# Southern Acids (M) Berhad

Company No. 64577-K
(Incorporated in Malaysia)

annual report 2010

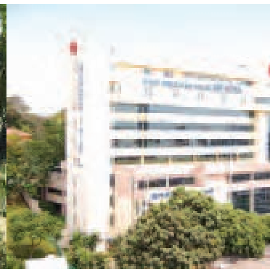
# PILLARS OF STRENGTH

**CAPABILITY** **ACCOUNTABILITY** **SUSTAINABILITY**


# PILLARS OF STRENGTH

Southern Acid's willingness to embrace change is a true measure of the Group's ability to protect and grow shareholder value. It's a quality that bodes well of a strong and stable Group that is prepared to reinvent and re-energise itself in order to remain a highly effective and competitive player in its core businesses.

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

| | |
|---|---|
| **Dato' Low Boon Eng** | Chairman<br>Non-Independent Non-Executive Director |
| **Dato' Mohd Yusoff bin Haji Amin** | Independent Non-Executive Director |
| **Tuan Haji Mohd Hisham bin Harun** | Independent Non-Executive Director |

## AUDIT COMMITTEE

**Tuan Haji Mohd Hisham bin Harun**
Chairman
Independent Non-Executive Director

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

**Leong So Seh**
Independent Non-Executive Director

## REMUNERATION COMMITTEE

**Leong So Seh**
Chairman
Independent Non-Executive Director

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

**Tuan Haji Mohd Hisham bin Harun**
Independent Non-Executive Director

## NOMINATION COMMITTEE

**Tuan Haji Mohd Hisham bin Harun**
Chairman
Independent Non-Executive Director

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

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

**Leong So Seh**
Independent Non-Executive Director

## CORPORATE GOVERNANCE COMMITTEE

**Leong So Seh**
Chairman
Independent Non-Executive Director

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

**Tuan Haji Mohd Hisham bin Harun**
Independent Non-Executive Director

## COMPANY SECRETARIES

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

| | |
|---|---|
| **Lim Kim Long** | Non-Independent Executive Director |
| **Sukhinderjit Singh Muker** | Independent Non-Executive Director |
| **Leong So Seh** | Independent Non-Executive Director |

## 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 Registration 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

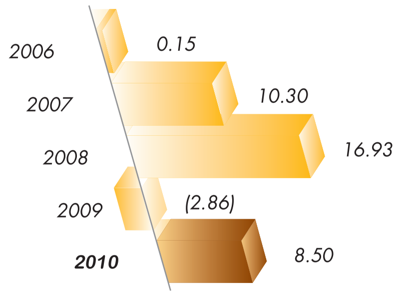
## COUNTRY OF DOMICILE & INCORPORATION

Malaysia

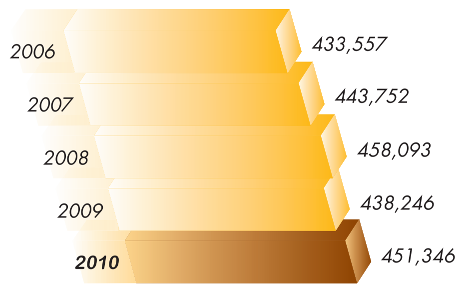
# 5-YEAR
# GROUP FINANCIAL SUMMARY

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| **FINANCIAL PERFORMANCE** (in RM'000) | | | | | |
| Revenue | 336,519 | 370,164 | 463,321 | 441,955 | 453,200 |
| Profit before taxation | 2,045 | 25,457 | 43,856 | 4,321 | 30,721 |
| Profit for the year | 196 | 17,798 | 28,989 | 924 | 20,271 |
| **FINANCIAL POSITION** (in RM'000) | | | | | |
| Total Assets | 433,557 | 443,752 | 458,093 | 438,246 | 451,346 |
| Total Liabilities | 68,296 | 67,205 | 62,433 | 53,401 | 52,908 |
| Net Current Assets | 68,106 | 89,909 | 121,572 | 110,241 | 122,810 |
| Equity Attributable to Shareholders of the Company | 360,422 | 368,147 | 383,264 | 367,952 | 374,561 |
| Issued Share Capital | 136,934 | 136,934 | 136,934 | 136,934 | 136,934 |
| Net Assets | 365,261 | 376,547 | 395,660 | 384,845 | 398,438 |
| **KEY FIGURES** | | | | | |
| Earnings/(Loss) Per Share Sen | 0.15 | 10.30 | 16.93 | (2.86) | 8.50 |
| Dividend Per Share (Gross) Sen | 5.50 | 6.00 | 8.00 | 5.00 | 6.00 |
| Net Assets Per Share RM | 2.66 | 2.75 | 2.89 | 2.81 | 2.91 |

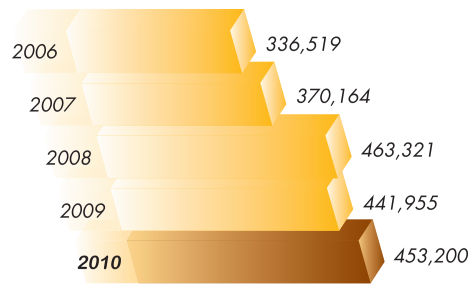
## EARNINGS / (LOSS) PER SHARE
(Sen)



