer-term strategy to invest further upstream in a sector which has contributed the lion's share of the Group's profit, and to provide a steady long-term return to our shareholders.

Finally, every effort will be employed to strengthen the culture of trust, discipline and teamwork in our professional workforce which we acknowledge are the crucial characteristics linking commitment and perseverance as we work towards achieving our corporate goals.

Thank you.

**Leong Kian Ming**
Group Chief Executive Officer

August 25, 2011

# focused

. . . our utmost responsibility lies in effective governance practices, safety, health and environmental efforts and maintaining stringent guidelines in product manufacturing.

# Audit Committee Report

# WE WILL ENSURE PROPER PROCEDURES ARE MAINTAINED THROUGH STRICT CHECKS AND BALANCES.

**The Board is pleased to present the report of the audit committee for the financial period ended March 31, 2011.**

## MEMBERS OF THE AUDIT COMMITEE

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

| Committee Member | | Number of meetings attended during the financial period as a member of the Committees |
|---|---|---|
| 1) | Mohd. Hisham bin Harun<br>Chairman<br>Independent Non-Executive Director | 6/6 |
| 2) | Sukhinderjit Singh Muker<br>Independent Non-Executive Director | 4/6 |
| 3) | Leong So Seh<br>Independent Non-Executive Director | 6/6 |
| 4) | Dato' Mohd. Yusoff bin Haji Amin<br>Independent Non-Executive Director<br>*(Ceased as a member effective July 7, 2010)* | 2/2 |

# AUDIT COMMITTEE REPORT

**MEMBERSHIP**

- The Committee shall be appointed by the Board of Directors from amongst Directors of the Company. The Committee has three (3) members and consists wholly of Independent Non-Executive Directors, in full compliance with the Best Practices advocated by the Revised Malaysian Code on Corporate Governance;

- 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 amongst their members who shall be an Independent Non-Executive Director; and

- In the event a member of the Committee resigns 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. Terms of Reference During the financial year, the Board reviewed and revised the terms of reference of the Committee to conform to regulatory requirements.

**TERMS OF REFERENCE**

During the financial period, the Board reviewed and revised the terms of reference of the Committee to conform to regulatory requirements.

**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 program and processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

- Review any appraisal or assessment of the performance of members of the internal audit function;

- Approve any appointment or termination of senior staff members of the internal audit function;

- Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

- To review the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

  - Changes in or implementation of major accounting policies changes;

  - Significant and unusual events; and

  - Compliance with accounting standards and other legal requirements.

- 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 recommended the nomination and appointment of external auditors, the audit fees and any questions of resignation, dismissal or re-appointment; and

- To report promptly to Bursa Malaysia Securities Berhad where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Listing Requirements.

**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;

**MEETINGS (cont'd)**

- Other Directors and employees may also attend the Audit Committee meeting upon the invitation of the Committee; and

- 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; and

- be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the executive member of the Committee, whenever deemed necessary.

**SUMMARY OF ACTIVITIES DURING THE FINANCIAL PERIOD**

During the financial period ended March 31, 2011, the Audit Committee held Six (6) 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 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; and

- Review and approve their minutes of the Committee's meetings.

**INTERNAL AUDIT FUNCTION**

The Audit Committee is supported by an in-house internal audit department in the discharge of its duties and responsibilities. The internal audit department provides independent assurance on the adequacy and integrity of the risk management, internal control and governance processes. The purpose, authority and responsibility of the internal audit department are articulated in an Internal Audit Charter.

The head of internal audit is responsible for the regular review and appraisal of the effectiveness of the risk management, internal control and governance processes within the Group. The head of internal audit reports directly to the Audit Committee who reviews and approves the internal audit department's annual audit plan and human resource requirements to ensure that the department is adequately resourced with competent and proficient internal auditors.

The principle role of the internal audit function is as follows:

- Reviewing and appraising the soundness and 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;

- Carrying out audit work in liaison with the external auditors to maximise the use of resources and for effective coverage;

- 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; and

- The cost incurred for the internal audit function in respect of the financial year was RM369,423.

# Statement on Corporate Governance

# WE BELIEVE THAT GOOD CORPORATE GOVERNANCE IS THE KEY TO INTEGRITY AND TRUST.

**The Board of Directors of Southern Acids (M) Berhad ("The Board") fully appreciates the importance of adopting high standards of corporate governance to ensure that the recommendation of the Malaysian Code on Corporate Governance ("the Code") are practised throughout the Group as a means of conducting the business and affairs of the Group with honesty, integrity and professionalism so as to enhance business prosperity and corporate accountability with an aim to safeguard the interest of shareholders and other stakeholders.**

**The Board is fully committed to the maintenance of high standards of corporate governance by supporting and implementing, wherever applicable, the prescriptions of the principles and best practices set out in the Code.**

## 1. THE BOARD OF DIRECTORS

The Board has overall responsibility for the strategic direction of the Group, establishing corporate goals and monitoring the achievement of these goals.

The Board meets on a quarterly basis with additional meetings being convened as necessary. For the financial period ended March 31, 2011, the Board met a total of seven (7) times.

The attendance of the Directors who held office during the financial period is set out below:

| Directors | Attendance |
|---|---|
| Tan Sri Dato' Low Boon Eng | 7/7 |
| Dato' Mohd. Yusoff bin Haji Amin<br>*(Ceased as a member effective October 28, 2010)* | 4/4 |
| Mohd. Hisham bin Harun | 7/7 |
| Lim Kim Long | 7/7 |
| Sukhinderjit Singh Muker | 5/7 |
| Leong So Seh | 7/7 |
| Teo Leng<br>*(Appointed as a member effective December 1, 2010)* | 3/3 |

## 1. THE BOARD OF DIRECTORS (cont'd)

### 1.1 Board Composition

- The Board currently has six (6) members comprising:
  - One (1) Non-Independent Executive Director
  - One (1) Non-Independent Non-Executive Director
  - Four (4) Independent Non-Executive Directors

- The Board members have diverse professional and entrepreneurial background, varied skills and experiences for effective management of the Group. A brief profile of each Director is presented on pages 9 to 12 of this Annual Report;

- Mr. Leong Kian Ming is the Group Chief Executive Officer. He has overall responsibility for the Group's business operations, effective direction, implementation of policies and management of the Group's businesses and decisions. Nevertheless, the ultimate responsibility for the final decision on all major matters is referred to the Board for consideration and deliberation; and

- The presence of Independent Non-Executive Directors is to provide independent and unbiased views and advice for the interest of the Group as well as shareholders and investors.

### 1.2 Supply of Information

- All Directors have full access to information concerning the Company and the Group. The Directors are provided with the relevant agenda and a set of Board papers in sufficient time prior to every Board meeting to enable them to obtain further explanation, where necessary in order to be properly informed before the meeting. The Board papers circulated include quarterly and annual financial statements, minutes of meeting of all Committees of the Board, report on recurrent related party transactions, updates from all regulatory authorities, internal and external audit reports and reports on the Group's financial, operational and corporate developments. All matters requiring Board approvals have been duly circulated prior to the Board Meeting. During Board Meetings, these matters will be discussed and deliberated with senior management before decisions are made; and

- The Directors also have access to the advice and services of the Company Secretaries, senior management staff as well as independent professional advisers including the external auditors.

## 2. BOARD COMMITTEES

The following Board Committees have been established to assist the Board in the execution of its duties.

### (a) Corporate Governance Committee

The Corporate Governance Committee was formed on July 16, 2009. The Committee shall be the supervisory committee on governance and integrity compliance. This includes oversight of governance practices, raising governance standards and instilling a culture of integrity. The Committee meets at least once a year. The members of the Corporate Governance Committee who served during the financial period are:

- Leong So Seh
  Chairperson, Independent Non-Executive Director
- Lim Kim Long
  Member, Non-Independent Executive Director
- Mohd. Hisham bin Harun
  Member, Independent Non-Executive Director

### (b) Audit Committee

The Audit Committee comprises three (3) Independent Non-Executive Directors. The composition, responsibilities, detailed terms of reference and the activities of the Audit Committee during the financial period are set out separately in the Audit Committee Report on pages 32 to 35 of this Annual Report.

## 2. BOARD COMMITTEES (cont'd)

### (c) Nomination Committee

The Nomination Committee is responsible for recommending new candidates to the Board and assessing the effectiveness of the Board as a whole, Board Committees and contribution of each individual director. They will assist the Board in reviewing the balance mix of skills and expertise of the Non-Executive Directors. The Committee meets at least once a year. The members of the Nomination Committee who served during the financial period are:

- Mohd. Hisham bin Harun
  Chairman, Independent Non-Executive Director (appointed as a member effective July 7, 2010)
- Dato' Mohd. Yusoff bin Haji Amin
  Chairman, Independent Non-Executive Director (ceased as a member effective July 7, 2010)
- Sukhinderjit Singh Muker
  Member, Independent Non-Executive Director
- Tan Sri Dato' Low Boon Eng
  Member, Non-Independent Non-Executive Director (appointed as a member effective July 7, 2010)
- Leong So Seh
  Member, Independent Non-Executive Director (appointed as a member effective July 7, 2010)

### (d) Remuneration Committee

The Remuneration Committee is responsible for recommending to the Board the framework of executive remuneration and the remuneration package of the Executive Directors. The level of remuneration reflects the experience and level of responsibilities undertaken by the Executive Directors. The remuneration package offered to the Executive Directors and fees payable to Non-Executive Directors are the responsibility of the entire Board. Individual Directors are required to abstain from discussion on their own remuneration and fees. The Committee meets at least once a year. The members of the Remuneration Committee who served during the financial period are:

- Leong So Seh
  Chairperson, Independent Non-Executive Director (appointed as a member effective July 7, 2010)
- Sukhinderjit Singh Muker
  Chairman, Independent Non-Executive Director (ceased as a member effective July 7, 2010)
- Dato' Mohd. Yusoff bin Haji Amin
  Member, Independent Non-Executive Director (creased as a member effective July 7, 2010)
- Mohd. Hisham bin Harun
  Member, Independent Non-Executive Director (appointed as a member effective July 7, 2010)

### 2.1 Appointments to the Board

The terms of reference of the Nomination Committee include the recommending of new candidates to the Board, Directors to fill the seats on Board Committees and assessing the effectiveness of the Board and Board Committees. 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.

### 2.2 Directors' Training and Education

All Directors appointed to the Board have attended and completed the Mandatory Accreditation Programme accredited by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). In addition, all the Directors have participated in conferences and seminars organised by the relevant regulatory authorities and professional bodies to keep abreast with developments in the market place and to further enhance their business acumen and professionalism in discharging their duties to the Group.

## 2. BOARD COMMITTEES (cont'd)

### 2.2 Directors' Training and Education (cont'd)

| | | | |
|---|---|---|---|
| 1. | Tan Sri Dato' Low Boon Eng | Corporate Directors Conference 2011<br>- The Resurgence of Corporate Malaysia | May 3 & 4, 2011 |
| 2. | Lim Kim Long | Corporate Directors Conference 2011<br>- The Resurgence of Corporate Malaysia | May 3 & 4, 2011 |
| 3. | Mohd. Hisham bin Harun | Audit Committee Forum<br>- Audit Committee Effectiveness:<br>Winning Practices & What Works Best | July 12, 2011 |
| 4. | Leong So Seh | a) Workshop On Financial Instruments:<br>FRS 139 & FRS 140<br>b) Strategic Risk Management;<br>c) Corporate Directors Conference 2011<br>- The Resurgence of Corporate Malaysia; and<br>d) Assessing The Risk and Control Environment | January 25, 2011<br><br>March 16, 2011<br>May 3 & 4, 2011<br><br>August 22, 2011 |
| 5. | Teo Leng | Corporate Directors Conference 2011<br>- The Resurgence of Corporate Malaysia | May 3 & 4, 2011 |

Mr. Sukhinderjit Singh Muker was unable to attend any training course during the year due to travelling and other business commitments. He, however, endeavors to participate in such relevant courses and seminars in the coming financial year.

### 2.3 Re-election of Directors

In accordance with the Company's Articles of Association, all Directors appointed by the Board are required to retire and seek for re-election by the shareholders at the first Annual General Meeting ("AGM") immediately after their appointment. Article 95 of the Company's Articles of Association provides that one third of the remaining existing Directors including the Managing Director are subject for re- election by rotation at least once every three years at each AGM.

### 2.4 Directors' Remuneration

The Remuneration Committee is responsible for recommending to the Board the framework of executive remuneration and the remuneration package of the Executive Directors. The level of remuneration reflects the experience and level of responsibilities undertaken by the Executive Directors. The remuneration package offered to the Executive Directors and fees payable to Non-Executive Directors are the responsibility of the entire Board and fees.

## 2. BOARD COMMITTEES (cont'd)

### 2.5 Details of Directors' Remuneration

The aggregate Directors' remuneration paid and payable to all Directors of the Company by the Group for the financial period, and categorised into appropriate components and bands are as follows:

| | Directors' Fees RM | Salaries RM | Allowance RM | Total RM |
|---|---|---|---|---|
| Executive Director | 44,000 | 133,082 | 8,000 | 185,082 |
| Non-Executive Directors | 255,600 | – | 102,000 | 357,600 |
| | **299,600** | **133,082** | **110,000** | **542,682** |

| | No. of Directors | | |
|---|---|---|---|
| Remuneration Bands | Executive | Non-Executive | Total |
| RM1 – RM50,000 | – | 4 | 4 |
| RM50,001 – RM100,000 | – | 2 | 2 |
| RM100,001 – RM200,000 | 1 | – | 1 |
| **Total** | **1** | **6** | **7** |

## 3. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Group recognises the importance of effective and timely communication with shareholders and investors to keep them informed on the Group's latest business and corporate developments. Such information is disseminated via the Company's annual reports, circulars to shareholders, quarterly financial results, the various announcements made from time to time and notices of general meeting published in national newspapers. In addition, the management also had dialogues with institutional investors, fund managers and analysts.

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

Apart from the AGM, the Board encourages other channels of communication with investors and shareholders. For this purpose, investors may direct their queries to:

Mr. Lim Choo Guan, Business Development Manager

Address : Level 29, Centro Tower
No.8, Jalan Batu Tiga Lama
41300 Klang, Selangor Darul Ehsan
Malaysia
Tel No. : +603 3258 3333
Fax No. : +603 3258 3300

In addition, investors are able to access to the latest corporate, financial and market information of the Company via the Bursa Malaysia's website at www.bursamalaysia.com

## 4. ACCOUNTABILITY AND AUDIT

### 4.1 Financial Reporting

The Board aims to present a balanced, clear and comprehensive assessment of the Group's financial position and prospects primarily through its annual report and quarterly interim financial results. In the process of preparing these financial statements, the Board, with the assistance of the Audit Committee, reviewed the

## 4. ACCOUNTABILITY AND AUDIT (cont'd)

### 4.1 Financial Reporting (cont'd)

accounting policies and practices to ensure that they are consistently applied throughout the financial year. In cases where judgment and estimates were made, they were based on reasonableness and prudence. The financial statements have been prepared in conformity with the applicable approved accounting standards.

### 4.2 Statement of Directors' Responsibility in Relation to the Financial Statements

In accordance with the requirements in Paragraph 15.26(a) of the Listing Requirements of the Bursa Malaysia, the Board of Directors are required to issue a statement explaining their responsibility for preparing the annual audited financial statements. In the preparation of the Financial Statements as set out on pages 56 to 137 of this Annual Report, the Directors are of the view that:

(a) The Group has used appropriate accounting policies that were consistently applied;
(b) Reasonable and prudent judgments and estimates were made; and
(c) All applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records, which disclose with reasonable accuracy the financial position of the Company and the Group, and that the Financial Statements comply with the Companies Act, 1965. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 138 of this Annual Report.

### 4.3 Internal Control

The Board acknowledges that it is responsible for maintaining a sound system of internal control which provides reasonable assurance of effective and efficient operations, and compliances with regulations as well as with internal procedures and guidelines.

A Statement on Internal Control of the Group is set out on pages 44 to 46 of this Annual Report.

### 4.4 Relationship with Auditors

Through the Audit Committee, the Group has always maintained a transparent and appropriate relationship with the internal and external auditors. The Audit Committee meets with the external auditors at least once a year to review audit plans and to facilitate exchange of views on issues requiring attention. In addition, audit findings and reports are highlighted to the Audit Committee and the Board.

### 4.5 Compliance Statement

The Company has complied with the principles and best practices as set out in Parts 1 and 2 respectively of the Code.

### 4.6 Corporate Social Responsibility

The Group is committed to the welfare of its employees and to the communities in which environment it operates. The management recognises that for long term sustainability, its strategic orientation will need to cater beyond the financial parameters.

- **Workplace Practices**

  The Group continues to implement various measures to ensure the well-being of its workforce. Our Occupational Safety and Health ("OSH") guidelines are effectively embedded within our operations to ensure that health and safety policies are ingrained amongst employees. Our OSH management systems are periodically reviewed and continuously improved upon to ensure its effectiveness.

- **Environmental Practices**

  We undertake the protection and conservation of the environment by maintaining environmental best practices within our oleochemical plant operations which covers treatment of plant effluents and waste water, noise level management as well as environmental and emission standards.

## 4. ACCOUNTABILITY AND AUDIT (cont'd)

### 4.6 Corporate Social Responsibility (cont'd)

- **Community Initiatives**

  During the year, the Group has initiated and continued to support important causes including contribution of funds to various charitable organisations and associations and sponsorship of events of various non-profitable organisations and schools.

## 5. ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia:

- **Share Buyback**

  There was no share buyback during the financial period.

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

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

- **Imposition of Sanctions/Penalties**

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

- **Non-Audit Fees**

  The Company did not pay the external auditors any non-audit fees during the financial period save for RM48,550 being tax advisory and consultancy fees.

- **Profit Guarantee**

  There was no profit guarantee given to the Company by any shareholder during the financial period.

- **Material Contracts**

  During the financial period, there was no material contract entered into by Company and its subsidiaries involving Directors' and major shareholders' interests.

- **Revaluation Policy on Landed Properties**

  The revaluation of landed properties will only be undertaken by the Company upon the approval of the Board of Directors of the Company or should there be an intended sale or should the market values be materially changed.

- **Recurrent Related Party Transactions**

  At the Twenty-Ninth Annual General Meeting of the Company held on October 28, 2010, the Company had obtained the approval of shareholders for the renewal of the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business, with related parties. The said mandate took effect on October 28, 2010 and will continue until the conclusion of the forthcoming Thirtieth Annual General Meeting of the Company.

  The details of the Related Parties and the nature and aggregate value of the recurrent related party transactions are disclosed in Note 24 to the financial statements on pages 107 to 111 of this Annual Report.

  At the forthcoming Thirtieth Annual General Meeting to be held on September 30, 2011, the Company intends to seek its shareholders' approval to renew the mandate for recurrent related party transactions of a revenue and trading nature. The details of the shareholders' mandate to be sought are furnished in the Circular to Shareholders dated September 8, 2011 enclosed together with this Annual Report.

# Statement on Internal Control

# WE HAVE THE RIGHT PROCESSES IN PLACE TO IDENTIFY AND MANAGE RISKS.

## BOARD'S RESPONSIBILITY

The Board affirms its commitment in maintaining a sound system of internal control in the Group. The following statement outlines the nature and scope of internal control within the Group during the FY2011.

The Board of Directors acknowledges the overall responsibility in maintaining a sound system of internal control with the objectives of safeguarding shareholders' investment and the Group's assets.

Notwithstanding the above, the Board also recognizes that the internal control system in place can only reduce but not eliminate the possibility of poor judgment in decision making, human error, control process being deliberately circumvented by employees, management overriding controls and the occurrence of unforeseeable circumstances. Consequently, the system could therefore provide only reasonable but not absolute assurance against failure to achieve business objectives or any material misstatement, operational failures, fraud, losses or breaches of laws and regulations.

## RISK MANAGEMENT FRAMEWORK

The Board recognizes the importance of sound internal control and risk management practices to good corporate governance as an ongoing process. For this reason, the Group strives to embed the risk management process in the conduct of the day-to-day business operations to provide reasonable assurance of achieving the Group's business objectives while safeguarding Group's assets and enhancing shareholders' investment.

The management is entrusted with the responsibility of managing risks and internal control associated with the operations and ensuring compliance with applicable laws and regulations. The main underlying principles of the Group Risk Management policy are:

- Each division is expressly informed to be responsible for managing the risks associated with its business and investment objectives, as risk management is a collective responsibility;
- Improve decision making, planning and prioritization based on comprehensive understanding of the reward to risk balance;
- All material risks are to be identified, analysed, treated, quantified where possible, monitored and reported; and

# STATEMENT ON INTERNAL CONTROL

## RISK MANAGEMENT FRAMEWORK (cont'd)

- Risk management is to be embedded within the Group strategic planning process, performance measurement system and day-to-day operations

The Group has facilitated an in-house training on practical risk management approach on September 21, 2010 for all managers as part of its plans to heighten risk awareness culture in the business process.

The on-going risk management processes are currently coordinated by the Business Development and Risk Management Department and the report is to be tabled for Corporate Governance Committee and Board discussion once every six months. The report identifies principal risks affecting or likely to affect the Group and helps ensure the implementation of appropriate and adequate systems to manage these risks. Notwithstanding the bi-yearly reporting requirement, the Corporate Governance Committee and Board will be promptly updated with special risk reports pertaining to any significant ad-hoc risk issues that may arise from time to time during the year.

The Management continues to improve the risk management framework for the Group, taking into consideration better practices and the changing business environment.

## KEY INTERNAL CONTROL SYSTEM

The Board is fully committed in ensuring that a proper control environment is maintained and there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The key processes that the Board has established to review the adequacy and integrity of the system of internal control are as follows:

- A formal and clear organization structure for the operating units with defined reporting lines and responsibilities to the Board level, with respective authority limits defined in the Group Policies and Authorities ("GPA"), to ensure accountabilities in risk management and control activities.

- Comprehensive management reports are generated on a regular and consistent basis to facilitate the Board and the Management in performing financial and operational reviews.

- Regular Board and Senior Management meetings and visits to operating units to assess the Group's performance and controls.

- The Audit Committee reviews the quarterly financial statements and performance of the Group before they are tabled to the Board for their review and approval. The Board through the Audit Committee also reviews reports from Internal Audit Department ("IAD") on internal control, to help ensure the adequacy and integrity of the internal control of the Group.

- The IAD assess the effectiveness of the internal control system within the Group. IAD reports functionally to the Audit Committee and administratively to the Group Chief Executive Officer. Internal audit efforts are directed towards area with significant risks as identified by Management and the risk management process.

## WHISTLE BLOWING POLICY

The Group has established a whistle blowing policy to provide employees, customers and vendors an avenue to raise matters of serious concerns that could have an impact on the Group, in line with the commitment of the Group to the highest possible standards of ethical, moral and legal business conduct and its commitment to open communication. The policy encourages employees to report actual or suspected malpractice, misconduct or violations of the company's policies and regulations in a safe and confidential manner.

## EXTERNAL AUDITORS

The external auditors has issued a Management Letter highlighting issues and weaknesses, which came to their attention during the conduct of their normal audit procedures.

The external auditors have also reviewed this Statement on Internal Control for inclusion in the annual report of the Group for the period ended 31 March 2011 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

## CONCLUSION

The Board is of the view that the system of internal control that has been put in place throughout the Group is adequate. 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 August 15, 2011.

# FINANCIAL STATEMENTS



# DIRECTORS' REPORT

The directors of **SOUTHERN ACIDS (M) BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial period May 1, 2010 to March 31, 2011.

## PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are disclosed in Note 16 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 period.

## RESULTS OF OPERATIONS

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

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| **Profit/(Loss) before tax** | 55,460 | (696) |
| **Income tax expense** | (14,510) | (9) |
| **Profit/(Loss) for the period** | 40,950 | (705) |
| **Attributable to:** | | |
| **Equity holders of the Company** | 29,361 | (705) |
| **Minority interests** | 11,589 | – |
| | 40,950 | (705) |

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

## CHANGE OF FINANCIAL YEAR END

The Company and all of its subsidiary companies except for the two subsidiary companies in Indonesia had on January 28, 2011 changed their financial year-end from April 30 to March 31. Accordingly, the audited financial statements of the Group and of the Company are drawn up for the period May 1, 2010 to March 31, 2011, a period of eleven months.

**DIVIDENDS**

A final dividend of 6%, tax exempt, per ordinary share of RM1.00 each, amounting to RM8,216,048 proposed in the previous financial year and dealt with in the previous directors' report was paid by the Company on November 23, 2010.

The directors propose a final dividend of 6%, tax exempt, per ordinary share of RM1.00 each amounting to RM8,216,048 in respect of the current financial period 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.

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial period 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 period.

**SHARE OPTIONS**

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

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

**OTHER STATUTORY INFORMATION**

Before the statements of comprehensive income and statements of financial position 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.

**OTHER STATUTORY INFORMATION (cont'd)**

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off as 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.

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 period 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 period.

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 period 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 except as mentioned in Note 36 to the Financial Statements.

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 period 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 financial year in which this report is made.

**DIRECTORS**

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

Tan Sri Dato' Low Boon Eng, PSM, DPMS, JP
Lim Kim Long
Mohd. Hisham bin Harun
Sukhinderjit Singh Muker
Leong So Seh
Teo Leng (appointed on 1.12.2010)
Dato' Mohd. Yusoff bin Haji Amin, SMS, PJK, JP (resigned on 28.10.2010)

In accordance with Articles 95 and 96 of the Company's Articles of Association, Mr Lim Kim Long and Mr Sukhinderjit Singh Muker retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 101 of the Company's Articles of Association, Mr Teo Leng who was appointed since the last Annual General Meeting, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

**DIRECTORS' INTERESTS**

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

| | Number of ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | **As of 1.5.2010** | **Bought** | **Sold** | **As of 31.3.2011** |
| **Shares in the Company** | | | | |
| **Registered in name of directors** | | | | |
| **Direct interest** | | | | |
| Tan Sri Dato' Low Boon Eng, PSM, DPMS, JP | 2,487 | – | – | 2,487 |
| Lim Kim Long | 49,276 | – | – | 49,276 |
| **Deemed interest** | | | | |
| Tan Sri Dato' Low Boon Eng, PSM, DPMS, JP * | 65,626,507 | – | – | 65,626,507 |
| Lim Kim Long ** | 69,052,267 | – | – | 69,052,267 |

Notes:

* By virtue of his interest in Southern Cocoa Products (M) Sdn. Bhd., Banting Hock Hin Estate Company Sdn. Bhd., Southern Realty (Malaya) Sdn. Berhad, Southern 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 and Eng Leong Holdings Sdn. Bhd.

** By virtue of his interest in Southern Cocoa Products (M) Sdn. Bhd., Banting Hock Hin Estate Company Sdn. Bhd., Southern Realty (Malaya) Sdn. Berhad, Southern 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 and Lim Thye Peng Realty Sdn. Bhd.

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 period had any interest or beneficial interest in the shares of the Company or its related companies during and at the end of the financial period.

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 the director is a member, or with a company in which the director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the balances and transactions with companies in which certain directors of the Company are also directors and/or have substantial financial interests as disclosed in Note 24 to the Financial Statements.

During and at the end of the financial period, 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,

**TAN SRI DATO' LOW BOON ENG, PSM, DPMS, JP**

**LIM KIM LONG**

Klang
July 27, 2011

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of SOUTHERN ACIDS (M) BERHAD, which comprise the statements of financial position as of March 31, 2011 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the period May 1, 2010 to March 31, 2011, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 136.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of March 31, 2011 and of their financial performance and cash flows for the financial period May 1, 2010 to March 31, 2011.

**REPORT ON THE FINANCIAL STATEMENTS (cont'd)**

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to the following:

(a) As mentioned in Note 36(a)(i) to the Financial Statements, during the previous financial year, the Company received a letter dated February 25, 2009 from a related party, Southern Realty (Malaya) Sdn. Berhad, which is also a major shareholder of the Company, alleging numerous questionable transactions involving certain companies within the Group with certain related parties, and amongst related parties during the past several years. Most of these allegations are directed at Southern Management (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, which provided administrative and accounting services to these related parties.

    The Company had in March 2009 appointed a third party to commence investigation into those numerous alleged questionable transactions. However, in May 2009, the said third party withdrew its involvement in the said investigation. The Company's plan to appoint another party to resume the said investigation was halted pending the outcome of the application by the Company to set aside the order for the appointment of Interim Receivers and Managers to the Company, as mentioned in Note 36(a)(ii) to the Financial Statements.

    Subsequent to the decision by the court to set aside the ex-parte order for the appointment of Interim Receivers and Managers, and the action by the Petitioners for the said ex-parte order to withdraw their Petition, management of the Company is assessing various approaches to resolving the allegations, taking into consideration the limitation on access to records and documents belonging to the said related parties to enable any investigation exercise to begin.

    The Group and the Company may be exposed to potential claims, the amount of which is not presently determinable, in the event that those allegations are proven.

(b) As mentioned in Note 36(a)(iii) to the Financial Statements, Southern Management (M) Sdn. Bhd. ("SMSB"), a subsidiary company, was served with a Writ of Summons and Statement of Claim for RM62.0 million filed by Southern Palm Industries Sdn. Berhad ("SPI"), a major shareholder of the Company against SMSB and seven (7) other defendants. The claim is for fraud and breach of fiduciary duties allegedly committed by SMSB and other defendants in relation to loans extended by SPI in prior years to two (2) companies in which certain employees of SMSB hold directorship. The sums claimed are for repayment of cost of funds of approximately RM62.0 million, plus further interest and costs. SMSB has filed a memorandum of appearance and the case is now pending court hearing to be fixed.

    Also, as mentioned in Note 36(a)(iii) to the Financial Statements, the directors are unable to ascertain, at this juncture, whether there would be any material financial impact on the Group arising from the abovesaid claim.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) we have considered the accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as mentioned in Note 16 to the Financial Statements, being accounts that have been included in the financial statements of the Group;

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (cont'd)**

(c) we are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations as required by us for these purposes; and

(d) the auditors' reports on the accounts 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.

**OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out on page 137 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**DELOITTE KASSIMCHAN**
AF 0080
Chartered Accountants

**YEE YOON CHONG**
Partner - 1829/07/13 (J)
Chartered Accountant

Petaling Jaya
July 27, 2011

# INCOME STATEMENTS

For the period May 1, 2010 to March 31, 2011
(With comparative figures for the financial year ended April 30, 2010)

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 |
| Revenue | 5 | **501,373** | 453,200 | **352,218** | 311,717 |
| Investment revenue | 6 | **1,833** | 1,244 | **572** | 579 |
| Other operating income | 7 | **4,082** | 11,523 | **1,718** | 5,033 |
| Changes in inventories of finished goods and work-in-progress | | **19,617** | (3,744) | **–** | – |
| Raw materials and consumables used | | **(339,925)** | (278,166) | **–** | – |
| Purchase of trading merchandise | | **(395)** | (285) | **(348,120)** | (310,088) |
| Depreciation of property, plant and equipment | 13 | **(7,152)** | (11,912) | **(372)** | (127) |
| Amortisation of biological assets | 15 | **(745)** | (752) | **–** | – |
| Directors' remuneration | 8 | **(1,339)** | (1,332) | **(410)** | (369) |
| Employee benefits expense | 7 | **(32,745)** | (34,798) | **(2,876)** | (2,654) |
| Other operating expenses | 7 | **(89,144)** | (104,107) | **(3,426)** | (3,312) |
| Finance costs | 9 | **–** | (150) | **–** | – |
| **Profit/(Loss) before tax** | | **55,460** | 30,721 | **(696)** | 779 |
| Income tax (expense)/credit | 10 | **(14,510)** | (10,450) | **(9)** | 88 |
| **Profit/(Loss) for the period/year** | | **40,950** | 20,271 | **(705)** | 867 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | **29,361** | 11,644 | **(705)** | 867 |
| Minority interests | | **11,589** | 8,627 | **–** | – |
| | | **40,950** | 20,271 | **(705)** | 867 |
| **Earnings per share (sen) attributable to equity holders of the Company** | | | | | |
| Basic and diluted | 11 | **21.44** | 8.50 | | |

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

# STATEMENTS OF COMPREHENSIVE INCOME

For the period May 1, 2010 to March 31, 2011
(With comparative figures for the financial year ended April 30, 2010)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| **Profit/(Loss) for the period/year** | **40,950** | 20,271 | **(705)** | 867 |
| **Other comprehensive income** | | | | |
| Gain arising from revaluation of available-for-sale investments | **9,841** | – | **9,841** | – |
| Exchange differences on translating foreign operations | **366** | 3,402 | **–** | – |
| **Total comprehensive income for the period/year, net of tax** | **51,157** | 23,673 | **9,136** | 867 |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the Company | **39,951** | 13,456 | **9,136** | 867 |
| Minority interests | **11,206** | 10,217 | **–** | – |
| | **51,157** | 23,673 | **9,136** | 867 |

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

# STATEMENTS OF FINANCIAL POSITION

As of March 31, 2011
(With comparative figures as of April 30, 2010)

| | Note(s) | The Group March 31, 2011 RM'000 | April 30, 2010 RM'000 | May 1, 2009 RM'000 | The Company March 31, 2011 RM'000 | April 30, 2010 RM'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Non-Current Assets** | | | | | | |
| Land held for property development | 12 | **141,944** | 141,260 | 141,213 | **–** | – |
| Property, plant and equipment | 13 | **91,539** | 91,148 | 91,018 | **6,232** | 5,651 |
| Investment property | 14 | **3,318** | 3,318 | 3,318 | **–** | – |
| Biological assets | 15 | **11,298** | 11,685 | 11,656 | **–** | – |
| Investment in subsidiary companies | 16 | **–** | – | – | **44,073** | 44,073 |
| Investments | 17 | **40,321** | 20,602 | 17,094 | **40,321** | 20,602 |
| Advances for Plasma PIR-TRANS projects | 18 | **1,849** | 2,008 | 3,039 | **–** | – |
| Advances for KKPA projects | 19 | **809** | 1,201 | 1,171 | **–** | – |
| Deferred tax assets | 20 | **4,815** | 8,815 | 9,440 | **1,965** | 1,157 |
| | | **295,893** | 280,037 | 277,949 | **92,591** | 71,483 |
| **Current Assets** | | | | | | |
| Inventories | 21 | **75,104** | 58,534 | 54,607 | **–** | – |
| Derivative financial assets | | **125** | – | – | **125** | – |
| Trade receivables | 22 & 24 | **42,530** | 40,396 | 28,582 | **35,814** | 32,730 |
| Other receivables, deposits and prepaid expenses | 23 & 24 | **2,802** | 1,763 | 1,952 | **435** | 437 |
| Tax recoverable | | **1,692** | 1,245 | 266 | **13** | 13 |
| Amount owing by subsidiary companies | 24 | **–** | – | – | **208,135** | 208,844 |
| Fixed deposits, short-term placements, and cash and bank balances | 25 | **88,418** | 69,371 | 74,890 | **13,994** | 29,718 |
| | | **210,671** | 171,309 | 160,297 | **258,516** | 271,742 |
| **TOTAL ASSETS** | | **506,564** | 451,346 | 438,246 | **351,107** | 343,225 |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Capital and Reserves** | | | | | | |
| Share capital | 26 | **136,934** | 136,934 | 136,934 | **136,934** | 136,934 |
| Reserves | 27 | **281,454** | 237,627 | 231,018 | **90,434** | 77,422 |
| Equity attributable to equity holders of the Company | | **418,388** | 374,561 | 367,952 | **227,368** | 214,356 |
| Minority interests | | **30,486** | 23,877 | 16,893 | **–** | – |
| **Total Equity** | | **448,874** | 398,438 | 384,845 | **227,368** | 214,356 |

# STATEMENTS OF FINANCIAL POSITION

As of March 31, 2011
(With comparative figures as of April 30, 2010)

| | Note(s) | The Group March 31, 2011 RM'000 | The Group April 30, 2010 RM'000 | The Group May 1, 2009 RM'000 | The Company March 31, 2011 RM'000 | The Company April 30, 2010 RM'000 |
|---|---|---|---|---|---|---|
| **Non-Current Liabilities** | | | | | | |
| Term loan | | – | – | 143 | – | – |
| Hire-purchase obligation - non-current portion | | – | – | 6 | – | – |
| Provision for retirement benefits | 29 | **5,462** | 4,354 | 3,105 | **1,089** | 994 |
| Deferred tax liabilities | 20 | **7** | 55 | 91 | – | – |
| | | **5,469** | 4,409 | 3,345 | **1,089** | 994 |
| **Current Liabilities** | | | | | | |
| Trade payables | 24 & 30 | **29,769** | 25,846 | 23,324 | – | – |
| Other payables and accrued expenses | 24 & 30 | **19,502** | 19,322 | 18,965 | **6,541** | 4,938 |
| Amount owing to subsidiary companies | 24 | – | – | – | **115,988** | 122,816 |
| Bank borrowings | | – | – | 6,203 | – | – |
| Hire-purchase obligation - current portion | 28 | – | 6 | 22 | – | – |
| Tax liabilities | | **2,829** | 3,204 | 1,421 | – | – |
| Dividend payable | | **121** | 121 | 121 | **121** | 121 |
| | | **52,221** | 48,499 | 50,056 | **122,650** | 127,875 |
| **TOTAL LIABILITIES** | | **57,690** | 52,908 | 53,401 | **123,739** | 128,869 |
| **TOTAL EQUITY AND LIABILITIES** | | **506,564** | 451,346 | 438,246 | **351,107** | 343,225 |

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

# STATEMENTS OF CHANGES IN EQUITY

For the period May 1, 2010 to March 31, 2011
(With comparative figures for the financial year ended April 30, 2010)

| The Group | Note | Share capital RM'000 | Non-distributable reserves: Share premium RM'000 | Non-distributable reserves: Foreign exchange reserve RM'000 | Distributable reserve-Retained earnings RM'000 | Equity attributable to equity holders of the Company RM'000 | Minority interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| **As of May 1, 2009** | | 136,934 | 34,321 | (1,362) | 198,059 | 367,952 | 16,893 | 384,845 |
| Profit for the year | | – | – | – | 11,644 | 11,644 | 8,627 | 20,271 |
| Other comprehensive income | | – | – | 1,812 | – | 1,812 | 1,590 | 3,402 |
| Total comprehensive income for the year, net of tax | | – | – | 1,812 | 11,644 | 13,456 | 10,217 | 23,673 |
| Dividend paid | 33 | – | – | – | (6,847) | (6,847) | – | (6,847) |
| Dividend paid to minority shareholders of a subsidiary company | | – | – | – | – | – | (3,233) | (3,233) |
| **As of April 30, 2010** | | 136,934 | 34,321 | 450 | 202,856 | 374,561 | 23,877 | 398,438 |

# STATEMENTS OF CHANGES IN EQUITY

For the period May 1, 2010 to March 31, 2011
(With comparative figures for the financial year ended April 30, 2010)

| The Group | Note | Share capital RM'000 | Share premium RM'000 | <-------------- Non-distributable reserves Foreign exchange reserve RM'000 | Fair value reserve RM'000 --------------> | Distributable reserve- Retained earnings RM'000 | Equity attributable to equity holders of the Company RM'000 | Minority interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **As of May 1, 2010** | | | | | | | | | |
| As previously reported | | 136,934 | 34,321 | 450 | – | 202,856 | 374,561 | 23,877 | 398,438 |
| Effect of changes in accounting policy - Adoption of FRS 139 | 2 | – | – | – | 10,420 | 1,672 | 12,092 | – | 12,092 |
| As restated | | 136,934 | 34,321 | 450 | 10,420 | 204,528 | 386,653 | 23,877 | 410,530 |
| Profit for the period | | – | – | - | – | 29,361 | 29,361 | 11,589 | 40,950 |
| Other comprehensive income/(loss) | | – | – | 749 | 9,841 | – | 10,590 | (383) | 10,207 |
| Total comprehensive income for the period, net of tax | | – | – | 749 | 9,841 | 29,361 | 39,951 | 11,206 | 51,157 |
| Dividend paid | 33 | – | – | – | – | (8,216) | (8,216) | – | (8,216) |
| Dividend paid to minority shareholders of a subsidiary company | | – | – | – | – | – | – | (4,597) | (4,597) |
| **As of March 31, 2011** | | **136,934** | **34,321** | **1,199** | **20,261** | **225,673** | **418,388** | **30,486** | **448,874** |

# STATEMENTS OF CHANGES IN EQUITY

For the period May 1, 2010 to March 31, 2011
(With comparative figures for the financial year ended April 30, 2010)

| The Company | Note | Share capital RM'000 | <--- Non-distributable ---> reserve- Share premium RM'000 | Fair value reserve RM'000 | Distributable reserve- Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|
| **As of May 1, 2009** | | 136,934 | 34,321 | – | 49,081 | 220,336 |
| Total comprehensive income for the year, net of tax | | – | – | – | 867 | 867 |
| Dividend paid | 33 | – | – | – | (6,847) | (6,847) |
| **As of April 30, 2010** | | 136,934 | 34,321 | – | 43,101 | 214,356 |
| **As of May 1, 2010** | | | | | | |
| As previously reported | | 136,934 | 34,321 | – | 43,101 | 214,356 |
| Effect of changes in accounting policy - Adoption of FRS 139 | 2 | – | – | 10,420 | 1,672 | 12,092 |
| As restated | | 136,934 | 34,321 | 10,420 | 44,773 | 226,448 |
| Loss for the period | | – | – | – | (705) | (705) |
| Other comprehensive income | | – | – | 9,841 | – | 9,841 |
| Total comprehensive income/(loss) for the period, net of tax | | – | – | 9,841 | (705) | 9,136 |
| Dividend paid | 33 | – | – | – | (8,216) | (8,216) |
| **As of March 31, 2011** | | **136,934** | **34,321** | **20,261** | **35,852** | **227,368** |