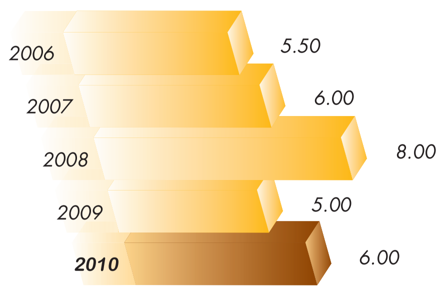

## TOTAL ASSETS
(RM'000)



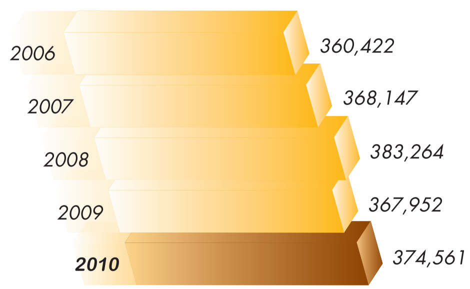

## REVENUE
(RM'000)



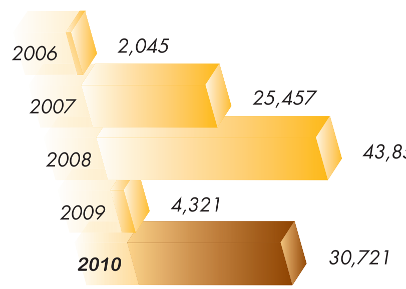

## DIVIDEND PER SHARE
(Sen)



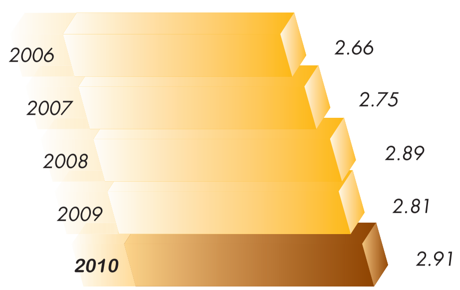

## SHAREHOLDERS' EQUITY
(RM'000)



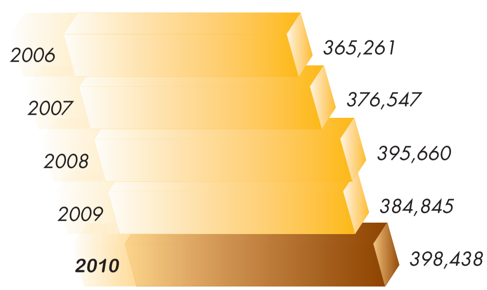

## PROFIT BEFORE TAX
(RM'000)



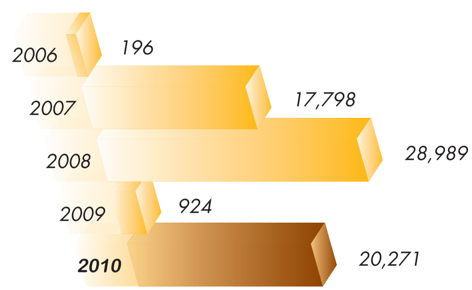

## NET ASSETS PER SHARE
(RM)




## NET ASSETS
(RM'000)




## PROFIT FOR THE YEAR
(RM'000)



# CORPORATE STRUCTURE

## SOUTHERN ACIDS (M) BERHAD (64577-K)

| | |
|---|---|
| 100% | Pofachem (M) Sdn. Berhad (207048-P) |
| 69.7% | PKE (Malaysia) Sdn. Berhad. (56287-D) |
| 91.9% | PKE Transport (Malaysia) Sdn. Berhad (161855-T) |
| 100% | Noble Interest Sdn. Bhd. (349945-V) |
| 80% | Firstview Development Sdn. Bhd. (433422-W) |
| 100% | SAB Plantation Sdn. Bhd. (470422-X) |
| 100% | Southern Medicare Sdn. Bhd. (352799-M) |
| 100% | Centre For Sight Sdn. Bhd. (523049-H) |
| 100% | SAB (East Asia) Holdings Ltd. (476922) |
| 100% | SAB Properties Development Co. Sdn. Berhad (324387-H) |
| 100% | Southern Management (M) Sdn. Berhad. (65476-P) |
| 100% | Wilstar Sdn. Bhd. (433043-M) |
| 100% | SAB Bio-Fuel Sdn. Bhd. (363986-K) |

70% P.T. Mustika Agro Sari
(040110102386)

100% P.T. WanaSari Nusantara
(040111505014)

100% Pembinaan Gejati Sdn. Bhd.
(320201-W)

# capability

Leveraging on our years of proven experience, we are able to move in tandem with the ebb and flow of business cycles – riding the waves of opportunities during an upturn and successfully maneuvering rough tides during a downturn.

# BOARD OF DIRECTORS

**From Front Left:**

Dato' Low Boon Eng, Mdm. Leong So Seh, Dato' Mohd Yusoff bin Haji Amin, Lim Kim Long, Sukhinderjit Singh Muker & Tuan Haji Mohd Hisham bin Harun

# PROFILE OF DIRECTORS

**DATO' LOW BOON ENG**, DPMS, JP, a Malaysian, aged 60, is a Non-Independent Non-Executive Director of the Company and was appointed to the Board on August 10, 2005. Dato' Low holds a Bachelor of Science in Mechanical Engineering from Imperial College, London.

Dato' Low started his career as an Engineer with Southern Realty (Malaya) Sdn. Berhad, a company which is principally involved in oil palm plantations, palm oil milling and investment holdings. He is an entrepreneur and has considerable experience in oil palm plantations and palm oil milling. He currently holds directorship in several private companies.

Dato' Low was appointed as a member of the Nomination Committee of the Company on July 7, 2010.

During the financial year ended April 30, 2010, Dato' Low attended twenty one (21) of the twenty two (22) Board of Directors' Meetings held during the financial year. Dato' Low has never been convicted for any offence within the past ten (10) years.

**SUKHINDERJIT SINGH MUKER**, a Malaysian, aged 63, is an Independent Non-Executive Director of the Company and was appointed to the Board on July 28, 1994. Mr. Muker is a practising lawyer and obtained his L.L.B (Honours) in 1972 from the University of London. He was conferred the Degree of an Utter Barrister by the Honourable Society of Grays Inn in 1973 and was called to the Malaysian Bar in 1974.

Mr. Muker also sits on the Board of Harvest Court Industries Berhad and Pahanco Corporation Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad.

On November 2, 2007, Mr. Muker was appointed a member of the Audit Committee. He is also a member of the Nomination Committee of the Company.

Mr. Muker attended thirteen (13) of the twenty two (22) Board of Directors' Meetings held during the financial year ended April 30, 2010. Mr. Muker has no family relationship with any directors or major shareholders of the Company. He has never been convicted for any offence within the past ten (10) years.

**DATO' MOHD YUSOFF BIN HAJI AMIN**, SMS, PJK, JP, a Malaysian, aged 80, is an Independent Non-Executive Director of the Company and was appointed to the Board on September 18, 1990. Dato' Yusoff completed his secondary education in Victoria Institution, Kuala Lumpur. Dato' Yusoff is the Honorary Advisor to the Society of the Royal Datos and Council of the Justice of the Peace, Selangor Darul Ehsan. He also sits on the Board of The Store Corporation Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Dato' Yusoff is also a member of the Remuneration Committee of the Company.

Dato' Yusoff attended all the twenty two (22) Board of Directors' Meetings held during the financial year ended April 30, 2010. Dato' Yusoff has no family relationship with any directors or major shareholders of the Company. He has never been convicted for any offence within the past ten (10) years.

**LIM KIM LONG**, a Malaysian, aged 50, is a Non-Independent Executive Director of the Company and was appointed to the Board on August 10, 2005. Mr. Lim did his pre-university education at Kolej Tunku Abdul Rahman, Kuala Lumpur. He is actively involved in the management and corporate affairs of the Group especially the Group's plantation business in Indonesia. Mr. Lim is a member of the Board of Commissioners of PT Mustika Agro Sari, a subsidiary in Indonesia and also holds directorship in several private companies including subsidiaries of the Company.

During the financial year ended April 30, 2010, Mr. Lim attended all the twenty two (22) Board of Directors' Meetings held during the financial year. He has never been convicted for any offence within the past ten (10) years.

# PROFILE OF DIRECTORS

**TUAN HAJI MOHD HISHAM BIN HARUN**, a Malaysian, aged 42, is an Independent Non-Executive Director of the Company and was appointed to the Board on August 10, 2005. Tuan Haji Hisham is a member of the Chartered Institute of Management Accountants. He started his career at Coopers & Lybrand / Pricewaterhouse Coopers, where he was attached to the Audit Division and the Consultancy Division. He is currently General Manager, Corporate Finance and Services of Lembaga Tabung Haji.

Tuan Haji Hisham was appointed as a member of the Audit Committee on August 10, 2005 and subsequently, Chairman of the Audit Committee on August 25, 2005. He was also appointed as Chairman of the Nomination Committee and a member of the Remuneration Committee on July 7, 2010.

During the financial year ended April 30, 2010, Tuan Haji Hisham attended all the twenty two (22) Board of Directors' Meetings held during the financial year. Tuan Haji Hisham has no family relationship with any directors or major shareholders of the Company. He has never been convicted for any offence within the past ten (10) years.


**MADAM LEONG SO SEH**, a Malaysian, aged 58, is an Independent Non-Executive Director of the Company and was appointed to the Board on April 8, 2009. 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, she has held senior positions in the Economic Planning Unit and the Securities Commission Malaysia.

Madam Leong is the Chairman of the Corporate Governance Committee of the Company. She was appointed as a member of the Audit Committee on April 30, 2010 and, as Chairman of the Remuneration Committee and a member of the Nomination Committee on July 7, 2010.

Madam Leong attended eighteen (18) of the twenty two (22) Board of Directors' Meetings which were held since her appointment during the financial year ended April 30, 2010. Madam Leong has no family relationship with any directors or major shareholders of the Company. She has never been convicted for any offence within the past ten (10) years.