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

# STATEMENTS OF
# CASH FLOWS

For the period May 1, 2010 to March 31, 2011
(With comparative figures for the financial year ended April 30, 2010)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | | |
| Profit/(Loss) before tax | **55,460** | 30,721 | **(696)** | 779 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | **7,152** | 11,912 | **372** | 127 |
| Inventories written down | **1,839** | 511 | **–** | – |
| Loss arising from derivative financial assets | **1,547** | – | **1,547** | – |
| Provision for retirement benefits | **1,239** | 1,334 | **95** | 853 |
| Amortisation of biological assets | **745** | 752 | **–** | – |
| Allowance for doubtful debts | **671** | 590 | **37** | 911 |
| Property, plant and equipment written off | **20** | – | **–** | – |
| Bad debts written off: | | | | |
| Trade receivables | **–** | 24 | **–** | – |
| Other receivables | **16** | 75 | **–** | – |
| Dividend income | **(4,097)** | (1,629) | **(4,097)** | (1,629) |
| Interest income | **(1,833)** | (1,244) | **(572)** | (579) |
| (Gain)/Loss on disposal of: | | | | |
| Quoted shares | **(1,199)** | (3) | **(1,199)** | (3) |
| Unquoted shares | **–** | 3 | **–** | 3 |
| Waiver of debts by other creditors | **(412)** | (2,386) | **–** | – |
| Unrealised (gain)/loss on foreign exchange | **(128)** | 384 | **(128)** | 384 |
| Allowance for doubtful debts no longer required | **(78)** | – | **–** | – |
| Gain on disposal of property, plant and equipment | **(73)** | (50) | **–** | – |
| Allowance for diminution in value of quoted shares no longer required | **–** | (3,526) | **–** | (3,526) |
| Allowance for losses on conversion of Plasma PIR-TRANS projects no longer required | **–** | (154) | **–** | – |
| Advances for Plasma PIR-TRANS projects written off | **–** | 1,154 | **–** | – |
| Finance costs | **–** | 150 | **–** | – |
| Allowance for impairment loss on investment in subsidiary companies | **–** | – | **–** | 501 |

# STATEMENTS OF CASH FLOWS

For the period May 1, 2010 to March 31, 2011
(With comparative figures for the financial year ended April 30, 2010)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| Operating Profit/(Loss) Before Working Capital Changes | **60,869** | 38,618 | **(4,641)** | (2,179) |
| (Increase)/Decrease in: | | | | |
| Inventories | **(18,409)** | (4,438) | **–** | – |
| Trade receivables | **(2,570)** | (12,994) | **(3,198)** | (10,631) |
| Other receivables, deposits and prepaid expenses | **(1,081)** | 287 | **210** | 3 |
| Increase/(Decrease) in: | | | | |
| Trade payables | **3,923** | 2,522 | **–** | – |
| Other payables and accrued expenses | **589** | 2,752 | **1,600** | 1,117 |
| Amount owing to subsidiary companies | **–** | – | **(6,828)** | 2,636 |
| Cash Generated From/(Used In) Operations | **43,321** | 26,747 | **(12,857)** | (9,054) |
| Interest received | **1,833** | 1,244 | **572** | 579 |
| Finance costs paid | **–** | (150) | **–** | – |
| Income tax paid | **(11,380)** | (8,714) | **(817)** | – |
| Income tax refund | **–** | 24 | **–** | 24 |
| Retirement benefits paid | **(111)** | (116) | **–** | – |
| Net Cash From/(Used In) Operating Activities | **33,663** | 19,035 | **(13,102)** | (8,451) |
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | | |
| Dividends received | **4,097** | 1,262 | **4,097** | 1,262 |
| Net conversion for: | | | | |
| Plasma PIR-TRANS projects | **120** | 167 | **–** | – |
| KKPA projects | **363** | 64 | **–** | – |
| Proceeds from disposal of property, plant and equipment | **170** | 65 | **–** | – |
| Proceeds from disposal of: | | | | |
| Quoted shares | **1,741** | 15 | **1,741** | 15 |
| Unquoted shares | **–** | 5 | **–** | 5 |
| Additions to development costs (Note 12) | **(684)** | (47) | **–** | – |
| Additions to property, plant and equipment (Note 13) | **(7,952)** | (11,095) | **(953)** | (5,631) |
| Additions to biological assets (net) (Note 15) | **(586)** | (81) | **–** | – |
| Additions to investment in quoted shares | **–** | (2) | **–** | (2) |
| Net Cash (Used In)/From Investing Activities | **(2,731)** | (9,647) | **4,885** | (4,351) |

# STATEMENTS OF CASH FLOWS

For the period May 1, 2010 to March 31, 2011
(With comparative figures for the financial year ended April 30, 2010)

| | Note | The Group | | The Company | |
|---|---|---|---|---|---|
| | | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | | | |
| Dividend paid | | **(12,813)** | (10,080) | **(8,216)** | (6,847) |
| Repayment of: | | | | | |
| Revolving credit | | **–** | (3,581) | **–** | – |
| Term loan | | **–** | (2,765) | **–** | – |
| Hire-purchase obligation | | **(6)** | (22) | **–** | – |
| Advances from subsidiary companies | | **–** | – | **709** | 1,007 |
| Net Cash Used In Financing Activities | | **(12,819)** | (16,448) | **(7,507)** | (5,840) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **18,113** | (7,060) | **(15,724)** | (18,642) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR** | | **69,371** | 74,890 | **29,718** | 48,360 |
| **EFFECT OF TRANSLATION DIFFERENCES** | | **934** | 1,541 | **–** | – |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR** | 32 | **88,418** | 69,371 | **13,994** | 29,718 |

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

## 1. GENERAL INFORMATION

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

The principal activities of the subsidiary companies are disclosed in Note 16.

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

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

The Company and all of its subsidiary companies except for the two subsidiary companies in Indonesia had on January 28, 2011 changed their financial year-end from April 30 to March 31. Accordingly, the audited financial statements of the Group and of the Company are drawn up for the period May 1, 2010 to March 31, 2011, a period of eleven months.

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

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

The financial statements of the Group and of the Company have been approved by the Board of Directors and were authorised for issuance on July 27, 2011.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Companies Act, 1965 and Financial Reporting Standards (“FRSs”) in Malaysia.

**Adoption of New and Revised Financial Reporting Standards**

In the current financial period, the Group and the Company adopted all the new and revised Standards and Issues Committee Interpretations (“IC Interpretations”) issued by the Malaysian Accounting Standards Board (“MASB”) that are effective for annual periods beginning on or after May 1, 2010 as follows:

| | |
|---|---|
| FRS 1 | First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate) |
| FRS 2 | Share-based Payment (Amendments relating to vesting conditions and cancellations) |
| FRS 4 | Insurance Contracts |
| FRS 7 | Financial Instruments: Disclosures |
| FRS 7 | Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets - Effective date and transition) |
| FRS 8 | Operating Segments |
| FRS 101 | Presentation of Financial Statements (revised) |
| FRS 123 | Borrowing Costs (revised) |
| FRS 127 | Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate) |
| FRS 132 | Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation and transitional provision relating to compound instrument) |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| FRS 139 | Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets - Effective date and transition and embedded derivatives) |

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

**Adoption of New and Revised Financial Reporting Standards (cont'd)**

Improvements to FRSs issued in 2009

| | |
|---|---|
| IC Interpretation 9 | Reassessment of Embedded Derivatives |
| IC Interpretation 9 | Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives) |
| IC Interpretation 10 | Interim Financial Reporting and Impairment |
| IC Interpretation 11 | FRS 2 - Group and Treasury Share Transactions |
| IC Interpretation 13 | Customer Loyalty Programmes |
| IC Interpretation 14 | FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction |

The adoption of these new and revised FRSs and IC Interpretations did not result in significant changes in the accounting policies of the Group and of the Company and have no significant effect on the financial performance or position of the Group and of the Company except for those discussed below:

**Standards affecting presentation and disclosure**

**FRS 7 Financial Instruments: Disclosures**

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and process for managing capital.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions of the standard. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the period May 1, 2010 to March 31, 2011.

**FRS 8 Operating Segments**

FRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (FRS 114$_{2004}$ Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.

**FRS 101 Presentation of Financial Statements (revised)**

The revised FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as two linked statements.

There is no impact on the Group's and the Company's financial statements as this change in accounting policy affects only the presentation of the Group's and the Company's financial statements.

The revised FRS101 was adopted retrospectively by the Group and the Company.

2. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)**

**FRS 127 : Consolidated and Separate Financial Statements (revised)**

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiary companies that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiary companies were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiary companies regardless of whether the disposals would result in the Group losing control over the subsidiary companies, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Under FRS 127 (revised), increases or decreases in ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary company is lost as a result of a transaction, event or other circumstance, FRS 127 (revised) requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary company is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

This standard was adopted prospectively by the Group and the Company.

**Standards affecting the reported results or financial position**

**FRS 139 Financial Instruments: Presentation and Measurement**

The Group and the Company adopted FRS 139 prospectively on May 1, 2010 in accordance with the transitional provisions in FRS 139. On that date, financial assets were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial liabilities were either classified as financial liabilities at fair value through profit or loss or other financial liabilities (i.e. those financial liabilities which are not held for trading or designated as at fair value through profit or loss upon initial recognition). The accounting policies for financial assets and financial liabilities are as disclosed in Note 3 to the financial statements.

The effects arising from the adoption of this Standard has been accounted for by adjusting respective opening balance as of May 1, 2010, as shown below and comparatives are not restated.

| Statements of financial position | As of May 1, 2010 RM'000 | Effects of adopting FRS 139 RM'000 | Restatement As of May 1, 2010 RM'000 |
|---|---|---|---|
| **The Group** | | | |
| **Capital and Reserves** | | | |
| Reserves | 237,627 | 12,092 | 249,719 |
| **Non-Current Assets** | | | |
| Available-for-sale investments | 20,602 | 10,420 | 31,022 |
| **Current Assets** | | | |
| Derivative financial assets | – | 1,672 | 1,672 |

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)**

**FRS 139 Financial Instruments: Presentation and Measurement (cont'd)**

| **Statements of financial position** | **As of May 1, 2010 RM'000** | **Effects of adopting FRS 139 RM'000** | **Restatement As of May 1, 2010 RM'000** |
|---|---|---|---|
| **The Company** | | | |
| **Capital and Reserves** | | | |
| Reserves | 77,422 | 12,092 | 89,514 |
| **Non-Current Assets** | | | |
| Available-for-sale investments | 20,602 | 10,420 | 31,022 |
| **Current Assets** | | | |
| Derivative financial assets | – | 1,672 | 1,672 |

**Amendments to FRS 117 Leases**

Prior to May 1, 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease. The amendments to FRS 117 require an entity with existing leases of land and buildings to reassess the classification of land as a finance lease or operating lease.

The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment. The Group has adopted the amendments to FRS 117 retrospectively. Comparative balances as of April 30, 2010 have been restated as follows:

| | **As previously reported RM'000** | **Effects of adopting amendments to FRS 117 RM'000** | **As restated RM'000** |
|---|---|---|---|
| Property, plant and equipment | 85,336 | 5,812 | 91,148 |
| Prepaid lease payments | 5,812 | (5,812) | – |

**FRSs, Amendments to FRSs and IC Interpretations issued but not yet effective**

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

| | |
|---|---|
| FRS 1 | First-time Adoption of Financial Reporting Standards (Revised)[1] |
| FRS 1 | First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS 7 Disclosures for First-time Adopters)[2] |
| FRS 1 | First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for First-time Adopters)[2] |
| FRS 2 | Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)[1] |

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)**

**FRSs, Amendments to FRSs and IC Interpretations issued but not yet effective (cont'd)**

| | |
|---|---|
| FRS 2 | Share-based Payment (Amendments relating to group cash-settled share based payment transaction)[2] |
| FRS 3 | Business Combinations (Revised)[1] |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary)[1] |
| FRS 7 | Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)[2] |
| FRS 124 | Related Party Disclosure (Revised)[3] |
| FRS 127 | Consolidated and Separate Financial Statements (Revised)[1] |
| FRS 128 | Investments in Associates (Revised)[1] |
| FRS 132 | Financial Instruments: Presentation (Amendments relating to classification of rights issue)[4] |
| FRS 138 | Intangible Assets (Amendments relating to additional consequential amendments arising from FRS 3)[1] |
| FRS 139 | Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets - effective date and transition, embedded derivatives and revised FRS 3 and Revised FRS 127)[1] |
| Improvements to FRSs 2010[2] | |
| IC Interpretation 4 | Determining whether an arrangement contains a lease[2] |
| IC Interpretation 9 | Reassessment of Embedded Derivatives (Amendments relating to scope of IC Interpretation 9 and revised FRS 3)[1] |
| IC Interpretation 12 | Service Concession Arrangements[1] |
| IC Interpretation 14 | FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirement and Their Interaction[1] |
| IC Interpretation 15 | Agreements for the Construction of Real Estate[5] |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation[1] |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners[1] |
| IC Interpretation 18 | Transfers of Assets from Customers[6] |
| IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments[7] |

1 Effective for annual periods beginning on or after July 1, 2010
2 Effective for annual periods beginning on or after January 1, 2011
3 Effective for annual periods beginning on or after January 1, 2012
4 Effective for annual periods beginning on or after March 1, 2010
5 Original effective date of July 1, 2010 deferred to January 1, 2012 via amendment issued by MASB on August 31, 2010
6 Applies prospectively to transfers of assets from customers received on or after January 1, 2011
7 Effective for annual periods beginning on or after July 1, 2011

Consequential amendments were also made to various FRSs as a result of these new/revised FRSs.

The directors anticipate that the adoption of the above standards and interpretations, when they become effective, are not expected to have material impact on the financial statements of the Group and of the Company in the period of initial application.

## 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.

**Basis of Consolidation**

The financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Group as shown in Note 16 made up to the end of the financial period. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than half of the voting power of the entity.

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiary companies acquired or disposed of during the period from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

All significant intercompany balances and transactions are eliminated on consolidation.

Minority interest in the net assets of consolidated subsidiary company is identified separately from the Group's equity therein. Minority interest consists of the amount of those interests at the date of the original business combination (see below) and the minority shareholder's share of changes in equity since the date of the combination. Losses applicable to the minority interest in excess of the minority shareholder's interest in the subsidiary company's equity are allocated against the interests of the Group except to the extent that the minority shareholder has a binding obligation and is able to make an additional investment to cover the losses.

**Business Combinations**

The acquisition of subsidiary companies is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for the recognition under FRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

**Revenue**

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Revenue (cont'd)**

Revenue is recognised on the following basis:

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

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

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

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

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

**Foreign Currencies**

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

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

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

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

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

**Employee Benefits**

(i) Short-term employee benefits

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

**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 Employees Provident Fund ("EPF"), the national defined contribution plan. The contributions are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. The contributions to EPF are disclosed in Note 7.

(b) Defined benefit plans

i) Malaysia

The Company and a subsidiary company operate an unfunded defined retirement benefit scheme for eligible non-unionised employees who having completed a minimum of 5 and 10 years of service respectively. The retirement benefit obligations are measured by using an actuarial valuation method, the Projected Unit Credit Method.

ii) Indonesia

The Group's subsidiary companies in Indonesia provide for employee benefit liabilities in accordance with the Labour Law No. 13 Year 2003 ("Law No. 13/2003"), which was enacted on March 25, 2003. The retirement benefits provision is made based on the Projected Unit Credit Method.

Under the Projected Unit Credit Method, the cost of providing the retirement benefits is charged to profit or loss so as to spread the cost over the service life of the employees. The actuarial gains or losses are recognised as income or expense if the net cumulative unrecognised actuarial gains or losses at the end of the reporting period exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of any scheme assets at that date. The cumulative unrecognised gains or losses are amortised over the expected average remaining future service lives of the employees which is estimated as 12 years in accordance with the advice of actuaries who carry out a full valuation of the plan every two years. The latest actuarial valuation was undertaken on April 30, 2010.

**Income Tax**

Income tax for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for, using the "liability" method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Income Tax (cont'd)**

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle the current tax assets and liabilities on a net basis.

**Land Held for Property Development**

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

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

**Property, Plant and Equipment**

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

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

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Property, Plant and Equipment Under Hire-purchase Arrangements**

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

Property, plant and equipment under hire-purchase arrangements are depreciated over their expected useful lives on the same basis as owned assets.

**Investment Property**

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

**Biological Assets**

Biological assets, consisting of costs for land clearing, planting and replanting and upkeep of trees to maturity, are initially recorded at cost. Upon maturity of crops, the biological assets are amortised over 20 years, representing the economic useful lives of the crops.

**Investment in Subsidiary Companies**

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

**Impairment of Assets**

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Advances for Plasma PIR-TRANS Projects and KKPA Projects**

Advances for Plasma PIR-TRANS projects in respect of a subsidiary company in Indonesia, as further explained in Note 18, represent the accumulated costs (including borrowing costs and indirect overhead costs) financed by a bank to develop plasma plantations for plasma farmers under a scheme imposed by the Indonesian government. When a plasma plantation project is substantially completed and ready to be transferred or handed-over to the plasma farmers, the corresponding investment credit from the bank is also transferred to the plasma farmers.

Advances for Kredit Koperasi Primer untuk Anggotanya ("KKPA") projects in respect of another subsidiary company in Indonesia, as further explained in Note 19, represent the accumulated costs to develop plasma plantations measuring 470 (April 30, 2010: 470) hectares out of total land required to be developed of 500 (April 30, 2010: 500) hectares of land which are self-financed by the said subsidiary company. Upon the cooperative obtaining KKPA financing from the creditor bank, the said advances will be recovered from the cooperative.

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

**Inventories**

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

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

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

**Provisions**

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

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

**Financial Instruments**

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Financial Instruments (cont'd)**

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

**Financial Assets**

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

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit or loss.

Held-to-maturity investments

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

Loans and receivables

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

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Available-for-sale financial assets

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

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

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

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

Impairment of financial assets

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

(a) Loans and receivables

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

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

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(b) Available-for-sale ("AFS") financial assets (cont'd)

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

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

Derecognition of financial assets

Financial assets are derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

**Financial Liabilities and Equity Instruments**

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity inaccordance with the substance of the contractual arrangement.

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Financial liabilities at FVTPL (cont'd)

- it is a derivative that is not designated and effective as a hedging instrument.

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

Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and accrued expenses, amount owing to subsidiary companies and dividend payable.

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

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

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire.

**Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

**Derivative Financial Instruments**

The Group and the Company enter into derivative financial instruments such as foreign currency forward contracts to manage foreign currency exposures as a result of receipts and payments in foreign currency.

Foreign currency forward contracts are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Derivative Financial Instruments (cont'd)**

Foreign currency forward contracts with a positive fair value are recognised as a financial asset; foreign currency forward contracts with a negative fair value are recognised as a financial liability. Foreign currency forward contracts are presented as current liabilities unless the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

**Contingencies**

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

**Statements of Cash Flows**

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

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

**Impairment of property, plant and equipment**

As referred to in Note 13:

(a) The tenancy agreement for rental by a subsidiary company, Southern Acids Industries Sdn. Bhd. (formerly known as Pofachem (M) Sdn. Berhad), of a parcel of land belonging to Southern Realty (Malaya) Sdn. Berhad ("SRM") expired on April 30, 2011 but SRM has agreed in principle to extend the said rental agreement to April 30, 2012 pending the execution of the renewed tenancy agreement. Pursuant to the said tenancy agreement, the subsidiary company intends to apply for a renewal of the tenancy agreement with SRM upon its expiry in 2012. Based on past experience of successful renewal of the tenancy agreement and since SRM is a major shareholder of the Company, the directors of the subsidiary company are confident that the said tenancy agreement will be successfully renewed upon its expiry in 2012 and accordingly, no impairment loss on the factory building and oleochemical plant need to be considered.

(b) On October 31, 1995, Noble Interest Sdn. Bhd. ("NISB"), a subsidiary company, entered into a Sale and Purchase Agreement with SRM to purchase several parcels of freehold land at a total purchase consideration of RM4,950,000. The said purchase consideration has been fully settled since November 4, 2000. In view of the delay in transferring the land title by SRM, NISB had in year 2010, lodged a caveat to protect its interest on the land. The directors of NISB are confident that the land title will eventually be transferred as NISB has fully satisfied all the conditions as stipulated in the said agreement. Accordingly, the directors of NISB believe that no impairment loss need to be considered on the private hospital building with net book value of RM22,473,539 as of March 31, 2011 (April 30, 2010: RM22,934,385) belonging to NISB, which is constructed on the said piece of land.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)**

**(ii) Key sources of estimation uncertainty**

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

**(a) Allowance for doubtful debts**

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowance is applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and doubtful debts expenses in the period in which such estimate has been charged. As of March 31, 2011, allowance for doubtful debts on receivables provided by the Group and the Company are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Amount owing by subsidiary companies | **–** | – | **911** | 911 |
| Trade receivables | **1,741** | 1,382 | **37** | – |
| Other receivables | **244** | 35 | **–** | – |
| | **1,985** | 1,417 | **948** | 911 |

**(b) Allowance for losses on conversion of Advances for Plasma PIR-TRANS Projects and KKPA Projects**

The Group makes allowance for losses on conversion of advances for Plasma PIR-TRANS projects and KKPA projects based on an assessment of the recoverability of advances. Allowance is applied to advances where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance for losses requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the advances and allowance for losses on conversion expenses in the period in which such estimate has been charged. As of March 31, 2011, allowance for losses on conversion of advances provided by the Group is as follows:

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Advances for Plasma PIR-TRANS projects | **806** | 822 |
| Advances for KKPA projects | **400** | 400 |
| | **1,206** | 1,222 |

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)**

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

**(c) Deferred tax assets**

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

As of March 31, 2011, the total carrying amount of deferred tax assets recognised by the Group and the Company are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Deferred tax assets | **4,815** | 8,815 | **1,965** | 1,157 |

**(d) Impairment of assets**

Determining whether assets are impaired requires an estimation of the recoverable amount of the assets. Management exercises its judgement in estimating the recoverable amounts of these assets. As of March 31, 2011, the Company recognised impairment losses in respect of the following asset:

| | The Company | |
|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Impairment losses on investment in subsidiary companies | **501** | 501 |

**5. REVENUE**

An analysis of revenue is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| Manufacturing and marketing of oleochemical products | **348,380** | 310,387 | **348,121** | 310,088 |
| Sales of oil palm fruit and crude palm oil | **87,806** | 79,396 | **–** | – |
| Managing and operating of private hospital | **54,288** | 52,976 | **–** | – |
| Warehousing and bulk conveyor operations | **5,055** | 6,773 | **–** | – |
| Administrative services fee | **1,716** | 1,951 | **–** | – |
| Dividend income from quoted shares | **4,097** | 1,629 | **4,097** | 1,629 |
| Rental income | **31** | 88 | **–** | – |
| | **501,373** | 453,200 | **352,218** | 311,717 |

**6. INVESTMENT REVENUE**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| Interest income on fixed deposits and short-term placements with licensed banks | **1,833** | 1,244 | **572** | 579 |

**7. OTHER OPERATING INCOME/(EXPENSES) AND EMPLOYEE BENEFITS EXPENSE**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| Rental income | **1,432** | 2,837 | **–** | – |
| Waiver of debts by other creditors | **412** | 2,386 | **–** | – |
| Realised gain/(loss) on conversion of Plasma PIR-TRANS projects | **189** | (123) | **–** | – |
| Allowance for doubtful debts no longer required | **78** | – | **–** | – |
| Gain on disposal of property, plant and equipment | **73** | 50 | **–** | – |
| Allowance for diminution in value of quoted shares no longer required | **–** | 3,526 | **–** | 3,526 |

**7. OTHER OPERATING INCOME/(EXPENSES) AND EMPLOYEE BENEFITS EXPENSE (cont'd)**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| Allowance for losses on conversion of Plasma PIR-TRANS projects no longer required | **–** | 154 | **–** | – |
| Advances for Plasma PIR-TRANS projects written off | **–** | (1,154) | **–** | – |
| Inventories written down | **(1,839)** | (511) | **–** | – |
| Loss arising from derivative financial assets | **(1,547)** | – | **(1,547)** | – |
| Provision for retirement benefits | **(1,239)** | (1,334) | **(95)** | (853) |
| Allowance for doubtful debts | **(671)** | (590) | **(37)** | (911) |
| Bad debts written off: | | | | |
| Trade receivables | **–** | (24) | **–** | – |
| Other receivables | **(16)** | (75) | **–** | – |
| Fees paid/payable to external auditors: | | | | |
| Statutory audit: | | | | |
| Auditors of the Company | **(216)** | (176) | **(65)** | (55) |
| Other member firm of the auditors of the Company | **(121)** | (226) | **–** | (226) |
| Other auditors | **(6)** | (6) | **–** | – |
| Non-audit services: | | | | |
| Auditors of the Company | **(6)** | (6) | **(6)** | (6) |
| Other member firm of the auditors of the Company | **(18)** | – | **–** | – |
| Other auditors | **(8)** | (5) | **–** | – |
| (Loss)/Gain on disposal of: | | | | |
| Unquoted shares | **–** | (3) | **–** | (3) |
| Quoted shares | **1,199** | 3 | **1,199** | 3 |
| (Loss)/Gain on foreign exchange: | | | | |
| Realised | **1,058** | (12,020) | **308** | 1,504 |
| Unrealised | **128** | (384) | **128** | (384) |
| Lease rental of land | **(335)** | (376) | **–** | – |
| Property, plant and equipment written off | **(20)** | – | **–** | – |
| Rental of: | | | | |
| Land paid/payable to a related party (Note 24) | **(128)** | (420) | **–** | – |
| Storage tanks | **(182)** | (186) | **–** | – |
| Premises paid/payable to a related party (Note 24) | **(14)** | (72) | **–** | – |
| Staff quarter paid/payable to a related party (Note 24) | **(46)** | (50) | **–** | – |
| Equipment paid/payable to a related party (Note 24) | **(26)** | (28) | **–** | – |
| Premises paid/payable to third parties | **(12)** | (24) | **–** | – |
| Plant and machinery | **(3)** | (10) | **–** | – |
| Office equipment | **(9)** | (16) | **–** | – |
| Motor vehicles | **(1)** | – | **–** | – |
| Allowance for impairment loss on investment in subsidiary companies | **–** | – | **–** | (501) |

Employee benefits expense include salaries, bonus, contributions to EPF and all other related expenses. Post employment benefits for the staff during the current financial year for the Group and for the Company amounted to RM2,745,338 and RM265,719 as of March 31, 2011 (April 30, 2010: RM2,530,795 and RM176,240) respectively.

## 8. DIRECTORS' REMUNERATION

| | The Group | | The Company | |
|---|---|---|---|---|
| | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| **Directors of the Company** | | | | |
| Executive directors: | | | | |
| Fees | **44** | 30 | **44** | 30 |
| Other emoluments | **8** | 20 | **8** | 20 |
| | **52** | 50 | **52** | 50 |
| Non-executive directors: | | | | |
| Fees | **256** | 181 | **256** | 181 |
| Other emoluments | **102** | 138 | **102** | 138 |
| | **358** | 319 | **358** | 319 |
| | **410** | 369 | **410** | 369 |
| **Directors of the Subsidiaries** | | | | |
| Fees | **199** | 96 | **–** | – |
| Other emoluments | **730** | 867 | **–** | – |
| | **929** | 963 | **–** | – |
| Total | **1,339** | 1,332 | **410** | 369 |

Contributions to EPF for the directors by the Group during the current financial period amounted to RM71,703 (April 30, 2010: RM70,518).

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM8,800 (April 30, 2010:  RM8,800).

## 9. FINANCE COSTS

| | The Group | |
|---|---|---|
| | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 |
| Interest expense on: | | |
| Term loan | – | 45 |
| Revolving credit | – | 102 |
| Hire-purchase | – | 3 |
| | – | 150 |

## 10. INCOME TAX EXPENSE/(CREDIT)

| | The Group | | The Company | |
|---|---|---|---|---|
| | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 |
| Estimated tax payable: | | | | |
| Current | **10,569** | 9,663 | **817** | 367 |
| (Over)/Underprovision in prior years | **(11)** | 198 | **–** | 192 |
| | **10,558** | 9,861 | **817** | 559 |
| Deferred tax (Note 20): | | | | |
| Current | **4,152** | 851 | **(728)** | (424) |
| Overprovision in prior years | **(200)** | (262) | **(80)** | (223) |
| | **3,952** | 589 | **(808)** | (647) |
| | **14,510** | 10,450 | **9** | (88) |

**10. INCOME TAX EXPENSE/(CREDIT) (cont'd)**

The income tax expense/(credit) varied from the amount of income tax expense/(credit) determined by applying the applicable income tax rate to profit/(loss) before tax as a result of the following differences:

| | The Group | | The Company | |
|---|---|---|---|---|
| | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 |
| Profit/(Loss) before tax | **55,460** | 30,721 | **(696)** | 779 |
| Tax at the Malaysian statutory tax rate of 25% (April 30, 2010: 25% ) of chargeable income | **13,865** | 7,680 | **(174)** | 195 |
| Differential in tax rate in other jurisdiction | **173** | 691 | **–** | – |
| Tax effects of: | | | | |
| Non-deductible expenses | **2,963** | 2,335 | **770** | 670 |
| Non-taxable income | **(1,539)** | (1,570) | **(507)** | (922) |
| Realisation of deferred tax asset previously not recognised | **(741)** | – | **–** | – |
| Deferred tax asset not recognised | **–** | 1,378 | **–** | – |
| (Over)/Underprovision in prior years: | | | | |
| Current | **(11)** | 198 | **–** | 192 |
| Deferred tax | **(200)** | (262) | **(80)** | (223) |
| Income tax expense/(credit) | **14,510** | 10,450 | **9** | (88) |

The Company has tax-exempt income amounting to RM12,193,080 (April 30, 2010: RM20,393,628) which, subject to agreement of the Inland Revenue Board, is available for distribution of its retained earnings as tax-exempt dividends.

A subsidiary company has tax-exempt accounts amounting to approximately RM173,890,000 (April 30, 2010: RM173,890,000) arising from tax-exempt income earned during the pioneer period under the Promotion of Investments Act, 1986. The exempt income accounts are available for distribution of its retained earnings as tax-exempt dividends to the shareholder of the said subsidiary company and is subject to approval by the tax authorities.

A subsidiary company has tax-exempt income under the Income Tax (Amendment) Act, 1999 amounting to approximately RM715,000 (April 30, 2010: RM715,000). This amount, which arose from tax waiver on the chargeable income earned in 1999, is available for distribution of its retained earnings as tax-exempt dividends.

**11. EARNINGS PER SHARE**

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

| | The Group | |
|---|---|---|
| | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 |
| Profit for the period/year attributable to ordinary equity holders of the Company (RM'000) | **29,361** | 11,644 |
| Number of ordinary shares in issue | **136,934,132** | 136,934,132 |
| Basic earnings per share (sen) | **21.44** | 8.50 |

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

**12. LAND HELD FOR PROPERTY DEVELOPMENT**

| The Group | Freehold land - at cost RM'000 | Development costs RM'000 | Total RM'000 |
|---|---|---|---|
| As of May 1, 2009 | 136,354 | 4,859 | 141,213 |
| Addition | – | 47 | 47 |
| As of April 30, 2010 | 136,354 | 4,906 | 141,260 |
| As of May 1, 2010 | 136,354 | 4,906 | 141,260 |
| Addition | – | 684 | 684 |
| As of March 31, 2011 | **136,354** | **5,590** | **141,944** |

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

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Cost | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | <--------- As of May 1, 2009 ---------> | | | | | | | <--------- Effects of foreign exchange translation ---------> | | | <-------- As of April 30, 2010 --------> | | |
| The Group | As Previously stated RM'000 | Effects of adopting FRS 117 RM'000 | As restated RM'000 | Additions RM'000 | Disposal RM'000 | Write off RM'000 | Reclassifications RM'000 | As previously stated RM'000 | Effects of adopting FRS 117 RM'000 | As restated RM'000 | As previously started RM'000 | Effects of adopting FRS 117 RM'000 | As restated RM'000 |
| Leasehold land | – | 6,828 | 6,828 | – | – | – | – | – | 146 | 146 | – | 6,974 | 6,974 |
| Freehold land | 5,146 | – | 5,146 | – | – | – | – | 12 | – | 12 | 5,158 | – | 5,158 |
| Freehold office | – | – | – | 3,593 | – | – | – | – | – | – | 3,593 | – | 3,593 |
| Factory buildings | 7,193 | – | 7,193 | 183 | – | – | 289 | – | – | – | 7,665 | – | 7,665 |
| Palm oil mills | 16,817 | – | 16,817 | – | – | – | 40 | 1,046 | – | 1,046 | 17,903 | – | 17,903 |
| Hospital building | 28,015 | – | 28,015 | 6 | – | – | – | – | – | – | 28,021 | – | 28,021 |
| Medical equipment | 40,845 | – | 40,845 | 830 | – | – | 39 | – | – | – | 41,714 | – | 41,714 |
| Plant, machinery, equipment and electrical installation | 114,061 | – | 114,061 | 1,286 | – | – | 4,170 | 347 | – | 347 | 119,864 | – | 119,864 |
| Motor vehicles | 4,454 | – | 4,454 | 955 | (232) | – | – | (200) | – | (200) | 4,977 | – | 4,977 |
| Office equipment, furniture and fittings | 17,859 | – | 17,859 | 1,223 | – | (4) | 4 | 25 | – | 25 | 19,107 | – | 19,107 |
| Leasehold warehouse cum office block | 5,930 | – | 5,930 | 3 | – | – | – | – | – | – | 5,933 | – | 5,933 |
| Staff quarter cum office block | 1,270 | – | 1,270 | 27 | – | – | 133 | 179 | – | 179 | 1,609 | – | 1,609 |
| Freehold warehouse | 2,310 | – | 2,310 | – | – | – | 3 | – | – | - | 2,313 | – | 2,313 |
| Land improvements | 5,952 | – | 5,952 | 12 | – | – | – | 356 | – | 356 | 6,320 | – | 6,320 |
| Construction in-progress: | | | | | | | | | | | | | |
| Plant and machinery | 3,145 | – | 3,145 | 1,527 | – | – | (4,466) | – | – | – | 206 | – | 206 |
| Building | 35 | – | 35 | 525 | – | – | (212) | 1 | – | 1 | 349 | – | 349 |
| Renovation | – | – | – | 925 | – | – | – | – | – | – | 925 | – | 925 |
| Total | 253,032 | 6,828 | 259,860 | 11,095 | (232) | (4) | – | 1,766 | 146 | 1,912 | 265,657 | 6,974 | 272,631 |

**13. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

| | Cost | | | | | | |
|---|---|---|---|---|---|---|---|
| **The Group** | **As of May 1, 2010 RM'000** | **Additions RM'000** | **Disposals RM'000** | **Write offs RM'000** | **Reclassifications RM'000** | **Effects of foreign exchange translation RM'000** | **As of March 31, 2011 RM'000** |
| Leasehold land | 6,974 | – | – | – | – | (51) | **6,923** |
| Freehold land | 5,158 | – | – | – | – | (4) | **5,154** |
| Freehold office | 3,593 | – | – | – | – | – | **3,593** |
| Factory buildings | 7,665 | 86 | – | – | – | – | **7,751** |
| Palm oil mills | 17,903 | 378 | – | – | – | (356) | **17,925** |
| Hospital building | 28,021 | 54 | – | – | – | – | **28,075** |
| Medical equipment | 41,714 | 831 | (89) | – | – | – | **42,456** |
| Plant, machinery, equipment and electrical installation | 119,864 | 2,747 | – | (10) | 990 | (89) | **123,502** |
| Motor vehicles | 4,977 | 1,245 | (484) | (1) | 89 | (22) | **5,804** |
| Office equipment, furniture and fittings | 19,107 | 885 | (80) | (950) | – | (10) | **18,952** |
| Leasehold warehouse cum office block | 5,933 | – | – | – | – | – | **5,933** |
| Staff quarter cum office block | 1,609 | 6 | – | – | 363 | (34) | **1,944** |
| Freehold warehouse | 2,313 | – | – | (18) | – | – | **2,295** |
| Land improvements | 6,320 | – | – | – | 264 | (126) | **6,458** |
| Construction in-progress: | | | | | | | |
| Plant and machinery | 206 | 1,204 | – | – | (1,079) | – | **331** |
| Building | 349 | 453 | (54) | – | (627) | (6) | **115** |
| Renovation | 925 | 63 | – | – | – | – | **988** |
| Total | 272,631 | 7,952 | (707) | (979) | – | (698) | **278,199** |

## 13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Accumulated Depreciation | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | <--------- As of May 1, 2009 ---------> | | | <------- Charge for the year -------> | | | | | | <--------- Effects of foreign exchange translation ---------> | | | <------- As of April 30, 2010 -------> | | |
| The Group | As previously stated RM'000 | Effects of adopting FRS 117 RM'000 | As restated RM'000 | As previously stated RM'000 | Effects of adopting FRS 117 RM'000 | As restated RM'000 | Disposal RM'000 | Write off RM'000 | Reclassifications RM'000 | As previously stated RM'000 | Effects of adopting FRS 117 RM'000 | As restated RM'000 | As previously started RM'000 | Effects of adopting FRS 117 RM'000 | As restated RM'000 |
| Leasehold land | – | 988 | 988 | – | 122 | 122 | – | – | – | – | 52 | 52 | – | 1,162 | 1,162 |
| Freehold land | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Freehold office | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Factory buildings | 3,035 | – | 3,035 | 166 | – | 166 | – | – | (979) | – | – | – | 2,222 | – | 2,222 |
| Palm oil mills | 10,913 | – | 10,913 | 1,696 | – | 1,696 | – | – | (39) | 647 | – | 647 | 13,217 | – | 13,217 |
| Hospital building | 3,543 | – | 3,543 | 560 | – | 560 | – | – | 982 | – | – | – | 5,085 | – | 5,085 |
| Medical equipment | 30,562 | – | 30,562 | 3,533 | – | 3,533 | – | – | 31 | – | – | – | 34,126 | – | 34,126 |
| Plant, machinery, equipment and electrical installation | 93,693 | – | 93,693 | 3,312 | – | 3,312 | – | – | (87) | 250 | – | 250 | 97,168 | – | 97,168 |
| Motor vehicles | 3,315 | – | 3,315 | 443 | – | 443 | (217) | – | 92 | (211) | – | (211) | 3,422 | – | 3,422 |
| Office equipment, furniture and fittings | 14,882 | – | 14,882 | 1,555 | – | 1,555 | – | (4) | 5 | 18 | – | 18 | 16,456 | – | 16,456 |
| Leasehold warehouse cum office block | 5,908 | – | 5,908 | 15 | – | 15 | – | – | (5) | – | – | – | 5,918 | – | 5,918 |
| Staff quarter cum office block | 324 | – | 324 | 147 | – | 147 | – | – | – | 124 | – | 124 | 595 | – | 595 |
| Freehold warehouse | 493 | – | 493 | 46 | – | 46 | – | – | – | – | – | – | 539 | – | 539 |
| Land improvements | 1,186 | – | 1,186 | 317 | – | 317 | – | – | – | 70 | – | 70 | 1,573 | – | 1,573 |
| Construction in-progress: | | | | | | | | | | | | | | | |
| Plant and machinery | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Building | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Renovation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Total | 167,854 | 988 | 168,842 | 11,790 | 122 | 11,912 | (217) | (4) | – | 898 | 52 | 950 | 180,321 | 1,162 | 181,483 |

## 13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| The Group | Accumulated Depreciation | | | | | | |
|---|---|---|---|---|---|---|---|
| | As of May 1, 2010 RM'000 | Charge for the period RM'000 | Disposals RM'000 | Write offs RM'000 | Reclassification RM'000 | Effects of foreign exchange translation RM'000 | As of March 31, 2011 RM'000 |
| Leasehold land | 1,162 | 112 | – | – | – | (20) | **1,254** |
| Freehold land | – | – | – | – | – | – | **–** |
| Freehold office | – | 60 | – | – | – | – | **60** |
| Factory buildings | 2,222 | 153 | – | – | – | – | **2,375** |
| Palm oil mills | 13,217 | 465 | – | – | – | (263) | **13,419** |
| Hospital building | 5,085 | 514 | – | – | – | – | **5,599** |
| Medical equipment | 34,126 | 1,092 | (90) | – | – | – | **35,128** |
| Plant, machinery, equipment and electrical installation | 97,168 | 3,223 | – | (9) | – | (58) | **100,324** |
| Motor vehicles | 3,422 | 466 | (462) | (1) | – | (11) | **3,414** |
| Office equipment, furniture and fittings | 16,456 | 474 | (58) | (944) | – | (8) | **15,920** |
| Leasehold warehouse cum office block | 5,918 | 14 | – | – | – | – | **5,932** |
| Staff quarter cum office block | 595 | 161 | – | – | – | (13) | **743** |
| Freehold warehouse | 539 | 42 | – | (5) | – | – | **576** |
| Land improvements | 1,573 | 297 | – | – | – | (33) | **1,837** |
| Construction in-progress: | | | | | | | |
| Plant and machinery | – | – | – | – | – | – | **–** |
| Building | – | – | – | – | – | – | **–** |
| Renovation | – | 79 | – | – | – | – | **79** |
| Total | 181,483 | 7,152 | (610) | (959) | – | (406) | **186,660** |