# CEO'S PROFILE

**LEONG KIAN MING**, a Malaysian, aged 53, 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 and a Fellow of CPA Australia. Before assuming the Chief Executive Officer position, Mr. Leong was the Executive Director and the Chief Executive Officer of a company listed on both the Australian and the Singapore Stock Exchange.

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

# accountability

As an Organisation that subscribes to the highest tenets of corporate governance, we have put in place a set of best practices that ensure we are guided by a moral compass that focuses on transparency and accountability.

# CHAIRMAN'S STATEMENT

## REST ASSURED, OUR FUNDAMENTALS REMAIN **STRONG AND STABLE**.


## DEAR SHAREHOLDERS,

On behalf of the Board of Southern Acids (M) Berhad ("SAB" or "Company"), I am pleased to present the Annual Report and Audited Financial Statements of SAB and its Group of Companies ("the Group") for the financial year ended April 30, 2010 ("FY2010").

## REVIEW OF RESULTS

The SAB Group's overall operating performance for FY2010 was a remarkable improvement over the results of the previous corresponding year ("FY2009"). Group pre-tax profit improved 611% from RM4.3 million in FY2009 to RM30.7 million in FY2010. Group after-tax profit attributable to equity holders of SAB improved by 397% to RM11.6 million against an after-tax loss of RM3.9 million in FY2009. The Group results include the following significant items:

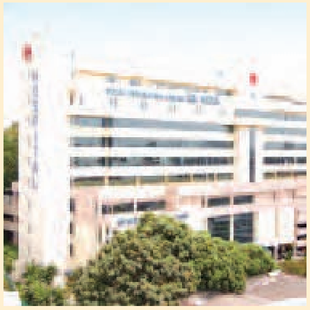
| | RM mil |
|---|---|
| – Realised loss of foreign exchange | (12.02) |
| – Unrealised loss on foreign exchange | (0.38) |
| – Provision for retirement benefits | (1.33) |
| – Allowance for diminution in value of quoted shares no longer required | 3.53 |

Total Group revenue increased from RM441.9 million in FY2009 to RM453.2 million in FY2010. All operating divisions, with the exception of the Group's private health care division, delivered improved bottom-line performance during FY2010.

The Group's oleochemical manufacturing division delivered a pre-tax profit of RM6.1 million after accounting for foreign exchange losses of RM12.4 million (2009 : RM19.6 million) – a 146% improvement from a loss before tax of RM13.2 million in FY2009, while our plantation and milling division contributed a pre-tax profit of RM27.2 million (2009 : RM16.9 million). The warehousing & conveying division also delivered an improved bottom-line of RM2.8 million in pre-tax profit against RM2.4 million in FY2009.

The Group's private healthcare division did not fare as well during FY2010. This division incurred a loss before tax of RM5.5 million (2009 : RM3.0 million loss before tax) due to certain non-recurring expenses which have been brought to account in FY2010 although operating revenue had increased from RM50.9 million in FY2009 to RM53.0 million in FY2010.

# CHAIRMAN'S STATEMENT



Realised and unrealised foreign exchange losses, which arose from forward foreign exchange transactions entered into in prior years, had also impacted the year's financial performance. A more detailed report for each operating division is provided in the CEO's Review of Operations.

## CORPORATE GOVERNANCE

Building on the momentum initiated in the previous year for greater transparency and accountability in Management decision-making and actions, good corporate governance practices will continue to be upheld at all levels of the Group's management structure. A clear leadership structure has been put in place with the CEO being mandated to institute a responsible management reporting framework which is focused on delivering an effective enterprise-wide risk management practices.

The Board is committed to support efforts to develop SAB Group's risk management practices into an effective and mature management tool capable of supporting our businesses not only in minimising any potential downside losses through human error or oversight but in providing a practical working framework for proactive intelligent risk-taking that would enhance upside business potential. This is especially helpful in managing through uncertain or turbulent times, viz.; the current uncertainty of global economic recovery.

To strengthen corporate governance practices, the effectiveness of the Board collectively and its members individually will be periodically reviewed and bench-marked against recommended best practices. The Board's Corporate Governance Committee has been mandated to spearhead initiatives to address issues of Board effectiveness and to highlight areas of concern including the requirement for Board members to be regularly updated on governance issues and matters affecting the businesses of SAB.

## BOARDROOM CHANGES

Following the resignation of my predecessor, Mr Yap Soon Nam, on April 30, 2010 as Chairman of the Board of Directors, I was appointed non-executive Chairman of the Company on May 1, 2010. Mr Yap has contributed much to position the Company on a sound foundation of good corporate governance and management accountability.

On behalf of the Board, I would like to place on record our heartfelt appreciation for Mr Yap's untiring dedication and efforts in upholding the independence of the Board and for his unwavering stand for high standards of integrity, accountability and transparency at all levels of management.

We bid farewell also to Dato' Mohd Yusoff bin Haji Amin who leaves the Board after 19 years of dedicated service. Dato' Yusoff joined the Board in 1991 and deserves unqualified praise for always putting the interest of the Company before his own. We will certainly miss his sober and helpful advice gleaned from years of experience in guiding the Board as an independent non-executive director.

## OUTLOOK AND PROSPECTS

Although a less than robust global economic recovery is expected in the new financial year, we expect our core businesses in oleochemical manufacturing and oil palm plantation to return at least the level of earnings reported in FY2010. Our oleochemical manufacturing division, however, will be tested with its ability to hold our margins firm against rising input cost of raw materials whilst directing our production capacity to meeting the demands of our customers.

Our oil palm plantation in Indonesia is expected to benefit from the surging price of CPO during 2010-2011. Notwithstanding the usual influence of weather patterns, inventory levels in major producer countries like Malaysia and Indonesia, expectations of soybean harvest in the US etc., the global demand and supply balance is expected to support the palm oil market, and will bring about a much needed stability in CPO prices in the medium to longer term.

In line with our stated intention to expand our oleochemical product base and to keep pace with customer needs and the anticipated market growth for fatty acids and glycerine, we are doing the ground-work for investment in new plant capacity in the foreseeable future. Our oil palm plantation in Riau Province, Sumatra will see greater resources being set aside for fertilisers and better plantation management to maximise our harvest yields and productivity. Opportunities to increase our plantation land-banks will be seized upon as part of our stated long-term strategy to invest further upstream in the oil palm sector for long-term returns for our shareholders.

Our focus to turn our private health care division into a profitable concern delivering healthy bottom-line results will be responsibly pursued. Efforts toward this end will be driven by the twin goals of positively tapping into the available opportunities in the Malaysian health care industry, and the provision of high quality healthcare to the community in Klang and its vicinity townships. Through our health care division, SAB has been able to channel responsible and meaningful expression of its corporate social responsibility through its uncompromising commitment to delivering high quality health care for the community; consistent with its core values of going the extra distance for our customers, employees and the community of which we are very much a part of.

## DIVIDENDS

The Board of Directors is pleased to recommend a final dividend of 6% (tax exempt) for the current financial year. The Board seeks your favourable consideration and approval of the proposed dividend at the forthcoming Annual General Meeting.

## ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to express my appreciation to our management and staff for their dedication and loyalty during FY2010 and for staying focused in an ever-challenging business environment. My thanks extend naturally to all our valued shareholders, customers, business partners, bankers and all stakeholders for their continued support and confidence in SAB.

My Board colleagues deserves my heartfelt appreciation and gratitude for their invaluable advice, support and contribution.

Thank you.

**Dato' Low Boon Eng**
Chairman

# CHIEF EXECUTIVE OFFICER'S
## REVIEW OF OPERATIONS

OUR OPERATIONS ARE
STRUCTURED TO ENHANCE OUR
**EFFICIENCY & COMPETITIVENESS**.