**13. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

| The Group | As of March 31, 2011 RM'000 | Net Book Value <-------------- As of April 30, 2010 --------------> As previously stated RM'000 | Effects of adopting FRS 117 RM'000 | As restated RM'000 |
|---|---|---|---|---|
| Leasehold land | **5,669** | – | 5,812 | 5,812 |
| Freehold land | **5,154** | 5,158 | – | 5,158 |
| Freehold office | **3,533** | 3,593 | – | 3,593 |
| Factory buildings | **5,376** | 5,443 | – | 5,443 |
| Palm oil mills | **4,506** | 4,686 | – | 4,686 |
| Hospital building | **22,476** | 22,936 | – | 22,936 |
| Medical equipment | **7,328** | 7,588 | – | 7,588 |
| Plant, machinery, equipment and electrical installation | **23,178** | 22,696 | – | 22,696 |
| Motor vehicles | **2,390** | 1,555 | – | 1,555 |
| Office equipment, furniture and fittings | **3,032** | 2,651 | – | 2,651 |
| Leasehold warehouse cum office block | **1** | 15 | – | 15 |
| Staff quarter cum office block | **1,201** | 1,014 | – | 1,014 |
| Freehold warehouse | **1,719** | 1,774 | – | 1,774 |
| Land improvements | **4,621** | 4,747 | – | 4,747 |
| Construction in-progress: | | | | |
| Plant and machinery | **331** | 206 | – | 206 |
| Building | **115** | 349 | – | 349 |
| Renovation | **909** | 925 | – | 925 |
| Total | **91,539** | 85,336 | 5,812 | 91,148 |

| The Company | Freehold office RM'000 | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of May 1, 2009 | – | 181 | – | – | 181 |
| Addition | 3,593 | 538 | 575 | 925 | 5,631 |
| As of April 30, 2010/May 1, 2010 | 3,593 | 719 | 575 | 925 | 5,812 |
| Additions | – | 677 | 213 | 63 | 953 |
| **As of March 31, 2011** | **3,593** | **1,396** | **788** | **988** | **6,765** |

**13. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

| The Company | Freehold office RM'000 | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| As of May 1, 2009 | – | 34 | – | – | 34 |
| Charge for the year | – | 116 | 11 | – | 127 |
| As of April 30, 2010/May 1, 2010 | – | 150 | 11 | – | 161 |
| Charge for the period | 60 | 144 | 89 | 79 | 372 |
| **As of March 31, 2011** | **60** | **294** | **100** | **79** | **533** |
| **Net book value** | | | | | |
| **As of March 31, 2011** | **3,533** | **1,102** | **688** | **909** | **6,232** |
| As of April 30, 2010 | 3,593 | 569 | 564 | 925 | 5,651 |

The following are the net book values of the property, plant and equipment of the Group acquired under hire-purchase arrangement:

| | The Group | |
|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Motor vehicle | – | 66 |

On October 31, 1995, Noble Interest Sdn. Bhd. ("NISB"), a subsidiary company, entered into a Sale and Purchase Agreement with SRM to purchase several parcels of freehold land at a total purchase consideration of RM4,950,000. The said purchase consideration has been fully settled since November 4, 2000. In view of the delay in transferring the land title by SRM, NISB had in year 2010, lodged a caveat to protect its interest on the land. The directors of NISB are confident that the land title will eventually be transferred as NISB has fully satisfied all the conditions as stipulated in the said agreement. Accordingly, the directors of NISB believe that no impairment loss need to be considered on the private hospital building with net book value of RM22,473,539 as of March 31, 2011 (April 30, 2010: RM22,934,385) belonging to NISB, which is constructed on the said piece of land as referred to in Note 38(b).

As of March 31, 2011, the strata title in respect of a freehold office with carrying value of RM3,532,635 (April 30, 2010: RM3,592,510) belonging to the Company has not yet been issued to the Company.

As of March 31, 2011, the title to a parcel of long-term leasehold land of a subsidiary company, PKE (Malaysia) Sdn. Bhd., with carrying value of RM4,156,454 (April 30, 2010: RM4,200,714) has not been registered in the name of the said subsidiary company, pending the completion of the documentation on transfer.

As of March 31, 2011, the freehold warehouse of a subsidiary company, PKE (Malaysia) Sdn. Berhad, with carrying value of RM1,718,284 (April 30, 2010: RM1,773,803) is located on a parcel of freehold land belonging to a related party.

**13. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

A factory building and oleochemical plant of a subsidiary company, Southern Acids Industries Sdn. Bhd. (formerly known as Pofachem (M) Sdn. Berhad), are constructed on a parcel of land belonging to SRM. Accordingly, SRM charged the subsidiary company rental for use of the said land. The existing rental agreement between SRM and the subsidiary company expired on April 30, 2011 but SRM has agreed in principle to extend the said rental agreement to April 30, 2012 pending the execution of the renewed tenancy agreement. Pursuant to the said tenancy agreement, the subsidiary company intends to apply for a renewal of the tenancy agreement with SRM upon its expiry in 2012. Based on past experience of successful renewal of the tenancy agreement and since SRM is a major shareholder of the Company, the directors of the subsidiary company are confident that the said tenancy agreement will be successfully renewed upon its expiry in 2012 and accordingly, no impairment loss on the factory building and oleochemical plant need to be considered.

Included in property, plant and equipment of the Group are fully depreciated assets which are still in use, with cost amounting to RM146,196,140 (April 30, 2010: RM134,957,534).

**14. INVESTMENT PROPERTY**

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| At cost | **3,318** | 3,318 |
| Fair value | **4,479** | 3,771 |

Investment property consists of a piece of freehold land in Kampung Jawa, Klang, which had been rented out to a third party in prior years. The said freehold land is currently vacant as of the end of the reporting period. The fair value of the investment property is estimated by the directors based on recent prices of similar properties in the same location.

The rental income earned by a subsidiary company from its investment property during the period amounted to RM31,455 (April 30, 2010: RM88,000). Direct operating expenses arising from the investment property during the period amounted to RM12,972 (April 30, 2010: RM14,152).

**15. BIOLOGICAL ASSETS**

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| **Cost** | | |
| At beginning of period/year | **16,723** | 15,703 |
| Additions | **586** | 81 |
| Effects of foreign exchange translation | **(331)** | 939 |
| At end of period/year | **16,978** | 16,723 |

**15. BIOLOGICAL ASSETS (cont'd)**

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| **Accumulated Amortisation** | | |
| At beginning of period/year | **5,038** | 4,047 |
| Charge for the period/year | **745** | 752 |
| Effects of foreign exchange translation | **(103)** | 239 |
| At end of period/year | **5,680** | 5,038 |
| **Net book value** | **11,298** | 11,685 |

**16. INVESTMENT IN SUBSIDIARY COMPANIES**

| | The Company | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Unquoted shares - at cost | **44,574** | 44,574 |
| Less: Accumulated impairment loss | **(501)** | (501) |
| Net | **44,073** | 44,073 |

The directors have reviewed the Company's investments in subsidiary companies for indications of impairment and concluded that the allowance for impairment loss amounting to RM501,000 (April 30, 2010: RM501,000) is deemed adequate in respect of investment in the subsidiary companies.

The subsidiary companies, all incorporated in Malaysia except as otherwise indicated, are as follows:

| **Direct Subsidiary Companies** | **Country of incorporation** | **Effective equity interest 2011** | **Effective equity interest 2010** | **Principal activities** |
|---|---|---|---|---|
| Southern Management (M) Sdn. Bhd # | Malaysia | **100%** | 100% | Provision of administrative and accounting services |
| Southern Acids Industries Sdn. Bhd. (formerly known as Pofachem (M) Sdn. Berhad) | Malaysia | **100%** | 100% | Manufacturing of oleochemical products for commercial use |
| PKE (Malaysia) Sdn. Berhad | Malaysia | **69.7%** | 69.7% | Provision of warehousing and overhead conveyor goods loading services |
| PKE Transport (Malaysia) Sdn. Berhad | Malaysia | **91.9%** | 91.9% | Provision of overhead conveyor goods loading services. |

**16. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)**

| Direct Subsidiary Companies | Country of incorporation | Effective equity interest 2011 | 2010 | Principal activities |
|---|---|---|---|---|
| SAB Properties Development Co. Sdn. Berhad # | Malaysia | **100%** | 100% | Investment holding and lease of property |
| SAB (East Asia) Holdings Ltd.* # | Hong Kong | **100%** | 100% | Dormant |
| Noble Interest Sdn. Bhd. # | Malaysia | **100%** | 100% | Property holding and lease of a hospital building |
| Southern Medicare Sdn. Bhd. # | Malaysia | **100%** | 100% | Private hospital and healthcare services |
| Wilstar Sdn. Bhd. # | Malaysia | **100%** | 100% | Manufacturing and distribution of fertilizers |
| SAB Plantation Sdn. Bhd. # | Malaysia | **100%** | 100% | Pre-operating |
| Firstview Development Sdn. Bhd. | Malaysia | **80%** | 80% | Investment holding |
| Centre For Sight Sdn. Bhd. # | Malaysia | **100%** | 100% | Dormant |
| SAB Bio-Fuel Sdn. Bhd. # | Malaysia | **100%** | 100% | Pre-operating |
| **Indirect Subsidiary Companies** | | | | |
| Pembinaan Gejati Sdn. Bhd. (Held through SAB Properties Development Co. Sdn. Berhad) | Malaysia | **100%** | 100% | Property development and oil palm plantation |
| 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 this subsidiary company are examined by auditors other than the auditors of the Company.

^ The accounting period of these subsidiary companies are April 30, 2011 instead of March 31, 2011. Hence, the consolidation is based on the management accounts for period May 1, 2010 to March 31, 2011, which were examined by other member firm of Deloitte.

\# The auditors' reports on the financial statements of these subsidiary companies include an emphasis of matter regarding the ability of these subsidiary companies to continue as a going-concern in view of their capital deficiency positions as at the end of the financial period. The financial statements of these subsidiary companies have been prepared on a going-concern basis as the Company has undertaken to continue providing financial support to these subsidiary companies.

## 17. INVESTMENTS

(a) Available-for-sale investments

| | The Group and The Company | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| **Shares in Malaysia:** | | |
| Quoted Shares | **39,865** | – |
| Unquoted Shares | **456** | – |
| **Total** | **40,321** | – |

(b) Other investments

| | The Group and The Company | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| **Shares in Malaysia:** | | |
| Quoted Shares | – | 20,258 |
| Less : Allowance for diminution in value | – | (112) |
| Net | – | 20,146 |
| Unquoted Shares | – | 456 |
| | – | 20,602 |
| Market value of quoted shares | – | 30,566 |

## 18. ADVANCES FOR PLASMA PIR-TRANS PROJECTS

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| **Cost** | | |
| At beginning of period/year | **2,830** | 3,909 |
| Write off (Note 7) | – | (1,154) |
| Conversion | **(120)** | (167) |
| Effects of foreign exchange translation | **(55)** | 242 |
| At end of period/year | **2,655** | 2,830 |

**18. ADVANCES FOR PLASMA PIR-TRANS PROJECTS (cont'd)**

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| **Accumulated allowance for losses on conversion of Plasma PIR-TRANS Projects** | | |
| At beginning of period/year | **822** | 870 |
| No longer required (Note 7) | **–** | (154) |
| Effects of foreign exchange translation | **(16)** | 106 |
| At end of period/year | **806** | 822 |
| **Net book value** | **1,849** | 2,008 |

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

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

A subsidiary company in Indonesia has commitment to develop oil palm plantations for the Plasma Farmers under this program covering a total area of 8,800 hectares of which 8,024 (April 30, 2010: 7,990) hectares have been converted.

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

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| **Cost** | | |
| At beginning of period/year | **1,601** | 1,571 |
| Additions | **1,187** | 436 |
| Conversion | **(1,550)** | (500) |
| Effects of foreign exchange translation | **(29)** | 94 |
| At end of period/year | **1,209** | 1,601 |

## 19. ADVANCES FOR KREDIT KOPERASI PRIMER UNTUK ANGGOTANYA ("KKPA") PROJECTS (cont'd)

| | The Group | |
|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| **Accumulated Allowance for Losses on Conversion of KKPA Projects** | | |
| At beginning/end of period/year | **400** | 400 |
| **Net book value** | **809** | 1,201 |

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

Advances for KKPA projects represent the accumulated costs to develop plasma plantations, totalling 470 (April 30, 2010: 470) hectares, which are currently being self-financed by a subsidiary company. Upon the cooperative obtaining KKPA financing from the creditor bank, the said advances will be recovered from the cooperative.

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

## 20. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets pertaining to the Company and certain subsidiary companies are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| At beginning of period/year | **8,760** | 9,349 | **1,157** | 510 |
| Credited/(Charged) to profit or loss (Note 10): | | | | |
| Property, plant and equipment | **(1,267)** | (891) | **(136)** | (186) |
| Trade receivables | **(20)** | – | **–** | – |
| Advances for Plasma PIR-TRANS projects | **–** | 230 | **–** | – |
| Other payables and accrued expenses | **(113)** | (112) | **–** | – |
| Provision for retirement benefits | **281** | 295 | **24** | 214 |
| Unrealised loss on foreign exchange | **(128)** | (393) | **(128)** | (393) |
| (Unused)/Unabsorbed capital allowances | **(4,061)** | (627) | **168** | 221 |
| Unused tax losses | **1,356** | 909 | **880** | 791 |
| | **(3,952)** | (589) | **808** | 647 |
| At end of period/year | **4,808** | 8,760 | **1,965** | 1,157 |

**20. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)**

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Deferred tax assets | **4,815** | 8,815 | **1,965** | 1,157 |
| Deferred tax liabilities | **(7)** | (55) | **–** | – |
| | **4,808** | 8,760 | **1,965** | 1,157 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| **Deferred tax assets (before offsetting)** | | | | |
| Temporary differences arising from: | | | | |
| Trade receivables | **284** | 304 | **–** | – |
| Advances for Plasma PIR-TRANS projects | **230** | 230 | **–** | – |
| Other payables and accrued expenses | **534** | 647 | **–** | – |
| Provision for retirement benefits | **1,368** | 1,087 | **273** | 249 |
| Unrealised loss on foreign exchange | **–** | 95 | **–** | 95 |
| Unabsorbed capital allowances | **3,345** | 7,406 | **389** | 221 |
| Unused tax losses | **5,633** | 4,277 | **1,671** | 791 |
| | **11,394** | 14,046 | **2,333** | 1,356 |
| Offsetting | **(6,579)** | (5,231) | **(368)** | (199) |
| Deferred tax assets (after offsetting) | **4,815** | 8,815 | **1,965** | 1,157 |
| **Deferred tax liabilities** | | | | |
| Temporary differences arising from: | | | | |
| Property, plant and equipment | **(6,553)** | (5,286) | **(335)** | (199) |
| Unrealised gain on foreign exchange | **(33)** | – | **(33)** | – |
| | **(6,586)** | (5,286) | **(368)** | (199) |
| Offsetting | **6,579** | 5,231 | **368** | 199 |
| Deferred tax liabilities (after offsetting) | **(7)** | (55) | **–** | – |

**20. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)**

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of March 31, 2011, the estimated amount of unused tax losses and unabsorbed capital allowances, for which the tax effects are not recognised in the financial statements due to uncertainty of their realisation, is as follows:

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Unabsorbed capital allowances | **22,317** | 23,247 |
| Unused tax losses | **2,448** | 4,481 |
| | **24,765** | 27,728 |

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

**21. INVENTORIES**

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| **At cost:** | | |
| Raw materials | **14,574** | 18,089 |
| Work-in-progress | **32,564** | 17,088 |
| Finished goods | **14,774** | 12,046 |
| Medical and surgical supplies | **2,461** | 2,495 |
| Consumables | **8,103** | 7,695 |
| Goods-in-transit | **94** | – |
| **At net realisable value:** | | |
| Finished goods | **2,534** | 1,121 |
| Total | **75,104** | 58,534 |

The cost of inventories recognised as an expense of the Group includes RM1,839,000 (April 30, 2010: RM511,000) in respect of write down of inventory to net realisable value.

## 22. TRADE RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Trade receivables | **44,271** | 41,778 | **35,851** | 32,730 |
| Less: Allowance for doubtful debts | **(1,741)** | (1,382) | **(37)** | – |
| Net | **42,530** | 40,396 | **35,814** | 32,730 |

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

The credit period granted on sale of goods and services rendered ranges from 30 to 90 days (April 30, 2010: 30 to 90 days).

An allowance of RM1,741,000 and RM37,000 (April 30, 2010: RM1,382,000) of the Group and the Company respectively, have been made for estimated irrecoverable amounts from the sale of goods and services rendered. These allowances have been determined based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Included in the Group's and the Company's trade receivables balance are debtors with a carrying amount of RM5,287,000 and RM3,305,000 respectively, which are past due at the end of reporting period for which the Group and the Company have not provided as there has not been a significant change in credit quality and the Group and the Company believe that the amounts are considered fully recoverable. The Group and the Company do not hold any collateral over these balances. The age for these receivables ranges from 31 to 150 days.

The table below is an analysis of trade receivables as of March 31, 2011:

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Neither past due nor impaired | **37,243** | **32,509** |
| 31 - 60 days past due but not impaired | **2,796** | **1,868** |
| 61 - 90 days past due but not impaired | **1,540** | **1,166** |
| 91 - 120 days past due but not impaired | **358** | **271** |
| 121 - 150 days past due but not impaired | **593** | **–** |
| | **42,530** | **35,814** |
| Past due and impaired | **1,741** | **37** |
| Total trade receivables | **44,271** | **35,851** |

**22. TRADE RECEIVABLES (cont'd)**

Movement in the allowance for doubtful debts as of March 31, 2011 is as follows:

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Balance at beginning of the period | **1,382** | **–** |
| Impairment losses recognised on receivables | **437** | **37** |
| Amounts recovered during the period | **(78)** | **–** |
| Balance at end of period | **1,741** | **37** |

In determining the recoverability of a trade receivable, the Group and the Company consider any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The Group and the Company have no major significant concentration of credit risk except for amounts due from 12 major customers for the Group and 4 major customers for the Company, which constitute approximately 30% and 35% respectively of total trade receivables.

Ageing of impaired trade receivables as of March 31, 2011 is as follows:

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| More than 120 days | **1,741** | **37** |

Analysis of currency profile of trade receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| United States Dollar | **28,374** | 25,265 | **28,374** | 25,265 |
| Ringgit Malaysia | **14,997** | 15,744 | **6,577** | 7,097 |
| Indonesian Rupiah | **–** | 401 | **–** | – |
| Pound Sterling | **468** | 311 | **468** | 311 |
| Euro | **432** | 57 | **432** | 57 |
| | **44,271** | 41,778 | **35,851** | 32,730 |

## 23. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Other receivables | **2,275** | 822 | **271** | 267 |
| Less: Allowance for doubtful debts | **(244)** | (35) | **–** | – |
| Net | **2,031** | 787 | **271** | 267 |
| Refundable deposits | **183** | 160 | **111** | 98 |
| Prepaid expenses | **588** | 816 | **53** | 72 |
| | **2,802** | 1,763 | **435** | 437 |

The movement in the allowance for doubtful debts as of March 31, 2011 is as follows:

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Balance at beginning of the period | **35** | **–** |
| Impairment losses recognised on receivables | **234** | **–** |
| Amount written off during the period as uncollectible | **(25)** | **–** |
| Balance at end of period | **244** | **–** |

Analysis of currency profile of other receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Ringgit Malaysia | **2,156** | 608 | **271** | 267 |
| Indonesian Rupiah | **119** | 214 | **–** | – |
| | **2,275** | 822 | **271** | 267 |

**24. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS**

**(a) Amount owing by subsidiary companies**

| | The Company | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Amount owing by subsidiary companies | **209,046** | 209,755 |
| Less: Allowance for doubtful debts | **(911)** | (911) |
| Net | **208,135** | 208,844 |

Amount owing by subsidiary companies represent mainly unsecured advances and payments made on behalf, net of administrative charges. These amounts are unsecured, interest-free and repayable on demand.

An allowance of RM911,000 (April 30, 2010: RM911,000) has been made for estimated irrecoverable amounts due from certain subsidiary companies.

Amount owing by subsidiary companies is denominated in Ringgit Malaysia.

**(b) Amount owing to subsidiary companies**

Amount owing to subsidiary companies represent mainly trade transactions, unsecured advances and payments made on behalf. These amounts are unsecured, interest-free and repayable on demand.

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

| | The Company | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Ringgit Malaysia | **115,848** | 122,676 |
| United States Dollar | **140** | 140 |
| | **115,988** | 122,816 |

Other than as disclosed above, the related parties and their relationship with the Company and its related companies are as follows:

| Name of related parties | Relationship |
|---|---|
| Banting Hock Hin Estate Company Sdn. Bhd., Southern Edible Oil Industries (M) Sdn. Berhad, Southern Realty (Malaya) Sdn. Berhad, Southern Palm Industries Sdn. Berhad, Torita Rubber Works Sdn. Bhd., Torita Trading (M) Sdn. Bhd., SKP Borneo Sdn. Bhd., Southern Keratong Plantations Sdn. Berhad, Sunny Futures Sdn. Bhd. and Bukit Rotan Palm Oil Sdn. Bhd. | Companies in which Tan Sri Dato' Low Boon Eng, PSM, DPMS, JP. and Mr Lim Kim Long, who are directors of the Company, have financial interests. |

**24. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (cont'd)**

**Related Party Transactions**

Other than as mentioned elsewhere in the financial statements, the significant related party credits/(charges) arising from related party transactions, which were determined based on negotiations agreed between the parties, are as follows:

| | The Company | |
|---|---|---|
| | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 |
| **Subsidiary companies** | | |
| Southern Acids Industries Sdn. Bhd. (formerly known as Pofachem (M) Sdn Berhad) | | |
| Purchases of goods | **(348,121)** | (310,088) |
| Realised loss on foreign exchange | **(623)** | 14,430 |
| Southern Management (M) Sdn. Bhd. | | |
| Administrative charges | **(277)** | (122) |

| | The Group | | The Company | |
|---|---|---|---|---|
| | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 |
| **Related parties** | | | | |
| Southern Realty (Malaya) Sdn. Berhad | | | | |
| Purchases of goods | **(5,608)** | (13,128) | **–** | – |
| Sales of goods | **1,531** | 1,614 | **–** | – |
| Administrative charges | **794** | 830 | **–** | – |
| Rental paid/payable for: | | | | |
| Land | **(128)** | (420) | **–** | – |
| Premises | **(14)** | (72) | **–** | – |
| Staff quarter | **(46)** | (50) | **–** | – |
| Equipment | **(26)** | (28) | **–** | – |
| Bukit Rotan Palm Oil Sdn. Bhd. | | | | |
| Purchases of goods | **(128)** | (4,859) | **–** | – |
| Administrative charges | **121** | 206 | **–** | – |

**24. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (cont'd)**

**Related Party Transactions (cont'd)**

| | The Group | | The Company | |
|---|---|---|---|---|
| | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 |
| Southern Edible Oil Industries (M) Sdn. Berhad | | | | |
| Sales of goods | **333** | 453 | **333** | 166 |
| Purchases of goods | **(14)** | (2,469) | **–** | – |
| Administrative charges | **242** | 185 | **–** | – |
| Rental paid/payable for equipment | **(11)** | – | **–** | – |
| Southern Keratong Plantations Sdn. Berhad | | | | |
| Purchases of goods | **(371)** | (2,442) | **–** | – |
| Administrative charges | **292** | 326 | **–** | – |
| SKP Borneo Sdn. Bhd. | | | | |
| Administrative charges | **179** | 204 | **–** | |
| Torita Rubber Works Sdn. Bhd. | | | | |
| Sales of goods | **126** | 91 | **126** | 91 |
| Administrative charges | **62** | – | **–** | – |
| Sunny Futures Sdn. Bhd. | | | | |
| Administrative charges | **5** | 17 | **–** | – |
| Trading gain | **–** | 1,080 | **–** | – |
| Procurement of brokerage services | **–** | (33) | **–** | – |

**24. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (cont'd)**

**Related Party Balances**

Included under the following accounts of the Group and of the Company are significant outstanding balances arising from trade and non-trade transactions which were determined based on negotiations, as agreed with the above related parties:

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| **Trade receivables** | | | | |
| Torita Rubber Works Sdn. Bhd. | **325** | 373 | **74** | 132 |
| Torita Trading (M) Sdn. Bhd. | **176** | 227 | **–** | – |
| Southern Realty (Malaya) Sdn. Berhad | **149** | 166 | **–** | – |
| Southern Edible Oil Industries (M) Sdn. Berhad | **92** | 92 | **75** | 81 |
| Banting Hock Hin Estate Company Sdn. Bhd. | **23** | 23 | **–** | – |
| Southern Keratong Plantations Sdn. Berhad | **19** | 88 | **–** | – |
| Bukit Rotan Palm Oil Sdn. Bhd. | **16** | 269 | **–** | – |
| SKP Borneo Sdn. Bhd. | **13** | 30 | **–** | – |
| Sunny Futures Sdn. Bhd. | **2** | 1,418 | **–** | 1,397 |
| | **815** | 2,686 | **149** | 1,610 |
| **Other receivables, deposits and prepaid expenses** | | | | |
| Torita Trading (M) Sdn. Bhd. | **60** | 55 | **–** | – |
| Torita Rubber Works Sdn. Bhd. | **27** | 26 | **–** | – |
| Southern Palm Industries Sdn. Berhad | **24** | 24 | **24** | 24 |
| Banting Hock Hin Estate Company Sdn. Bhd. | **9** | 9 | **–** | – |
| Southern Realty (Malaya) Sdn. Berhad | **8** | – | **–** | – |
| Southern Edible Oil Industries (M) Sdn. Berhad | **2** | – | **–** | – |
| Sunny Futures Sdn. Bhd. | **–** | 57 | **–** | – |
| Southern Keratong Plantations Sdn. Berhad | **–** | 34 | **–** | – |
| Bukit Rotan Palm Oil Sdn. Bhd. | **–** | 16 | **–** | – |
| | **130** | 221 | **24** | 24 |
| **Trade payables** | | | | |
| Southern Realty (Malaya) Sdn. Berhad | **608** | 3,755 | **–** | – |
| Southern Keratong Plantations Sdn. Berhad | **50** | – | **–** | – |
| Bukit Rotan Palm Oil Sdn. Bhd. | **5** | 636 | **–** | – |
| Southern Edible Oil Industries (M) Sdn. Berhad | **1** | 4 | **–** | – |
| | **664** | 4,395 | **–** | – |

**24. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (cont'd)**

**Related Party Balances (cont'd)**

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| **Other payables** | | | | |
| Southern Realty (Malaya) Sdn. Berhad | **13** | 51 | **13** | 48 |
| SKP Borneo Sdn. Bhd. | **1** | – | **–** | – |
| Southern Edible Oil Industries (M) Sdn. Berhad | **–** | 24 | **–** | – |
| | **14** | 75 | **13** | 48 |

**Compensation of Key Management Personnel**

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

The remuneration of key management personnel, excluding directors' remuneration, during the period/year are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 |
| Short-term employment benefits | **1,898** | 1,722 | **873** | 578 |
| Post employment benefits | **209** | 173 | **105** | 69 |
| | **2,107** | 1,895 | **978** | 647 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Cash and bank balances | **36,143** | 28,752 | **4,126** | 2,780 |
| Fixed deposits and short-term placements with licensed banks | **52,275** | 40,619 | **9,868** | 26,938 |
| | **88,418** | 69,371 | **13,994** | 29,718 |

**25. FIXED DEPOSITS, SHORT-TERM PLACEMENTS, AND CASH AND BANK BALANCES (cont'd)**

The effective interest rates for fixed deposits and short-term placements of the Group and of the Company range from 0.95% to 6.75% and 0.95% to 3.40% respectively (April 30, 2010: 0.95% to 7.64%) per annum and have maturity period ranging from 1 day to 1.5 years (April 30, 2010: 1 day to 1 year).

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Ringgit Malaysia | **49,734** | 43,212 | **11,234** | 26,947 |
| Indonesian Rupiah | **35,815** | 23,268 | **–** | – |
| Pound Sterling | **2,724** | 2,771 | **2,724** | 2,771 |
| Hong Kong Dollar | **109** | 120 | **–** | – |
| United States Dollar | **36** | – | **36** | – |
| | **88,418** | 69,371 | **13,994** | 29,718 |

**26. SHARE CAPITAL**

| | The Group and The Company | |
|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| **Authorised:** | | |
| 200,000,000 ordinary shares of RM1 each | **200,000** | 200,000 |
| **Issued and fully paid:** | | |
| 136,934,132 ordinary shares of RM1 each | **136,934** | 136,934 |

## 27. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| ***Non-distributable:*** | | | | |
| Share premium | **34,321** | 34,321 | **34,321** | 34,321 |
| Foreign exchange reserve | **1,199** | 450 | **–** | – |
| Fair value reserve | **20,261** | – | **20,261** | – |
| | **55,781** | 34,771 | **54,582** | 34,321 |
| ***Distributable:*** | | | | |
| Retained earnings | **225,673** | 202,856 | **35,852** | 43,101 |
| | **281,454** | 237,627 | **90,434** | 77,422 |

**Share premium**

Share premium arose from the following issue of shares:

| | The Group and The Company | |
|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| 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 | **2,867** | 2,867 |
| Expenses relating to bonus issue in 1996 | **(357)** | (357) |
| 2,186,463 ordinary shares issued at a premium of RM3.00 per share in 1997 | **6,559** | 6,559 |
| Exercise of 100 warrants 1996/2001 at a premium of RM3.80 per share in 1997 | **1** | 1 |
| 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** | 6,006 |
| Exercise of 14,000 warrants 1999/2003 at a premium of RM0.60 per share in 2002 | **8** | 8 |
| Exercise of 32,060,945 warrants 1999/2003 at a premium of RM0.60 per share in 2004 | **19,237** | 19,237 |
| | **34,321** | 34,321 |

**27. RESERVES (cont'd)**

**Foreign exchange reserve**

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

**Retained earnings**

In accordance with the Finance Act 2007, the single tier income tax system became effective from the year of assessment 2008. Under this system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders. Unlike the previous imputation system, the recipient of the dividend would no longer be able to claim any tax credit.

Companies without Section 108 tax credits balance will automatically move to the single tier income tax system on January 1, 2008. However, companies with such tax credits are given an irrevocable option to elect for the single tier income tax system and disregard the tax credit or to continue to use the tax credits under Section 108 account to frank the payment of cash dividends on ordinary shares for a period of 6 years ending December 31, 2013 or upon full utilisation of tax credits, whichever comes first. During the transitional period, any tax paid will not be added to the Section 108 account and any tax credits utilised will reduce the tax credit balance. All companies will be on the new system on January 1, 2014.

As of the end of the reporting period, the Company has not elected for the irrevocable option to disregard the Section 108 tax credits. Accordingly, subject to the agreement of the Inland Revenue Board and based on the tax-exempt income as mentioned in Note 10 and the tax credits available and the prevailing tax rate applicable to dividends, the Company has sufficient tax credits to frank approximately RM22,283,000 (April 30, 2010: RM30,615,000) of its retained earnings as of March 31, 2011 if distributed by way of cash dividends. The balance of retained earnings of RM13,569,000 (April 30, 2010: RM12,486,000) which is not covered by tax credits, if distributed as dividends, would be under the single tier income tax system as explained above.

**28. HIRE-PURCHASE OBLIGATION**

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Total instalments outstanding | – | 7 |
| Less: Interest-in-suspense | – | (1) |
| Principal outstanding | – | 6 |
| Less: Amount due within 12 months (shown under current liabilities) | – | (6) |
| Non-current portion | – | – |

In year 2010, the effective borrowing rate was 6.68% per annum. Interest rates are fixed at the inception of the hire-purchase arrangement.

As of April 30, 2010, the Group's hire-purchase obligation was secured by the financial institution's charge over the asset under hire-purchase.

## 29. PROVISION FOR RETIREMENT BENEFITS

Movements in net liability during the financial period/year are as follows:

| | The Group | | |
|---|---|---|---|
| | **Malaysia RM'000** | **Indonesia RM'000** | **Total RM'000** |
| As of May 1, 2009 | 2,574 | 531 | 3,105 |
| Addition (Note 7) | 1,067 | 267 | 1,334 |
| Utilised during the year | (82) | (34) | (116) |
| Effects of foreign exchange translation | – | 31 | 31 |
| As of April 30, 2010/May 1, 2010 | 3,559 | 795 | 4,354 |
| Addition (Note 7) | 224 | 576 | 800 |
| Utilised during the period | (50) | (61) | (111) |
| Effects of foreign exchange translation | – | (20) | (20) |
| Underprovision in prior years | – | 439 | 439 |
| As of March 31, 2011 | **3,733** | **1,729** | **5,462** |

| | The Company | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| At beginning of period/year | **994** | 141 |
| Addition (Note 7) | **95** | 853 |
| At end of period/year | **1,089** | 994 |

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

| | The Group March 31, 2011 | | |
|---|---|---|---|
| | **Malaysia RM'000** | **Indonesia RM'000** | **Total RM'000** |
| Present value of defined benefit obligations | **3,715** | **1,729** | **5,444** |
| Unrecognised actuarial losses | **18** | **–** | **18** |
| | **3,733** | **1,729** | **5,462** |

**29. PROVISION FOR RETIREMENT BENEFITS (cont'd)**

| | The Group April 30, 2010 | | |
|---|---|---|---|
| | **Malaysia RM'000** | **Indonesia RM'000** | **Total RM'000** |
| Present value of defined benefit obligations | 3,560 | 1,240 | 4,800 |
| Unrecognised actuarial losses | (1) | (445) | (446) |
| | 3,559 | 795 | 4,354 |

| | The Company | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Present value of defined benefit obligations | **1,524** | 1,469 |
| Unrecognised actuarial losses | **(435)** | (475) |
| | **1,089** | 994 |

The amount recognised in the statements of comprehensive income are as follows:

| | The Group Period ended March 31, 2011 | | |
|---|---|---|---|
| | **Malaysia RM'000** | **Indonesia RM'000** | **Total RM'000** |
| Current service cost | **217** | **220** | **437** |
| Interest cost on obligation | **166** | **123** | **289** |
| Net actuarial gain recognised | **22** | **233** | **255** |
| Benefits paid | **(181)** | **–** | **(181)** |
| | **224** | **576** | **800** |

| | The Group Year ended April 30, 2010 | | |
|---|---|---|---|
| | **Malaysia RM'000** | **Indonesia RM'000** | **Total RM'000** |
| Current service cost | 567 | 173 | 740 |
| Interest cost on obligation | 384 | 84 | 468 |
| Net actuarial loss recognised | 116 | 10 | 126 |
| | 1,067 | 267 | 1,334 |

**29. PROVISION FOR RETIREMENT BENEFITS (cont'd)**

| | The Company | |
|---|---|---|
| | Period ended March 31, 2011 RM'000 | Year ended April 30, 2010 RM'000 |
| Current service cost | **155** | 462 |
| Interest cost on obligation | **88** | 251 |
| Net actuarial gain recognised | **33** | 140 |
| Benefits paid | **(181)** | – |
| | **95** | 853 |

The principal actuarial assumptions used as of March 31, 2011 are as follows:

| | March 31, 2011 | April 30, 2010 |
|---|---|---|
| **Malaysia** | | |
| Discount rate (%) | **7.0** | 7.0 |
| Future salary increments (%) | **5.0** | 5.0 |
| Normal retirement age: | | |
| Male | **55** | 55 |
| Female | **50** | 50 |
| **Indonesia** | | |
| Discount rate (%) | **9.0** | 11.0 |
| Future salary increments (%) | **10.0** | 10.0 |
| Normal retirement age | | |
| Male | **55** | 55 |
| Female | **55** | 55 |

**30. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES**

**(a) Trade Payables**

Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranges from 7 to 60 (April 30, 2010: 7 to 60) days.

Analysis of currency profile of trade payables is as follows:

| | The Group | |
|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Ringgit Malaysia | **27,656** | 24,566 |
| Indonesian Rupiah | **2,113** | 1,280 |
| | **29,769** | 25,846 |

**(b) Other Payables and Accrued Expenses**

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Other payables | **6,699** | 7,182 | **3,761** | 2,395 |
| Accrued expenses | **11,547** | 10,162 | **2,780** | 2,543 |
| Loans from shareholders of subsidiary companies | **1,256** | 1,978 | **–** | – |
| | **19,502** | 19,322 | **6,541** | 4,938 |

Other payables arose mainly from on-going costs. These amounts are unsecured, interest-free and are repayable within 60 (April 30, 2010: 60) days from the transaction dates.

The loans from shareholders of subsidiary companies are unsecured, interest-free and repayable on demand.

Analysis of currency profile of other payables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Ringgit Malaysia | **5,534** | 5,451 | **3,207** | 2,272 |
| Indonesian Rupiah | **518** | 1,511 | **–** | – |
| United States Dollar | **647** | – | **554** | – |
| Hong Kong Dollar | **–** | 220 | **–** | 123 |
| | **6,699** | 7,182 | **3,761** | 2,395 |

**30. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (cont'd)**

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

Analysis of currency profile of loans from shareholders of subsidiary companies is as follows:

| | The Group | |
|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Ringgit Malaysia | **1,256** | 1,637 |
| Indonesian Rupiah | **–** | 341 |
| | **1,256** | 1,978 |

**31. BANKING FACILITIES**

The Group and the Company have credit facilities totalling RM17,530,000 (April 30, 2010: RM22,721,000) and RM10,000,000 (April 30, 2010: RM10,000,000) respectively, which are secured by:

(a) negative pledge on the assets of the Company and the subsidiary companies; and

(b) debentures over all fixed and floating assets of the subsidiary companies.

The facilities of the subsidiary companies, which are also guaranteed by the Company, bear interest at rates ranging from 7.30% to 8.30% (April 30, 2010: 4.25% to 7.80%) per annum.

**32. CASH AND CASH EQUIVALENTS**

| | The Group | | The Company | |
|---|---|---|---|---|
| | March 31, 2011 RM'000 | April 30, 2010 RM'000 | March 31, 2011 RM'000 | April 30, 2010 RM'000 |
| Cash and bank balances | **36,143** | 28,752 | **4,126** | 2,780 |
| Fixed deposits and short-term placements with licensed banks | **52,275** | 40,619 | **9,868** | 26,938 |
| | **88,418** | 69,371 | **13,994** | 29,718 |

## 33. DIVIDENDS

| | The Group and The Company | |
|---|---|---|
| | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| Final dividend of 6.0%, tax exempt, in respect of financial year ended April 30, 2010 | **8,216** | – |
| Final dividend of 5.0%, tax exempt, in respect of financial year ended April 30, 2009 | – | 6,847 |
| | **8,216** | 6,847 |

A final dividend of 6%, tax exempt, per ordinary share of RM1.00 each amounting to RM8,216,048 proposed in the previous financial year and dealt with in the previous directors' report was paid by the Company on November 23, 2010.

The directors propose a final dividend of 6%, tax exempt, per ordinary share of RM1.00 each amounting to RM8,216,048 in respect of the current financial period 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.

## 34. SEGMENTAL INFORMATION

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

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

Included in other operating divisions are property development and investment holding, warehousing and port cargo handling services and administrative services.

Inter-segment sales and administrative services are charged at cost plus margin. Segment revenue, expenses and results include transactions between business segments and are eliminated on consolidation.