## OVERVIEW


The Southern Acids (M) Berhad ("SAB") Group delivered a remarkably improved operating performance for the year ended April 30, 2010 ("FY2010") despite challenging market conditions. Group revenue increased by 2.5% to RM453.2 million (2009 : RM441.9 million) and pre-tax profit improved from RM4.3 million in FY2009 to RM30.7 million in FY2010. Group after-tax profit attributable to equity holders of SAB amounted to RM11.6 million against an after-tax loss of RM3.9 million in FY2009.

The Group's plantation and milling division recorded a 60.7% increased in pre-tax profit of RM27.2 million (2009 : RM16.9 million) on the back of a revenue of RM79.4 million (2009 : RM63.3 million). This division was the chief contributor to the Group's overall operating profit before tax of RM30.7 million, while the oleochemical manufacturing division, despite reporting a slightly lower revenue of RM312.0 million (2009 : RM318.1 million), contributed a pre-tax profit of RM6.1 million – a 146% improvement from a loss before tax of RM13.2 million in FY2009. The warehousing and conveying division returned a profit before tax of RM2.8 million (2009 : RM2.4 million) on an increased revenue of RM6.9 million (2009 : RM5.6 million). The Group's private healthcare division, whilst reporting an increase in operating revenue of 4.1% to RM53.0 million (2009 : RM50.9) returned a loss before tax of RM5.5 million (2009 : 3.0 million loss before tax). The division's bottom line performance was impacted by certain non-recurring expenses that have been brought to account in the year under review.

The Group's earnings per share (EPS) rose to 8.50 sen per share in FY2010 (2009 : loss per share of 2.86 sen) and overall Group improved operating results strengthened the net assets (NA) per share from RM2.81 in FY2009 to RM2.91 as at April 30, 2010.

A more detailed discussion of each Division's performance is provided below.

### Oleochemical Division

Although we entered FY2010 with some degree of trepidation about how the year would unfold given the severity of the global economic contraction in late 2008 and the lack-lustre economic recovery in Europe and the US, the Oleochemical Division, operated through Pofachem (M) Sdn. Berhad, demonstrated remarkable resilience in a highly challenging market for both fatty acids and glycerine. Revenue from this division decrease marginally by 1.9% to RM310.4 million in FY2010 (2009 : RM316.5 million). Operating profit before tax achieved during FY2010 was RM18.9 million (2009 : RM3.5 million) before accounting for losses on forward foreign exchange contracts amounting RM14.4 million (2009 : RM18.3 million).

Operating performance of this division was buoyed by a robust improvement in overall sales volume which increased to 101,497 metric tonne (mt) from 94,445 mt in the previous year, although operating margin was also squeezed by high raw materials input cost.

Fatty acids quantities sold, however, managed to hold firm whilst the glycerine market was weak throughout most of 2009. Average selling price (SP) achieved for fatty acids dropped by 5.9% to RM3,173/mt (2009 : RM3,375/mt). The overall thinner margin was compensated by aggressive penetration into selective markets via judicious market-sensitive pricing strategies in order to maintain our order book. Efforts in previous years to make in-roads into new markets in Asia are also beginning to bear fruit. Sales and marketing initiatives to maintain our market share and order book had been well supported by the division's cost-efficiency and ability to meet our customer's quality expectations during FY2010.

The glycerine market which remained generally weak across the board during 2009 impacted sales volume which recorded a 5.6% drop to only 9,842 mt in FY2010 (2009 : 10,424 mt). Refined glycerine sales dropped by 37.8% to RM19.1 million in FY2010 against RM30.7 million in FY2009. SP achieved which averaged at only RM1,941/mt (2009 : RM2,940/mt) contributed to the margin gap in the year under review. The market scenario for glycerine however may well reverse in the foreseeable future with potential new demand for glycerine coming on-stream from new uses such as the manufacture of glycerine-based chemicals and the growing environmental push to replace petrochemical with green alternatives.

**Plantation Division**

The Plantation Division operated through our subsidiaries, PT Mustika Agro Sari and PT Wanasari Nusantara (collectively "Indonesian subsidiaries") returned a remarkable result with higher overall fresh fruit bunches (FFB) yield, oil extraction rates (OER), quantities of FFB processed, and quantities of crude palm oil (CPO) sold. These translate to a 25.4% increase in revenue of RM79.4 million in FY2010 (2009 : RM63.3 million). Profit before tax (PBT) for the year under review increased by 60.9% to RM27.2 million from RM16.9 million in FY2009.

Operating performance of this division was supported by more stable CPO prices during the year under review compared to the volatile price fluctuation encountered during FY2009. Average SP of CPO achieved during FY2010 registered an increase of 6.1% to RM2,296/mt (2009 : RM2,165/mt) while average SP of palm kernel decreased by 5.0% to RM1,083/mt (2009 : RM1,140/mt).

Total FFB processed at the mill, which include FFB from smallholders under the Plasma Programme developed by our Indonesian subsidiaries and third-party suppliers, increased by 16.7% to 130,269mt (2009 : 111,614 mt). FFB harvested from our own plantations also registered an increase of 24.8% from 50,688 mt in FY2009 to 63,270 mt in FY2010. The average FFB yield per hectare from our own plantations was low due to the age profile of a larger section of our palms being skewed towards older palms. Management is currently studying a re-planting strategy for implementation in the older palm areas aimed at achieving a sustainable return from our productive palms over the entire planted acreage of the plantation.

OER achieved increased to 23.7% (2009 : 23.3%) and 5.1% (2009 : 5.0%) for CPO and PK respectively, due to continuing efforts at improving operating efficiencies at the mill in Pekan Baru, Sumatra, along with strict grading standards in force for FFB purchased from neighbouring plantations.

**Warehousing & Conveying Division**

The Warehousing & Conveying Division, operated through PKE (Malaysia) Sdn. Berhad and PKE Transport (Malaysia) Sdn. Berhad (collectively, "PKE"), posted an improved result in FY2010. Revenue generated from PKE's cargo-handling and warehousing services activities at Northport, Pelabuhan Klang, increased by 23.2% to RM6.9 million (2009 : RM5.6 million) while pre-tax profit from operations also increase by 16.7% to RM2.8 million (2009 : RM2.4 million). This improved result was attributable to higher revenue from warehouse rental notwithstanding that storage quantities (mt) achieved during FY2010 was significantly lower at 280,581 mt (2009 : 352,353 mt). Cargo quantities (mt) handled by PKE's overhead conveyor in Northport, Pelabuhan Klang was also 11.3% lower during FY2010 at 444,603 mt against 501,127 mt in FY2009.

PKE's warehouse and high speed overhead conveyor facilities are currently located on a land leased from Lembaga Pelabuhan Klang (LPK) and adjacent to Wharf 15 at Northport, Pelabuhan Klang. PKE has succeeded in securing the renewal of the lease, which expired in March 2010, from LPK for a further 18 months. Management is reviewing PKE's existing business model and the opportunity of re-locating its business operations elsewhere.

**Health Care Division**

The Health Care Division turned in a loss of RM5.5 million (2008 : loss of RM3.0 million) against an increased revenue of RM53.0 million (2009 : RM50.9 million). The year's result was however impacted by certain non-recurrent expenses which have been brought to account in FY2010.

Higher patient registration, both inpatient and outpatient, contributed largely to the 4.1% increase in hospital revenue. Sri Kota Specialist Medical Centre ("Sri Kota"), which is managed by Southern Medicare Sdn. Bhd., has come a long way in gaining acceptance by the highly discerning community in Klang and its vicinity townships as a specialist medical centre which delivers high standards of tertiary medical care.