**34. SEGMENTAL INFORMATION (cont'd)**

| THE GROUP March 31, 2011 | Manufacturing and marketing of oleochecimal products RM'000 | Managing and operating of private hospital RM'000 | Sales of oil palm fruit and crude palm oil RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 348,380 | 54,288 | 87,806 | 6,802 | – | 497,276 |
| External dividend income | 4,097 | – | – | – | – | 4,097 |
| Inter-segment sales | – | – | – | 808 | (808) | – |
| Total revenue | 352,477 | 54,288 | 87,806 | 7,610 | (808) | 501,373 |
| **Financial Results** | | | | | | |
| Segment results | 19,570 | 2,793 | 30,516 | 748 | – | 53,627 |
| Profit from operations | | | | | | 53,627 |
| Investment revenue | | | | | | 1,833 |
| Profit before tax | | | | | | 55,460 |
| Income tax expense | | | | | | (14,510) |
| Profit for the period | | | | | | 40,950 |
| **Other Information** | | | | | | |
| Capital expenditure | 5,033 | 1,337 | 1,570 | 12 | – | 7,952 |
| **Non-cash expenses:** | | | | | | |
| Depreciation of property, plant and equipment | 3,291 | 1,890 | 1,626 | 345 | – | 7,152 |
| Provision for retirement benefits | 224 | – | 1,015 | - | – | 1,239 |
| Amortisation of biological assets | – | – | 745 | - | – | 745 |
| Allowance for doubtful debts | 37 | – | 132 | 502 | – | 671 |
| Inventories written down | 1,839 | – | – | – | – | 1,839 |
| Bad debts written off | – | – | – | 16 | – | 16 |
| Property, plant and equipment written off | 1 | 2 | 2 | 15 | – | 20 |

**34. SEGMENTAL INFORMATION (cont'd)**

| March 31, 2011 | Manufacturing and marketing of oleochecimal products RM'000 | Managing and operating of private hospital RM'000 | Sales of oil palm fruit and crude palm oil RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **Non-cash income:** | | | | | | |
| Waiver of debts by other creditors | – | – | – | 412 | – | 412 |
| Gain on disposal of property, plant and equipment | 42 | 13 | 18 | – | – | 73 |
| Gain on disposal of quoted shares | 1,199 | – | – | – | – | 1,199 |
| Unrealised gain on foreign exchange - net | 128 | – | – | – | – | 128 |
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 576,824 | 54,009 | 232,207 | 43,496 | (406,479) | 500,057 |
| Income tax assets | 4,244 | – | 1,923 | 340 | – | 6,507 |
| Consolidated assets | | | | | | 506,564 |
| **Liabilities** | | | | | | |
| Segment liabilities | 155,023 | 73,480 | 148,346 | 33,259 | (355,254) | 54,854 |
| Income tax liabilities | – | – | 2,826 | 10 | – | 2,836 |
| Consolidated liabilities | | | | | | 57,690 |

**34. SEGMENTAL INFORMATION (cont'd)**

| April 30, 2010 | Manufacturing and marketing of oleochecimal products RM'000 | Managing and operating of private hospital RM'000 | Sales of oil palm fruit and crude palm oil RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 310,387 | 52,976 | 79,396 | 8,812 | – | 451,571 |
| External dividend income | 1,629 | – | – | – | – | 1,629 |
| Inter-segment sales | – | – | – | 790 | (790) | – |
| Total revenue | 312,016 | 52,976 | 79,396 | 9,602 | (790) | 453,200 |
| **Financial Results** | | | | | | |
| Segment results | 6,089 | (5,453) | 27,238 | 1,753 | – | 29,627 |
| Profit from operations | | | | | | 29,627 |
| Finance costs | | | | | | (150) |
| Investment revenue | | | | | | 1,244 |
| Profit before tax | | | | | | 30,721 |
| Income tax expense | | | | | | (10,450) |
| Profit for the year | | | | | | 20,271 |

**34. SEGMENTAL INFORMATION (cont'd)**

| April 30, 2010 | Manufacturing and marketing of oleochecimal products RM'000 | Managing and operating of private hospital RM'000 | Sales of oil palm fruit and crude palm oil RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **Other Information** | | | | | | |
| Capital expenditure | 8,407 | 1,416 | 1,234 | 38 | – | 11,095 |
| **Non-cash expenses:** | | | | | | |
| Depreciation of property, plant and equipment | 3,036 | 5,534 | 2,962 | 380 | – | 11,912 |
| Provision for retirement benefits | 1,067 | – | 267 | – | – | 1,334 |
| Advances for Plasma PIR-TRANS projects written off | – | – | 1,154 | – | – | 1,154 |
| Amortisation of biological assets | – | – | 752 | – | – | 752 |
| Allowance for doubtful debts | 911 | 388 | – | 202 | (911) | 590 |
| Inventories written down | 511 | – | – | – | – | 511 |
| Unrealised loss on foreign exchange – net | 384 | – | – | – | – | 384 |
| Realised loss on conversion of Plasma PIR-TRANS projects | – | – | 123 | – | – | 123 |
| Bad debts written off | – | – | 1 | 98 | – | 99 |
| Loss on disposal of unquoted shares | 3 | – | – | – | – | 3 |

**34. SEGMENTAL INFORMATION (cont'd)**

| April 30, 2010 | Manufacturing and marketing of oleochecimal products RM'000 | Managing and operating of private hospital RM'000 | Sales of oil palm fruit and crude palm oil RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **Non-cash income:** | | | | | | |
| Allowance for diminution in value of quoted shares no longer required | (3,526) | – | – | – | – | (3,526) |
| Waiver of debts by other creditors | – | – | (2,386) | – | – | (2,386) |
| Allowance for loss on conversion of Plasma PIR-TRANS projects no longer required | – | – | (154) | – | – | (154) |
| Gain on disposal of property, plant and equipment | – | – | (30) | (20) | – | (50) |
| Gain on disposal of quoted shares | (3) | – | – | – | – | (3) |
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 546,371 | 50,827 | 221,829 | 44,882 | (422,623) | 441,286 |
| Income tax assets | 8,451 | – | 1,451 | 158 | – | 10,060 |
| Consolidated assets | | | | | | 451,346 |
| **Liabilities** | | | | | | |
| Segment liabilities | 157,094 | 73,036 | 151,547 | 35,594 | (367,622) | 49,649 |
| Income tax liabilities | – | – | 3,181 | 78 | – | 3,259 |
| Consolidated liabilities | | | | | | 52,908 |

**34. SEGMENTAL INFORMATION (cont'd)**

**Geographical Segments**

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

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

| | **Sales revenue by geographical market** | |
|---|---|---|
| | **Period ended March 31, 2011 RM'000** | **Year ended April 30, 2010 RM'000** |
| Asia: | | |
| Malaysia | **150,996** | 138,039 |
| Others | **303,107** | 284,953 |
| Europe | **31,007** | 17,236 |
| America | **15,395** | 12,115 |
| Others | **868** | 857 |
| | **501,373** | 453,200 |

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

| | **Carrying amount of segment assets** | | **Capital expenditure** | |
|---|---|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Asia: | | | | |
| Malaysia | **408,372** | 366,340 | **6,382** | 9,861 |
| Others | **94,893** | 81,070 | **1,570** | 1,234 |
| Europe | **2,844** | 1,123 | **–** | – |
| America | **455** | 2,745 | **–** | – |
| Others | **–** | 68 | **–** | – |
| | **506,564** | 451,346 | **7,952** | 11,095 |

**35. COMMITMENTS**

(a) Capital Commitments

As of March 31, 2011, the Group and the Company have approved and contracted for capital commitments in respect of purchase of property, plant and equipment amounting to RM601,000 (April 30, 2010: RM818,000) and RM Nil (April 30, 2010: RM428,000) respectively.

(b) Lease Commitments

As of March 31, 2011, total future minimum lease payments not provided for in the financial statements as follows:

| | The Group | |
|---|---|---|
| | **March 31, 2011 RM'000** | **April 30, 2010 RM'000** |
| Within one year | **149** | **137** |
| Between one year to two years | **12** | **12** |
| | **161** | **149** |

**36. CONTINGENCIES**

(a) Contingencies in respect of material litigations:

(i) In the financial year ended April 30, 2009, the Company received a letter from a related party, Southern Realty (Malaya) Sdn. Berhad, which is also a major shareholder of the Company, alleging numerous questionable transactions involving certain companies within the Group with certain related parties, and amongst related parties, during the past several years. Most of these allegations are directed at Southern Management (M) Sdn. Bhd., a wholly owned subsidiary of the Company, which provided administrative and accounting services to those related parties.

The Company had in March 2009 appointed a third party to commence investigation into those allegations. However, in May 2009, the said third party withdrew its involvement in the said investigation. The Company's plan to appoint another party to resume the said investigation was halted pending the outcome of the application by the Company to set aside the order for the appointment of Interim Receivers and Managers to the Company, as detailed in Paragraph (ii) below.

Subsequent to the decision by the court to set aside the ex-parte order for the appointment of Interim Receivers and Managers, and the action by the Petitioners for the ex-parte order to withdraw their Petition, management of the Company is assessing various approaches to resolving the allegations, taking into consideration the limitation on access to records and documents belonging to the said related parties to enable any investigation exercise to begin.

The Group and the Company may be exposed to potential claims, the amount of which is not presently determinable, in the event that those allegations are proven.

**36. CONTINGENCIES (cont'd)**

(a) Contingencies in respect of material litigations: (cont'd)

(ii) On July 6, 2009, the Company was served with an ex-parte order from the court for the appointment of Interim Receivers and Managers to the Company pursuant to a petition under Section 181 of the Companies Act, 1965 filed by two (2) shareholders ("Petitioners") in respect of numerous alleged questionable actions and transactions in the Company and certain of its subsidiary companies. The suit petition was followed by a series of legal actions between the Company, its shareholders and directors, and the Petitioners over a period of two (2) years as follows: -

(a) application by the Company to set aside the said ex-parte order which the court has responded with an order to suspend the said order over the appointment of Interim Receivers and Managers pending inter-parte hearing of the said application by the Company;

(b) contempt proceedings filed by the Petitioners against five (5) directors of the Company for breach of ex-parte order in relation to the filing of legal suits as detailed in Notes 38(a) and 38(b); and

(c) application by the directors to strike out/set aside the order granting leave, which was granted ex-parte, to commence contempt proceedings.

On October 1, 2010, the Company announced that the High Court has set aside with costs the ex-parte order for leave to commence contempt proceedings as stated in (b) and (c) above, which the Petitioners responded with an appeal to the court.

On December 27, 2010, the Company announced that the High Court has set aside the ex-parte order for the appointment of Interim Receivers and Managers and at the same time dismissed the application by the Company to strike out the petition. All costs will be borne by the party who is ultimately unsuccessful and the court will assess damages suffered by the Company arising from the ex-parte order. The Petitioners subsequently appealed against the court's decisions.

On January 26, 2011, Lembaga Tabung Haji in its capacity as a major shareholder of the Company applied to, and was allowed by, the court to intervene and be heard in the proceedings.

On April 18, 2011, the Petitioners informed the court that they wish to withdraw their Petition without costs. Upon hearing from the counsel from the Petitioners and from the Company, the court ordered that the Petition be struck out with no liberty to file afresh on the same grounds and the Petitioners to pay costs to all respondents in the suits.

The case is now pending assessment for damages arising from the ex-parte order appointing the Interim Receivers and Managers.

(iii) In April 2010, Southern Management (M) Sdn. Bhd. ("SMSB"), a wholly owned subsidiary company of the Company, was served with a Writ of Summons and Statement of Claim filed by Southern Palm Industries Sdn. Berhad ("SPI"), a major shareholder of the Company, against SMSB and seven (7) other defendants. The claim is for fraud and breach of fiduciary duties allegedly committed by SMSB and other defendants in relation to loans extended by SPI in prior years to two (2) companies in which certain employees of SMSB hold directorship. The sums claimed are for repayment of cost of funds of approximately RM62 million, plus further interest and costs. SMSB has filed a memorandum of appearance and the case is now pending court hearing to be fixed.

At this juncture, the directors are unable to ascertain whether there would be any material financial impact on the Group arising from the abovesaid claim.

**36. CONTINGENCIES (cont'd)**

(b) Contingencies in respect of guarantees given by the Company for credit facilities obtained by subsidiary companies

As of March 31, 2011, the Company has issued corporate guarantees without security to licensed financial institutions for credit facilities totalling RM6,190,000 (April 30, 2010: RM9,381,000) granted to three Malaysian subsidiary companies. Accordingly, the Company is contingently liable to the extent of credit facilities utilised by the said subsidiary companies. The fair values of the financial guarantees have not been recognised in the financial statements since their fair values on initial recognition are negligible.

**37. FINANCIAL INSTRUMENTS**

**Capital risk management**

The objective of the Group's and the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of equity balance.

The capital structure of the Group and of the Company comprises only issued share capital and retained earnings. The Group and the Company review their capital structure at least annually to ensure that the Group and the Company will be able to continue as a going concern.

The Group and the Company are not subject to any externally imposed capital requirements. The Group and the Company have no indebtedness.

**Categories of financial instruments**

| | The Group March 31, 2011 RM'000 | The Company March 31, 2011 RM'000 |
|---|---|---|
| **Financial assets** | | |
| Available-for-sale investments | 40,321 | 40,321 |
| Fair value through profit or loss: | | |
| Derivative financial assets | 125 | 125 |
| Loans and receivables: | | |
| Advances for Plasma PIR-TRANS projects | 1,849 | – |
| Advances for KKPA Projects | 809 | – |
| Trade receivables | 42,530 | 35,814 |
| Other receivables and refundable deposits | 2,214 | 382 |
| Amount owing by subsidiary companies | – | 208,135 |
| Cash and cash equivalents | 88,418 | 13,994 |
| | 176,266 | 298,771 |

**37. FINANCIAL INSTRUMENTS (cont'd)**

**Categories of financial instruments (cont'd)**

| | The Group March 31, 2011 RM'000 | The Company March 31, 2011 RM'000 |
|---|---|---|
| **Financial liabilities** | | |
| Amortised cost: | | |
| Trade payables | 29,769 | – |
| Other payables and accrued expenses | 19,502 | 6,541 |
| Amount owing to subsidiary companies | – | 115,988 |
| Dividend payable | 121 | 121 |
| | 49,392 | 122,650 |

**Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial assets, financial liabilities and equity instrument are disclosed in Note 3.

**Financial risk management objectives**

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, price fluctuation risk, credit risk and liquidity risk. The Group and the Company have taken measures to minimise their exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

**Foreign currency risk management**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company undertake trade transactions in foreign currencies, which are mainly denominated in United States Dollar, Euro, Indonesian Rupiah, Pound Sterling and Hong Kong Dollar, with their trade debtors and trade creditors where the amounts outstanding are exposed to currency fluctuation risks.

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

**37. FINANCIAL INSTRUMENTS (cont'd)**

**Foreign currency risk management (cont'd)**

The Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | Assets March 31, 2011 RM'000 | Liabilities March 31, 2011 RM'000 |
|---|---|---|
| **The Group** | | |
| Indonesian Rupiah | 35,934 | 2,631 |
| United States Dollar | 28,410 | 647 |
| Pound Sterling | 3,192 | – |
| Euro | 432 | – |
| Hong Kong Dollar | 109 | – |
| Total | 68,077 | 3,278 |
| **The Company** | | |
| United States Dollar | 28,410 | 694 |
| Pound Sterling | 3,192 | – |
| Euro | 432 | – |
| Total | 32,034 | 694 |

**(a) Sensitivity analysis on translation of foreign currency denominated assets and liabilities**

The Group and the Company are exposed to foreign currencies. The following table details the Group's and the Company's sensitivity to a 10% increase and decrease in the Ringgit Malaysia against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a gain in the profit or loss and other equity where the Ringgit Malaysia weakens 10% against the relevant currencies.

For a 10% strengthening of the Ringgit Malaysia against the relevant currencies, there would be a comparable impact on the profit or loss, and the balances below would be negative.

| | The Group March 31, 2011 RM'000 | The Company March 31, 2011 RM'000 |
|---|---|---|
| **The Group** | | |
| Indonesian Rupiah | 3,330 | – |
| United States Dollar | 2,776 | 2,772 |
| Pound Sterling | 319 | 319 |
| Euro | 43 | 43 |
| Hong Kong Dollar | 11 | – |
| Total | 6,479 | 3,134 |

**37. FINANCIAL INSTRUMENTS (cont'd)**

**(b) Forward foreign exchange contracts**

At the end of the reporting period, the Group and the Company entered into foreign currency forward contacts, with maturities within the next twelve months, for the following notional amounts:

| Outstanding Contracts | Average exchange rate | Foreign currency FC'000 | Notional value RM'000 | Fair value RM'000 |
|---|---|---|---|---|
| **March 31, 2011** | | | | |
| **Buy USD** | | | | |
| - Less than 3 months | **3.05** | **5,384** | **16,418** | **16,293** |
| **Buy EURO** | | | | |
| - Less than 3 months | **4.24** | **5** | **19** | **19** |
| **Buy GBP** | | | | |
| - Less than 3 months | **4.91** | **8** | **39** | **39** |
| **Total** | | | **16,476** | **16,351** |

**Price fluctuation risk management**

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

**37. FINANCIAL INSTRUMENTS (cont'd)**

**(a) Commodity future contracts**

At the end of the reporting period, the Group entered into commodity future contracts, with maturities within the next twelve months.

The following table details the commodity future contracts outstanding as at the end of the reporting period.

| Outstanding Contracts | Average price per metric tonne RM | Notional value/ Contract value RM'000 | Fair value RM'000 |
|---|---|---|---|
| **March 31, 2011** | | | |
| **Buy Crude Palm Oil** | | | |
| Contract period for: | | | |
| - 1 month | **3,720** | **744** | **676** |
| - 2 months | **3,766** | **3,971** | **3,512** |
| - 3 months | **3,552** | **1,915** | **1,829** |
| **Total** | | **6,630** | **6,017** |

**Credit risk management**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including available-for-sale investments, cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Credit risk is controlled by careful selection of customers, setting credit limit and the period of credit.

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

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

<u>Credit risk concentration profile</u>

The Group and the Company have no major significant concentration of credit risk except for amounts due from 12 major customers for the Group and 4 major customers for the Company, which constitute approximately 30% and 35% respectively of total trade receivables, as disclosed in Note 22.

**37. FINANCIAL INSTRUMENTS (cont'd)**

**Credit risk management (cont'd)**

Financial assets that are neither past due nor impaired

Information regarding trade receivables and other receivables that are neither past due nor impaired is disclosed in Notes 22 and 23, respectively. Fixed deposits and short-term placements with licensed banks and derivatives that are neither past due nor impared are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are past due and impaired

Information regarding trade receivables that are past due and impaired is disclosed in Note 22.

**Liquidity risk management**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The financial liabilities of the Group and the Company, categorised as financial liabilities measured at amortised cost, and consisting of trade payables, other payables and accrued expenses, amount owing to subsidiary companies and dividend payable totalling RM49,392,000 and RM122,650,000 respectively, are non-interest bearing and with maturities within the next twelve months.

**Fair Values of Financial Instruments**

(a) Financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the financial statements approximate their fair values due to their relatively short maturity periods.

(b) Other financial instruments

| | The Group and The Company | |
|---|---|---|
| | Carrying Amount RM'000 | Fair Value RM'000 |
| **Financial Assets** | | |
| Available-for-sale investments - quoted shares | 39,865 | 39,865 |
| Derivative financial assets | 125 | 125 |

**37. FINANCIAL INSTRUMENTS (cont'd)**

**Fair Values of Financial Instruments (cont'd)**

(i) Available-for-sale investments - quoted shares

The fair value of available-for-sale investments in quoted shares is estimated based on the market value as of the end of the reporting period.

(ii) Derivative financial assets

The fair values of derivatives instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

**38. MATERIAL LITIGATIONS**

(a) On August 6, 2009, the Company and Southern Acids Industries Sdn. Bhd. ("SA Industries" formerly known as Pofachem (M) Sdn. Berhad and a wholly owned subsidiary company of the Company) filed a suit at the High Court against certain former directors or employees of the Company or SA Industries. The claim is for damages including interest and costs for breach of fiduciary duty and for breach of Section 132(1) and 132(1A) of the Companies Act, 1965 arising from the failure of the defendants to secure a renewal of a tenancy over a piece of land in which the factory building and oleochemical plant of SA Industries with aggregated net book value of RM27,387,098 as of March 31, 2011 (April 30, 2010: RM26,534,093) is constructed. The said land belongs to SRM, a major shareholder of the Company.

The matter is now fixed for Case Management on August 18, 2011.

(b) On August 6, 2009, the Company and NISB (the "Plaintiff") filed a suit at the High Court against certain former directors or employees of the Company and NISB. The claim is for interest and costs for breach of fiduciary duty and breach of Section 132(1) and 132(1A) of the Companies Act, 1965 and arose from the failure of the defendants to secure the transfer of the title of a piece of land purchased by NISB from SRM, a major shareholder of the Company. A private hospital building with net book value of RM22,473,539 as of March 31, 2011 (April 30, 2010: RM22,934,385) belonging to NISB, and the hospital operations carried out by a subsidiary company of the Company, Southern Medicare Sdn. Bhd. is constructed on the said piece of land. The said suit also included a claim to account for secret profits in the sum of RM2,105,200, within the land sale and purchase transaction, against a former director of the Company.

The case has been fixed for full trial in October 2011.

(c) On April 6, 2010, the Company filed a civil suit against Standard Chartered Bank Malaysia Berhad ("SCB") at the High Court claiming for liquidated and unliquidated sums by virtue of the Company's position that various foreign currency exchange transactions between the Company and SCB are void. The liquidated amount claimed by the Company is approximately RM40.0 million.