Notwithstanding a highly competitive operating environment where Sri Kota competes with a number of other private hospitals in the Klang Valley, we are confident that key initiatives to position Sri Kota as the private hospital of choice will bear positive results in the foreseeable future. Among these are initiatives to seek MSQH accreditation, a much sought after health-care accreditation, strengthening our field support base from general practitioners, gaining access into new and hitherto untapped market segments, obtaining wider community participation in Sri Kota's community health programmes and tapping into the opportunities that the medical tourism market segment offers. These initiatives are complemented by Sri Kota's ability to meet both current and future needs of an informed market with available facilities and medical specialists to cater to patient needs, ranging


from internal medicine to fully-equipped operating theatres for treatments in the cardio-thoracic disciplines such as open-heart surgery, to endoscopic spine surgery, and palliative and brachy cancer treatment.

Building on Sri Kota's unique competitive advantage as the only private hospital in Klang with tertiary health care status, SAB is committed to on-going initiatives to turnaround Sri Kota into a responsibly driven yet profitable concern and to position it as the premier stand-alone private medical centre where the community in Klang and the Klang Valley can have access to affordable 'world-class' healthcare. Our commitment includes ensuring that Sri Kota is equipped with 'state of the art' facilities and staffed with qualified and experienced medical professionals as well as eminent specialists.

In our view, the Government's support of the private health care sector, for example, its efforts to position Malaysia as a regional medical-tourism hub, higher income levels now enjoyed by Malaysians, along with the public's greater health awareness and demand for quality private health care; bodes well for our health care division in the years ahead.

## RISK MANAGEMENT

The importance of effective risk management has never been more urgent in light of the Group's exposure to foreign exchange risk which has resulted in significant losses both in FY2009 and in FY2010. Following my appointment as CEO, a key initiative has been to work with the Group Internal Audit Division to establish an appropriate 'risk management framework' and to initiate 'risk assessment review' for all companies within the SAB Group. In this regard, current Group-wide risk management practices are being evaluated in terms of our ability to identify, measure, mitigate, monitor and manage risks effectively. This is carried out with the clear objective of not only minimising any potential downside losses through human error or oversight but with the aim to develop a framework for proactive intelligent risk-taking that would enhance upside business potential.

Management and staff at all levels are actively encouraged to embrace a culture of risk awareness and to recognise the role of risk management as a tool to facilitate a more objective and balanced decision making. It is our stated aim that our risk management practice will mature into an effective device in supporting the Group through turbulent times, especially given the current uncertainty of global economic recovery. Efforts to improvise on work carried out in FY2010 will continue into the current year.

## STRATEGIC OUTLOOK

As expected, some segment of the global oleochemical market enjoyed a small measure of recovery from the depths of the recession during FY2009 and FY2010 although the markets in general are still not back to their pre-recession levels. A slow recovery was seen in the second half of calendar year 2009 while profitability for fatty acids and glycerine suffered from market duress in terms of margins.

The outlook for the global oleochemical market will no doubt be affected by the pace of global economic recovery (or slowdown) in the current financial year. Our marketing team has been able to respond appropriately to weakness in the EU and the US markets for our fatty acids and glycerine, and has effectively 'cushioned' the adverse impact of the lack-lustre demand from these markets by directing production capacity during FY 2010 to markets in Asia.

Notwithstanding the uncertainty in the prospect for a more resilient global economic recovery, the demand from the consumer sector, in particular; the personal care and pharmaceutical segments of the oleochemical market, is expected to be able to support demand for fatty acids and glycerine in Asia. Our oleochemical division, however, is expected to keep our order books full whilst maintaining a healthy margin. Management resourcefulness to 'hold the fort' will indeed be put to the test.

The market scenario for glycerine, which experienced a supply overhang last year, may look forward to a gradual recovery in the foreseeable future; with potential new demand for glycerine coming on-stream from new uses such as the manufacture of glycerine-based chemicals and the growing environmental push to replace petrochemical with green alternatives.

Outlook for our plantation division is expected to be positive in the coming year which will benefit from the higher prevailing CPO prices during 2010-2011. CPO prices are however affected by a host of causal factors, i.e. the weather impact from La Nina which, if prolonged, could translate into supply shortfalls resulting in production and harvesting setbacks, inventory levels and expectations of soybean harvest in the U.S., Argentina, etc. Notwithstanding the influence of these factors, the global demand and supply balance, particularly is expected to support the palm oil market, and will bring about stability in CPO prices in the medium to longer term.

Given this outlook, the Group's strategic imperative remain unchanged i.e. to strive for maximisation of margins in all our business units and to focus on cost efficiencies across all our operations, in particular, the oleochemical and plantation divisions.

Our stated longer term strategy in respect of our Oleochemical Divisions would be to invest in new plant capacity to keep pace with customer needs and anticipated growth in our chosen market space. Our plantation division will see greater resources being invested in our planted acreages to maximise our harvest yields and productivity. Opportunities to increase our plantation land-banks will be seized upon as part of our stated long-term strategy to invest further upstream in a sector which has yielded good returns for our shareholders.

Thank you.

**Leong Kian Ming**
Group Chief Executive Officer

September 20, 2010.

# sustainability

As a long-term player, we will continue to nurture our growth – both organic and strategic – by strengthening our foundation in order to remain efficient, competitive and relevant to markets that we serve.

# AUDIT COMMITTEE
# R E P O R T

## 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 year ended April 30, 2010.

### 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 year are as follows:

| Committee Member | Number of meetings attended during the financial year as a member of the Committee |
|---|---|
| Tuan Haji Mohd Hisham bin Harun - Chairman<br>Independent Non-Executive Director | 5 of 5 |
| Mr. Sukhinderjit Singh Muker<br>Independent Non-Executive Director | 4 of 5 |
| Madam Leong So Seh<br>Independent Non-Executive Director<br>Appointed as a member effective April 30, 2010 | Not Applicable |
| Mr. Yap Soon Nam<br>Independent Non-Executive Director<br>Resigned as a member effective April 30, 2010 | 5 of 5 |
| Dato' Mohd Yusoff bin Haji Amin<br>Independent Non-Executive Director<br>Resigned as a member effective July 7, 2010 | 4 of 5 |

**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.
- In the event a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

**Terms of Reference**

During the financial year, 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.

- To report promptly to the Bursa Malaysia Securities Berhad where the Committee is of the view that a matter reported by it to the Board 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.

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

- The Company Secretary shall act as the Secretary of the Committee.

### Authority

The Committee is authorised by the Board and shall:

- have authority to investigate any matter within its terms of reference.

- have the resources which are required to perform its duties.

- have full and unrestricted access to any information pertaining to the Group.

- have direct communication channels with the external auditors and the internal auditors.

- be able to obtain independent professional or other advice as necessary.

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

# AUDIT COMMITTEE
## R E P O R T

**Summary of Activities during the Financial Year**

During the financial year ended April 30, 2010, the Audit Committee held five (5) meetings.

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

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

**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.
- The cost incurred for the internal audit function in respect of the financial year is RM232,754.

# 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 year ended April 30, 2010, the Board met a total of twenty two (22) times. The frequency of Board meetings was due to the Board having to address numerous issues in respect of Bursa Malaysia Securities Berhad's queries, legal cases faced by the Company and giving directions to management concerning critical issues affecting the Company and its operating subsidiaries.

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

| Directors | Attendance |
|---|---|
| Dato' Low Boon Eng | 21/22 |
| Dato' Mohd Yusoff bin Haji Amin | 22/22 |
| Tuan Haji Mohd Hisham bin Harun | 22/22 |
| Lim Kim Long | 22/22 |
| Sukhinderjit Singh Muker | 13/22 |
| Leong So Seh | 18/22 |
| Yap Soon Nam (resigned on May 1, 2010) | 21/22 |

#### 1.1 Board Composition

- The Board currently has six (6) members comprising:
  - One (1) 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 12 to 14 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.

- 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.

- 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 year are:

– Leong So Seh
  Chairman, Independent Non-Executive Director
– Lim Kim Long
  Member, Non-Independent Executive Director
– Tuan Haji 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 year are set out separately in the Audit Committee Report on pages 30 to 32 of this Annual Report.

### (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 year are:

– Tuan Haji Mohd Hisham bin Harun
  Chairman, Independent Non-Executive Director
  (appointed on July 7, 2010)
– Dato' Mohd Yusoff bin Haji Amin
  Chairman, Independent Non-Executive Director
  (ceased on July 7, 2010)

- Sukhinderjit Singh Muker
  Member, Independent Non-Executive Director
- Dato' Low Boon Eng
  Member, Non-Independent Non-Executive Director
  (appointed on July 7, 2010)
- Leong So Seh
  Member, Independent Non-Executive Director
  (appointed on 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 year are:

- Leong So Seh
  Chairman, Independent Non-Executive Director
  (appointed on July 7, 2010)
- Sukhinderjit Singh Muker
  Chairman, Independent Non-Executive Director
  (ceased on July 7, 2010)
- Dato' Mohd Yusoff bin Haji Amin
  Member, Independent Non-Executive Director
- Tuan Haji Mohd Hisham bin Harun
  Member, Independent Non-Executive Director
  (appointed on July 7, 2010)
- Yap Soon Nam
  Member, Independent Non-Executive Director
  (resigned on May 1, 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.

During the year, the Directors have attended the following seminars, conferences and training programmes:

| | | |
|---|---|---|
| 1. Dato' Low Boon Eng | Governance & Ethical Practices in the Boardroom | July 19 & 20, 2010 |
| 2. Tuan Haji Mohd Hisham bin Harun | 4th TH Corporate Directors Training Programme<br>Governance & Ethical Practices in the Boardroom | August 12 & 13, 2009<br>July 19 & 20, 2010 |
| 3. Lim Kim Long | Directors And Officers Face Higher Risk Under The Amended Companies Act, 1965<br>Governance & Ethical Practices in the Boardroom | July 5, 2010<br>July 19 & 20, 2010 |
| 4. Leong So Seh | Governance & Ethical Practices in the Boardroom | July 19 & 20, 2010 |

Dato' Mohd Yusoff bin Haji Amin and Mr. Sukhinderjit Singh Muker was unable to attend any training courses during the year due to travelling and other business commitments. They however, endeavour 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 individual Directors are required to abstain from discussion on their own remuneration and fees.

### 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 year, and categorised into appropriate components and bands are as follows:

| | **Directors' Fees RM** | **Salaries RM** | **Allowance RM** | **Total RM** |
|---|---|---|---|---|
| Executive Director | 30,000 | 115,431 | 20,000 | 165,431 |
| Non-Executive Directors | 180,890 | – | 138,400 | 319,290 |
| | **210,890** | **115,431** | **158,400** | **484,721** |

| **Remuneration Bands** | **No. of Directors** | | **Total** |
|---|---|---|---|
| | **Executive** | **Non-Executive** | |
| RM1 – RM50,000 | – | 3 | 3 |
| RM50,001 – RM100,000 | – | 3 | 3 |
| RM150,001 – 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 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 51 to 120 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;
(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 121 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 40 to 41 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**

Southern Acids (M) Berhad and its subsidiaries (the "Group") are 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 oleo-chemical plant operations which covers treatment of plant effluents and waste water, noise level management as well as environmental and emission standards.

- **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 were no share buyback during the financial year.

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

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

- **Imposition of Sanctions/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 year.

- **Non-Audit Fees**

  The Company did not pay the external auditors any non-audit fees during the financial year save for RM68,630 being tax advisory and consultancy fees.

- **Profit Guarantee**

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

- **Material Contracts**

  During the financial year, there were no material contracts on the 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 Eighth Annual General Meeting of the Company held on October 28, 2009, 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, 2009 and will continue until the conclusion of the forthcoming Twenty Ninth 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 25 to the financial statements on pages 93 to 98 of this Annual Report.

  At the forthcoming Twenty Ninth Annual General Meeting to be held on October 28, 2010, 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 October 5, 2010 enclosed together with this Annual Report.

# STATEMENT ON INTERNAL CONTROL

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

### INTRODUCTION

The Malaysian Code on Corporate Governance requires public listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the group's assets. In addition, the directors of a public listed company are also required by paragraph 15.26(b) of the main market listing requirements of Bursa Malaysia Securities Berhad to include in its annual report a "statement about the state of internal control of the listed issuer as a group."

### BOARD RESPONSIBILITY

The Board affirms its commitment to maintain a sound system of internal control and to provide reasonable assurance but not absolute assurance on the adequacy and the integrity of the internal control system to safeguard shareholders' investment and the Group's assets.

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

### RISK MANAGEMENT FRAMEWORK

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. It is for this reason that it continues 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 at the same time safeguarding and enhancing shareholder investment and the Group's assets.

The management is entrusted with the responsibility of implementing and maintaining the appropriate risk management framework to achieve the following objectives:

- Communicate the vision, role, direction and priorities to all employees and stakeholders;
- Identify, assess, and manage risks in an effective and efficient manner;
- Improve decision making, planning and prioritisation based on comprehensive understanding of the reward to risk balance; and
- Enable systematic risk review and reporting on key risks, existing control measures and any proposed action plans.

In pursuing the above objectives, the Group has;

- Adopted a structured and systematic risk assessment and reporting process;
- Heightened risk awareness culture in the business process;
- Fostered a culture of continuous improvement in risk management through audit, review processes and risk awareness sessions; and
- Produced a risk profile with significance rating to each risk as a tool for prioritising risk treatment efforts.

As an ongoing process, the Audit Committee continuously focus on the review of risk profile, significant risks as well as the action plans for the Group. The Internal Audit Department ("IAD") has conducted risk awareness program and management meetings with operating business units to review their key risks, controls and action plans.

The Board considers that the risk management framework is robust, but will still subject the framework to continuous improvement, 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 organisation structure for the operating units with defined reporting lines and responsibilities to the Board level to ensure accountabilities for risk management and control activities.

- The delegation of responsibilities to the Board Committees and the management as well as the delineation of their respective authority limits have been defined in the Group Policies and Authorities ("GPA"). Procedures are established to provide sufficient guidelines for proper management and operations of the Group operating units. These policies, limits of authority and procedures are monitored by the IAD.

- 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 Audit Committee also reviews reports from IAD on internal control, to help ensure the adequacy and integrity of the internal control of the Group.

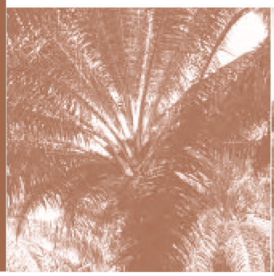
- The IAD provides assurance of the effectiveness of the system of internal control within the Group. IAD reports functionally to the Audit Committee and administratively to the Group Chief Executive Officer. Internal audit efforts are directed towards area with significant risks as identified by Management and the risk management process. Regular internal audit review on the adequacy and effectiveness of the internal control procedures, assurance on the management of risk and governance processes is carried out based on the Internal Audit Annual Plan.

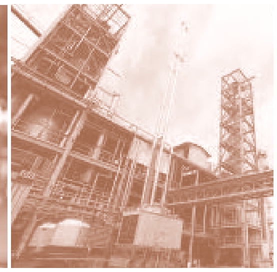
## CONCLUSION

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 20, 2010.