SCB responded to the suit with an application for stay, which the High Court allowed on December 17, 2010. Subsequently the Court of Appeal has dismissed the appeal by the Company on the High Court's decision.

The Company has then applied for leave to appeal to the Federal Court and the matter has been fixed for hearing on September 12, 2011.

**39. SUBSEQUENT EVENT**

(a) On June 30, 2011, SAB Bio-Fuel Sdn. Bhd. (“SABBF”), a wholly-owned subsidiary company of the Company, entered into a sale and purchase agreement with POIC Sabah Sdn. Bhd. for the acquisition of a piece of leasehold land for a total purchase consideration of RM13,052,314. The land measures approximately 1,087,693 square feet and is located in the Palm Oil Industrial Cluster at Lahad Datu, Sabah. This acquisition of land is conditional upon SABBF obtaining all the requisite approvals and licenses from relevant authorities for its intended use and development of the said land.

(b) On July 22, 2011, the Company incorporated a wholly-owned subsidiary company, SAB Logistic and Grains Terminal Sdn. Bhd. ("SABLGT"). The initial authorised share capital of SABLGT is RM500,000 comprising 500,000 ordinary shares of RM1 each and the initial paid-up share capital is RM2 comprising 2 ordinary shares of RM1 each. SABLGT is currently dormant and its intended business activity is that of port handling services.

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

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

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

The breakdown of the retained earnings of the Group and of the Company as of March 31, 2011 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

| | March 31, 2011 | |
|---|---|---|
| | The Group RM'000 | The Company RM'000 |
| **Total retained earnings:** | | |
| Realised | 230,945 | 33,759 |
| Unrealised | 5,061 | 2,093 |
| | 236,006 | 35,852 |
| Less: Consolidation adjustments | (10,333) | – |
| **Total retained earnings** | 225,673 | 35,852 |

Comparative information is not presented in the first financial year of application pursuant to the directive issued by Bursa Malaysia on March 25, 2010.

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

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

# STATEMENT BY DIRECTORS

The directors of **SOUTHERN ACIDS (M) BERHAD** state that, in their opinion, the accompanying statements of financial position as of March 31, 2011 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period May 1, 2010 to March 31, 2011, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 137, are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as of March 31, 2011 and of the results of their businesses and the cash flows of the Group and of the Company for the period May 1, 2010 to March 31, 2011.

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

**TAN SRI DATO' LOW BOON ENG,**
**PSM, DPMS, JP**

**LIM KIM LONG**

Klang
July 27, 2011

# DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **LEONG KIAN MING**, the officer primarily responsible for the financial management of **SOUTHERN ACIDS (M) BERHAD**, do solemnly and sincerely declare that the accompanying statements of financial position as of March 31, 2011 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period May 1, 2010 to March 31, 2011, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 137, 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.

**LEONG KIAN MING**

Subscribed and solemnly declared by the
abovenamed **LEONG KIAN MING** at **KLANG**
on 27th day of July, 2011.

Before me,

**P.DEV ANAND PILLAI (B 253)**
**COMMISSIONER FOR OATHS**

# PROPERTIES OF THE GROUP

As of March 31, 2011

| | Subsidiaries / Location of property | Type of Property | Area | Nature / Purpose | Tenure | Age of Building | Net Book Value as of March 31, 2011 (in RM'000) |
|---|---|---|---|---|---|---|---|
| **1.** | **Pembinaan Gejati Sdn. Bhd.** | | | | | | |
| | Thangamallay Estate<br>Lot 14482 & 14483, Batu 7<br>Jalan Kebun<br>Kampung Jawa<br>42450 Klang, Selangor | Land | 220.79 acres | Plantation Estate | Freehold | N/A | 49,077 |
| | Thangamallay Estate<br>Lot 14480, Batu 7<br>Jalan Kebun<br>Kampung Jawa<br>42450 Klang, Selangor | Land | 14.33 acres | Plantation Estate | Freehold | N/A | 3,141 |
| | Thangamallay Estate<br>Lot 14481, Batu 7<br>Jalan Kebun<br>Kampung Jawa<br>42450 Klang, Selangor | Land | 0.12 acres | Plantation Estate | Freehold | N/A | 26 |
| | Thangamallay Estate<br>Lot 1095, Batu 7<br>Jalan Kebun<br>Kampung Jawa<br>42450 Klang, Selangor | Land | 409.25 acres | Plantation Estate | Freehold | N/A | 89,700 |
| **2.** | **Southern Acids Industries Sdn. Bhd. (formerly known as Pofachem (M) Sdn. Berhad)** | | | | | | |
| | Golconda Estate, 10th Mile<br>Persiaran Hamzah Alang<br>Off Jalan Kapar<br>42200 Kapar, Selangor | Buildings | 27.90 acres | Factory | N/A | Ranging from 16 to 30 years | 5,376 |
| **3.** | **Noble Interest Sdn. Bhd.** | | | | | | |
| | P.T. 1288, Seksyen 14<br>Mukim Klang<br>Daerah Klang, Selangor | Land<br>Buildings | 1.62 acres<br>6,458 m2 | Hospital<br>Buildings | Freehold<br>N/A | N/A<br>12 years | 4,950<br>22,474 |
| **4.** | **PKE (Malaysia) Sdn. Berhad** | | | | | | |
| | Lot No. 15, Section 7<br>Taman Perusahaan Pulau Indah<br>Pulau Indah, Mukim Klang<br>Daerah Klang<br>Selangor | Land | 6.67 acres | Vacant Land | Leasehold Expiring in February 24, 2097 | N/A | 4,156 |

As of March 31, 2011

| | Subsidiaries / Location of property | Type of Property | Area | Nature / Purpose | Tenure | Age of Building | Net Book Value as of March 31, 2011 (in RM'000) |
|---|---|---|---|---|---|---|---|
| **4.** | **PKE (Malaysia) Sdn. Berhad (cont'd)** | | | | | | |
| | Lot 6579, Jalan Jerung Pelabuhan Utara 42000 Port Klang Selangor | Warehouse | 132,858 sq.ft | Warehousing | Lease Rental Expiring on September 15, 2011 | 20 years | 1 |
| | No.18, Jalan Firma 2/1 Kawasan Perindustrian Tebrau Johor Bahru, Johor | Warehouse | 50,400 sq.ft | Rented to third party | Freehold | 14 years | 1,718 |
| **5.** | **SAB Properties Development Co. Sdn. Berhad** | | | | | | |
| | G.M. 2172 Lot 2824 Mukim Klang Daerah Klang Selangor | Land | 3.25 acres | Vacant Land | Freehold | N/A | 3,318 |
| **6.** | **P.T. Mustika Agro Sari** | | | | | | |
| | Kebun Tanjung Pauh & Kebun Petai Province of Riau Indonesia | Oil Palm Estate, Palm Oil Mill and Buildings | 6,538 acres | Plantation and Palm-Oil Processing | Leasehold Expiring in March 20, 2036 and April 9, 2036 | 9 years | 9,298 |
| **7.** | **P.T. Wanasari Nusantara** | | | | | | |
| | Kebun Wanasari Province of Riau Indonesia | Oil Palm Estate, and Buildings | 13,136 acres | Plantation | Leasehold Expiring in December 31, 2029 and January 29, 2032 | 23 years | 2,863 |
| | | | | | | | **196,098** |

# ANALYSIS OF SHAREHOLDINGS

As of August 18, 2011

| | |
|---|---|
| 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 ordinary share |
| Number of shareholders | : 2,605 |

**DISTRIBUTION SCHEDULE OF SHARE AS OF AUGUST 18, 2011**

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Share Held |
|---|---|---|---|---|
| less than 100 | 210 | 8.06 | 7,825 | 0.01 |
| 101 to 1,000 | 633 | 24.30 | 463,502 | 0.34 |
| 1,001 to 10,000 | 1,379 | 52.94 | 5,322,286 | 3.88 |
| 10,001 to 100,000 | 319 | 12.25 | 9,308,556 | 6.79 |
| 100,001 – 6,846,706 (less than 5% of issued shares) | 60 | 2.30 | 42,207,003 | 30.82 |
| 6,846,707 (5% of issued shares) and above | 4 | 0.15 | 79,624,960 | 58.16 |
| **Total** | **2,605** | **100.00** | **136,934,132** | **100.00** |

**LIST OF SUBSTANTIAL SHAREHOLDERS AS OF AUGUST 18, 2011**

| Nos. | Names | Shareholding | % |
|---|---|---|---|
| 1. | Southern Palm Industries Sdn. Berhad | 42,840,270 | 31.29 |
| 2. | Lembaga Tabung Haji | 17,864,605 | 13.05 |
| 3. | Southern Realty (Malaya) Sdn. Berhad | 11,527,419 | 8.42 |
| 4. | Rasional Sdn. Berhad | 7,392,666 | 5.40 |

**INFORMATION ON DIRECTORS SHAREHOLDINGS AS OF AUGUST 18, 2011**

| | | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|---|
| Nos. | Names of Directors | No. of Shares | % | No. of Shares | % |
| 1. | Tan Sri Dato' Low Boon Eng | 2,487 | 0.00 | 65,626,507 | 47.93 |
| 2. | Lim Kim Long | 49,276 | 0.04 | 69,052,267 | 50.43 |
| 3. | Mohd. Hisham bin Harun | 0 | 0.00 | 0 | 0.00 |
| 4. | Sukhindejit Singh Muker | 0 | 0.00 | 0 | 0.00 |
| 5. | Leong So Seh | 0 | 0.00 | 0 | 0.00 |
| 6. | Teo Leng | 0 | 0.00 | 0 | 0.00 |

**TOP THIRTY SECURITIES ACCOUNT HOLDERS**
**(Without aggregating the securities from different securities account belonging to the same Depositor)**
**AS OF AUGUST 18, 2011**

| Nos. | Names | No. of Share Held | % of Issued Shares |
|---|---|---|---|
| 1. | Southern Palm Industries Sdn. Berhad | 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<br>*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. | CIMB Group Nominees (Tempatan) Sdn. Bhd.<br>*PSB-CBG9 for Mong Hua @ Low Mong Hua* (49246 DHAM) | 4,909,237 | 3.59 |
| 7. | Glamour Partnership Sdn. Bhd. | 3,221,940 | 2.35 |
| 8. | Angsana Sutera Sdn. Bhd. | 2,714,942 | 1.98 |
| 9. | Southern Cocoa Products (M) Sdn. Berhad | 2,102,632 | 1.54 |
| 10. | Olive Lim Swee Lian | 2,047,300 | 1.50 |
| 11. | Ng Kin Lan | 1,872,832 | 1.37 |
| 12. | Lim Boon Eng | 1,820,837 | 1.33 |
| 13. | Low Mun Chong | 1,516,498 | 1.11 |
| 14. | Banting Hock Hin Estate Company Sdn. Bhd. | 1,487,500 | 1.09 |
| 15. | CIMB Group Nominees (Tempatan) Sdn. Bhd.<br>*PSB-CBG9 for Lou Ai Choo* (49246 DHAM) | 1,000,000 | 0.73 |
| 16. | Southern HockJoo Plantation Sdn. Berhad | 991,666 | 0.72 |
| 17. | Lim Thye Peng Realty Sdn. Bhd. | 976,559 | 0.71 |
| 18. | Sai Yee @ Sia Say Yee | 775,000 | 0.57 |
| 19. | Naga Wira Sdn. Berhad | 720,938 | 0.53 |
| 20. | Bekalan Utama Sdn. Berhad | 694,166 | 0.51 |
| 21. | CIMB Group Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account for Mong Hua @ Low Mong Hua (4851DHAM)* | 600,000 | 0.44 |
| 22. | CIMB Group Nominees (Tempatan) Sdn. Bhd.<br>*PSB-CBG9 for Low Mong Hua Sdn. Berhad (49246 DHAM)* | 585,000 | 0.43 |
| 23. | Mong Teck Sdn. Berhad | 559,972 | 0.41 |
| 24. | Toh Kam Choy | 540,000 | 0.39 |
| 25. | Yeoh Kean Hua | 477,900 | 0.35 |
| 26. | Rasional Sdn. Berhad | 392,666 | 0.29 |
| 27. | Ooi Lay Suan | 384,500 | 0.28 |
| 28. | Teo Kwee Hock | 368,100 | 0.27 |
| 29. | Tong Yoke Kim Sdn. Bhd. | 350,000 | 0.26 |
| 30. | Tan Soon Muay @ Tan Kim Huay | 319,666 | 0.23 |
| **Total** | | **115,309,477** | **84.24** |

# NOTICE OF THE 30TH ANNUAL GENERAL MEETING

Notice is hereby given that the Thirtieth Annual General Meeting of the Company will be held at Zamrud I & II, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia on Friday, September 30, 2011 at 10:30am for the following purposes:-

**ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial period ended March 31, 2011 together with the Reports of the Directors and Auditors thereon. **RESOLUTION 1**

2. To declare a Final Dividend (tax exempt) of 6% per ordinary share for the financial period ended March 31, 2011. **RESOLUTION 2**

3. To approve the payment of Directors' Fees for the financial period ended March 31, 2011. **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) Sukhinderjit Singh Muker **RESOLUTION 4**

   b) Lim Kim Long **RESOLUTION 5**

5. To re-elect Teo Leng who is retiring under Article 101 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **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**

**SPECIAL BUSINESS**

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

   **Ordinary Resolution**

   **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 to be 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 2.6 of the Circular to Shareholders dated September 8, 2011 subject further to the following:-

i. That the transactions are in the ordinary course of business and are on terms that are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;

ii. That the transactions are made on an arm's length basis and on normal commercial terms; and

iii. That disclosure shall be made in the Annual Report of a breakdown of the aggregate value of all transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year, based on the following information:-

- the type of the Recurrent Related Party Transactions made; and
- the names of the Related Parties involved in each type of the Recurrent Related Party Transactions entered into and their relationships with the Company.

iv. That such approvals shall only continue to be in force until:-

- the conclusion of the next 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 DIVIDEND ENTITLEMENT

**NOTICE IS ALSO HEREBY GIVEN** that a Final Dividend (tax exempt) of 6% per ordinary share will be payable on October 28, 2011 to depositors who are registered in the Record of Depositors at the close of business on October 10, 2011, if approved by members at the Thirtieth Annual General Meeting on September 30, 2011.

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 October 6, 2011 (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 October 10, 2011 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**

**LIM KUI SUANG (F) (MAICSA** 0783327)
**PAUL IGNATIUS STANISLAUS** (MACS 01330)
Secretaries

Klang, Selangor Darul Ehsan
September 8, 2011

### 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 in writing (in the common seal or usual form) under the hand of appointer or of his attorney duly authorized in writing, or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.
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 No 9, Jalan Bayu Tinggi 2A/KS6, Taipan 2, Batu Unjur, 41200 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. Authority to issue Shares pursuant to Section 132D of the Companies Act, 1965.

   The proposed Ordinary Resolution 7(a), is proposed for the purpose of granting a renewed general mandate for issuance of shares by the Company under Section 132D of the Act. The Ordinary Resolution 7(a), if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at any time in their absolute discretion without convening a General Meeting. The authorisation, unless revoked or varied by the Company at a General Meeting, will expire at the conclusion of the next AGM of the Company.

   The Company had, at the 29th Annual General Meeting held on October 28, 2010, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). The Company did not issue any new shares pursuant to this mandate obtained as at the date of this notice. The Ordinary Resolution 7(a) proposed is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, an announcement will be made by the Company in respect of the purpose and utilisation of proceeds arising from such issue.

   The general mandate if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).
6. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.

   The proposed Resolution 7(b), if passed, will authorize 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 2.6 of the Circular to Shareholders dated September 8, 2011 for more information.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

1. Thirtieth Annual General Meeting of Southern Acids (M) Berhad

   Place: Zamrud I & II, The Saujana Hotel Kuala Lumpur
   Saujana Resort, Jalan Lapangan Terbang SAAS
   40150 Shah Alam, Selangor Darul Ehsan

   Date: Friday, September 30, 2011

   Time: 10:30 AM

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

   (i) Sukhinderjit Singh Muker, pursuant to Articles 95 and 96 of the Company's Articles of Association.

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

   (iii) Teo Leng, pursuant to Article 101 of the Company's Articles of Association.

   The details of the three (3) Directors seeking re-election and/or re-appointment are set out in the Directors' Profile from pages 9 to 12 and the Directors' Shareholdings in the Company on page 51 of the Annual Report.

3. Board Meetings held during the financial period ended March 31, 2011.

   A total of Seven (7) Board of Directors' Meetings were held at Level 29, Centro Tower, No 8 Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan

   The dates and times for these Board of Directors' Meetings are tabulated below:-

   * June 28, 2010 (2.00 PM)
   * July 7, 2010 (10.00 AM)
   * September 29, 2010 (3.00 PM)
   * October 25, 2010 (2.30 PM)
   * December 10, 2010 (9.30 AM)
   * January 5, 2011 (2.00 PM)
   * March 24, 2011 (2.30 PM)

4. Details of attendance of Directors in office for Board of Directors' Meetings which were held during the financial period ended March 31, 2011 are as follows:-

| Number of Director | Number of Meetings held in financial period during Director's tenure in office | Number of Meetings Attended | % |
|---|---|---|---|
| Tan Sri Dato' Low Boon Eng (PSM, DPMS, JP) | 7 | 7/7 | 100 |
| Lim Kim Long | 7 | 7/7 | 100 |
| Mohd. Hisham bin Harun | 7 | 7/7 | 100 |
| Sukhinderjit Singh Muker | 7 | 5/7 | 71 |
| Leong So Seh (f) | 7 | 7/7 | 100 |
| Teo Leng (Appointed as a member effective December 1, 2010) | 3 | 3/3 | 100 |
| Dato' Panglima Kubu Mohd. Yusoff bin Haji Amin SMS PJK JP (Ceased as a member effective October 28, 2010) | 4 | 4/4 | 100 |

This page is intentionally left blank

# PROXY FORM

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

I/We, ____________________________________________
(Full name and NRIC No. / Company No. in block letters)

of ____________________________________________
(Full address in block letters)

being a member(s) of Southern Acids (M) Berhad hereby appoint ____________________________________________

____________________________________________
(Full name and NRIC No. in block letters)

of ____________________________________________
(Full address in block letters)

or failing him / her, ____________________________________________
(Full name and NRIC No. in block letters)

of ____________________________________________
(Full address in block letters)

or failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held on Friday, September 30, 2011 at 10:30am, and at any adjournment thereof in respect of my/our holdings of shares in the manner indicated below:

| RESOLUTION | DESCRIPTION | FOR | AGAINST |
|---|---|---|---|
| 1. | To receive the Audited Financial Statements for the financial period ended March 31, 2011 together with the Reports of the Directors and Auditors thereon. | | |
| 2. | To declare a Final Dividend (tax exempt) of 6 % per ordinary share for the financial period ended March 31, 2011. | | |
| 3. | To approve the payment of Directors' Fees. | | |
| 4. | To re-elect Sukhinderjit Singh Muker as a Director of the Company in accordance with Articles 95 and 96 of the Company's Articles of Association. | | |
| 5. | To re-elect Lim Kim Long as a Director of the Company in accordance with Articles 95 and 96 of the Company's Articles of Association. | | |
| 6. | To re-elect Teo Leng as a Director of the Company in accordance with Article 101 of the Company's Articles of Association. | | |
| 7. | To re-appoint Messrs Deloitte KassimChan as Auditors and to authorise the Directors to fix their remuneration. | | |
| 8. | To approve the Resolution pertaining to the Authority to issue shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 9. | To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions | | |

*(Please indicate with a (✓) in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction,your proxy will vote or abstain as he/she thinks fits.).*

Dated this ____________ day of ____________ 2011

| Number of Shares held |
|---|
| |

____________________________________________
Signature/Common Seal of Shareholder(s)

**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 in writing (in the common seal or usual form) under the hand of appointer or of his attorney duly authorized in writing, or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.
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 No 9, Jalan Bayu Tinggi 2A/KS6, Taipan 2, Batu Unjur, 41200 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

Fold here

Fold here

STAMP

The Company Secretary
**SOUTHERN ACIDS (M) BERHAD** (Company No.: 64577-K)
9, Jalan Bayu Tinggi 2A/K56
Taipan 2, Batu Unjur
41200 Klang
Selangor Darul Ehsan
Malaysia


Southern Acids (M) Berhad (64577-K)
Level 29, Centro Tower
No. 8, Jalan Batu Tiga Lama
41300 Klang
Selangor Darul Ehsan
Malaysia

Telephone : 03-3258 3333
Facsimile : 03-3258 3300
Website : www.southernacids.com


creative direct communications