# FINANCIAL **STATEMENTS**



# DIRECTORS' REPORT

The directors of SOUTHERN ACIDS (M) BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended April 30, 2010.

## 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 17 to the Financial Statements.

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

## RESULTS OF OPERATIONS

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

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| **Profit before tax** | 30,721 | 779 |
| **Income tax (expense)/credit** | (10,450) | 88 |
| **Profit for the year** | 20,271 | 867 |
| **Attributable to:** | | |
| **Equity holders of the Company** | 11,644 | 867 |
| **Minority interests** | 8,627 | – |
| | 20,271 | 867 |

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

## DIVIDENDS

A final dividend of 5%, tax exempt, per ordinary share of RM1.00 each, amounting to RM6,846,707 proposed in the previous financial year and dealt with in the previous directors' report was paid by the Company on November 26, 2009.

The directors propose a final dividend (tax exempt) of 6% per ordinary share of RM1.00 each amounting to RM8,216,048 in respect of the current financial year on the issued and paid up ordinary shares of the Company. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

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

## SHARE OPTIONS

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

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

## OTHER STATUTORY INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

(a) which would render the amount written off 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.

## OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due except as mentioned in Note 38 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 year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the 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:

Dato' Low Boon Eng, DPMS, JP
Dato' Mohd. Yusoff bin Haji Amin, SMS, PJK, JP
Tuan Haji Mohd Hisham Bin Harun
Lim Kim Long
Sukhinderjit Singh Muker
Leong So Seh
Yap Soon Nam (resigned on May 1, 2010)

In accordance with Articles 95 and 96 of the Company's Articles of Association, Dato' Low Boon Eng, DPMS, JP and Tuan Haji Mohd Hisham Bin Harun retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

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

| | Number of ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | As of 1.5.2009 | Bought | Sold | As of 30.4.2010 |
| **Shares in the Company** | | | | |
| **Registered in name of directors** | | | | |
| **Direct interest** | | | | |
| Dato' Low Boon Eng, DPMS, JP | 2,487 | – | – | 2,487 |
| Lim Kim Long | 49,276 | – | – | 49,276 |
| **Deemed interest** | | | | |
| Dato' Low Boon Eng, DPMS, JP* | 65,626,507 | – | – | 65,626,507 |
| Lim Kim Long** | 69,012,760 | – | – | 69,012,760 |

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

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

## DIRECTORS' BENEFITS

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

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

## AUDITORS

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

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

**DATO' LOW BOON ENG, DPMS, JP**

**LIM KIM LONG**

Klang
August 20, 2010

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

**Report on the Financial Statements**

We have audited the financial statements of **SOUTHERN ACIDS (M) BERHAD**, which comprise the balance sheets as of April 30, 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 51 to 120.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*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 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 and fair presentation of the financial statements 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 April 30, 2010 and of their financial performance and cash flows for the year then ended.

*Emphasis of Matter*

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

(a) As mentioned in Note 38(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 these numerous alleged questionable transactions. However, in May 2009, the said third party withdrew its involvement in the said investigation. The Company, in consultation with its legal counsel, intends to engage another third party to resume the abovementioned investigation into these allegations once the Company's application to the High Court to set aside the ex-parte order for the appointment of Interim Receivers and Managers to the Company is successful. The Group and the Company may be exposed to potential claims, the amount of which is not presently determinable, in the event that these allegations are proven.

Also, as mentioned in Note 38(a)(ii) to the Financial Statements, the directors are unable to ascertain, at this juncture, whether there would be any material impact on the Group and the Company arising from the abovesaid ex-parte order for the appointment of Interim Receivers and Managers.

(b) As mentioned in Note 38(a)(iii) to the Financial Statements, Southern Management (M) Sdn. Bhd. ("SMSB"), a subsidiary company, was served 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 retained solicitors to defend against the claim. The pending case court hearing has yet to be fixed.

Also, as mentioned in Note 38(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.

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

**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 17 to the Financial Statements, being accounts that have been included in the financial statements of the Group;

(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.

**DELOITTE KASSIMCHAN**
AF 0080
Chartered Accountants

**YEE YOON CHONG**
Partner – 1829/07/11 (J)
Chartered Accountant

Petaling Jaya
August 20, 2010

# INCOME STATEMENTS

## FOR THE YEAR ENDED APRIL 30, 2010

| | Note | The Group 2010 RM'000 | The Group 2009 RM'000 | The Company 2010 RM'000 | The Company 2009 RM'000 |
|---|---|---|---|---|---|
| Revenue | 5 | 453,200 | 441,955 | 311,717 | 316,530 |
| Investment revenue | 6 | 1,244 | 1,831 | 579 | 1,096 |
| Other operating income | 7 | 11,523 | 11,689 | 5,033 | 5,534 |
| Changes in inventories of finished goods and work-in-progress | | (3,744) | (15,310) | – | – |
| Raw materials and consumables used | | (278,166) | (297,656) | – | – |
| Purchase of trading merchandise | | (285) | – | (310,088) | (314,883) |
| Share in profit of associated company | | – | 1 | – | – |
| Depreciation of property, plant and equipment | 13 | (11,790) | (12,374) | (127) | (23) |
| Amortisation of biological assets | 15 | (752) | (691) | – | – |
| Amortisation of prepaid lease payments | 16 | (122) | (119) | – | – |
| Directors' remuneration | 8 | (1,332) | (1,855) | (369) | (782) |
| Staff costs | 7 | (34,798) | (30,845) | (2,654) | (642) |
| Other operating expenses | 7 | (104,107) | (91,583) | (3,312) | (4,306) |
| Finance costs | 9 | (150) | (722) | – | – |
| **Profit before tax** | | 30,721 | 4,321 | 779 | 2,524 |
| Income tax (expense)/credit | 10 | (10,450) | (3,397) | 88 | (260) |
| **Profit for the year** | | 20,271 | 924 | 867 | 2,264 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | 11,644 | (3,919) | 867 | 2,264 |
| Minority interests | | 8,627 | 4,843 | – | – |
| | | 20,271 | 924 | 867 | 2,264 |
| **Earnings/(Loss) per share (sen) attributable to equity holders of the Company** | | | | | |
| Basic and diluted | 11 | 8.50 | (2.86) | | |

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

# BALANCE SHEETS
## AS AT APRIL 30, 2010

| | Note(s) | The Group 2010 RM'000 | The Group 2009 RM'000 | The Company 2010 RM'000 | The Company 2009 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Land held for property development | 12 | 141,260 | 141,213 | – | – |
| Property, plant and equipment | 13 | 85,336 | 85,178 | 5,651 | 147 |
| Investment property | 14 | 3,318 | 3,318 | – | – |
| Biological assets | 15 | 11,685 | 11,656 | – | – |
| Prepaid lease payments | 16 | 5,812 | 5,840 | – | – |
| Investment in subsidiary companies | 17 | – | – | 44,073 | 44,574 |
| Investment in associated company | 18 | – | – | – | – |
| Other investments | 19 | 20,602 | 17,094 | 20,602 | 17,094 |
| Advances for Plasma PIR-TRANS projects | 20 | 2,008 | 3,039 | – | – |
| Advances for KKPA projects | 21 | 1,201 | 1,171 | – | – |
| Deferred tax assets | 22 | 8,815 | 9,440 | 1,157 | 510 |
| | | 280,037 | 277,949 | 71,483 | 62,325 |
| **Current Assets** | | | | | |
| Inventories | 23 | 58,534 | 54,607 | – | – |
| Trade receivables | 24 & 25 | 40,396 | 28,582 | 32,730 | 22,700 |
| Other receivables, deposits and prepaid expenses | 24 & 25 | 1,763 | 1,952 | 437 | 232 |
| Tax recoverable | | 1,245 | 266 | 13 | 229 |
| Amount owing by subsidiary companies | 25 | – | – | 208,844 | 210,762 |
| Fixed deposits, short-term placements, and cash and bank balances | 26 | 69,371 | 74,890 | 29,718 | 48,360 |
| | | 171,309 | 160,297 | 271,742 | 282,283 |
| **TOTAL ASSETS** | | 451,346 | 438,246 | 343,225 | 344,608 |

# BALANCE SHEETS
AS AT APRIL 30, 2010

| | Note(s) | The Group 2010 RM'000 | The Group 2009 RM'000 | The Company 2010 RM'000 | The Company 2009 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 27 | 136,934 | 136,934 | 136,934 | 136,934 |
| Reserves | 28 | 237,627 | 231,018 | 77,422 | 83,402 |
| Equity attributable to equity holders of the Company | | 374,561 | 367,952 | 214,356 | 220,336 |
| Minority interests | | 23,877 | 16,893 | – | – |
| **TOTAL EQUITY** | | 398,438 | 384,845 | 214,356 | 220,336 |
| **Non-Current Liabilities** | | | | | |
| Term loan | 29 | – | 143 | – | – |
| Hire-purchase obligation - non-current portion | 30 | – | 6 | – | – |
| Provision for retirement benefits | 31 | 4,354 | 3,105 | 994 | 141 |
| Deferred tax liabilities | 22 | 55 | 91 | – | – |
| | | 4,409 | 3,345 | 994 | 141 |
| **Current Liabilities** | | | | | |
| Trade payables | 25 & 32 | 25,846 | 23,324 | – | – |
| Other payables and accrued expenses | 25 & 32 | 19,322 | 18,965 | 4,938 | 3,830 |
| Amount owing to subsidiary companies | 25 | – | – | 122,816 | 120,180 |
| Bank borrowings | 33 | – | 6,203 | – | – |
| Hire-purchase obligation - current portion | 30 | 6 | 22 | – | – |
| Tax liabilities | | 3,204 | 1,421 | – | – |
| Dividend payable | | 121 | 121 | 121 | 121 |
| | | 48,499 | 50,056 | 127,875 | 124,131 |
| **TOTAL LIABILITIES** | | 52,908 | 53,401 | 128,869 | 124,272 |
| **TOTAL EQUITY AND LIABILITIES** | | 451,346 | 438,246 | 343,225 | 344,608 |

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE 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, 2008** | | 136,934 | 34,321 | (925) | 212,933 | 383,263 | 12,397 | 395,660 |
| Net loss recognised directly in equity – Translation adjustment for the year | | – | – | (437) | – | (437) | (347) | (784) |
| Profit for the year | | – | – | – | (3,919) | (3,919) | 4,843 | 924 |
| Total recognised income and expense | | – | – | (437) | (3,919) | (4,356) | 4,496 | 140 |
| Dividend | 35 | – | – | – | (10,955) | (10,955) | – | (10,955) |
| **As of April 30, 2009** | | 136,934 | 34,321 | (1,362) | 198,059 | 367,952 | 16,893 | 384,845 |
| **As of May 1, 2009** | | 136,934 | 34,321 | (1,362) | 198,059 | 367,952 | 16,893 | 384,845 |
| Net profit recognised directly in equity – Translation adjustment for the year | | – | – | 1,812 | – | 1,812 | 1,590 | 3,402 |
| Profit for the year | | – | – | – | 11,644 | 11,644 | 8,627 | 20,271 |
| Total recognised income and expense | | – | – | 1,812 | 11,644 | 13,456 | 10,217 | 23,673 |
| Dividend | 35 | – | – | – | (6,847) | (6,847) | – | (6,847) |
| Dividend paid to minority shareholder 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 YEAR ENDED APRIL 30, 2010

| The Company | Note | Share capital RM'000 | Non-distributable reserve – Share premium RM'000 | Distributable reserve – Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| **As of May 1, 2008** | | 136,934 | 34,321 | 57,772 | 229,027 |
| Total recognised income and expense | | | | | |
| – profit for the year | | – | – | 2,264 | 2,264 |
| Dividend | 35 | – | – | (10,955) | (10,955) |
| **As of April 30, 2009** | | 136,934 | 34,321 | 49,081 | 220,336 |
| **As of May 1, 2009** | | 136,934 | 34,321 | 49,081 | 220,336 |
| Total recognised income and expense | | | | | |
| – profit for the year | | – | – | 867 | 867 |
| Dividend | 35 | – | – | (6,847) | (6,847) |
| **As of April 30, 2010** | | 136,934 | 34,321 | 43,101 | 214,356 |

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

# CASH FLOW STATEMENTS
## FOR THE YEAR ENDED APRIL 30, 2010

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | | |
| Profit before tax | 30,721 | 4,321 | 779 | 2,524 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 11,790 | 12,374 | 127 | 23 |
| Provision for retirement benefits | 1,334 | 430 | 853 | 16 |
| Advances for Plasma PIR-TRANS projects written off | 1,154 | – | – | – |
| Amortisation of: | | | | |
| Biological assets | 752 | 691 | – | – |
| Prepaid lease payments | 122 | 119 | – | – |
| Inventories written down | 511 | 340 | – | – |
| Allowance for doubtful debts | 590 | 130 | 911 | – |
| Unrealised loss on foreign exchange | 384 | 1,951 | 384 | 1,951 |
| Loss/(Gain) on disposal of: | | | | |
| Unquoted shares | 3 | – | 3 | – |
| Quoted shares | (3) | (5,534) | (3) | (5,534) |
| Finance costs | 150 | 722 | – | – |
| Bad debts written off: | | | | |
| Trade receivables | 24 | 8 | – | – |
| Other receivables | 75 | – | – | – |
| Allowance for diminution in value of quoted shares no longer required | (3,526) | – | (3,526) | – |
| Waiver of debts by other creditors | (2,386) | (4,043) | – | – |
| Dividend income | (1,629) | (1,646) | (1,629) | (1,646) |
| Interest income | (1,244) | (1,831) | (579) | (1,096) |
| Allowance for losses on conversion of Plasma PIR-TRANS projects no longer required | (154) | (71) | – | – |
| Gain on disposal of property, plant and equipment | (50) | (359) | – | – |
| Allowance for diminution in value of quoted shares | – | 831 | – | 831 |
| Allowance for losses on conversion of KKPA projects | – | 400 | – | – |
| Property, plant and equipment written off | – | 26 | – | – |
| Share in profit of associated company | – | (1) | – | – |
| Allowance for impairment loss on investment in subsidiary companies | – | – | 501 | – |

# CASH FLOW STATEMENTS
## FOR THE YEAR ENDED APRIL 30, 2010

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Operating Profit/(Loss) Before Working Capital Changes | 38,618 | 8,858 | (2,179) | (2,931) |
| (Increase)/Decrease in: | | | | |
| Inventories | (4,438) | 20,039 | – | – |
| Trade receivables | (12,994) | 22,366 | (10,631) | 12,590 |
| Other receivables, deposits and prepaid expenses | 287 | 1,742 | 3 | (75) |
| Increase/(Decrease) in: | | | | |
| Trade payables | 2,522 | 1,148 | – | – |
| Other payables and accrued expenses | 2,752 | 464 | 1,117 | (243) |
| Amount owing to subsidiary companies | – | – | 2,636 | 12,336 |
| Cash Generated From/(Used In) Operations | 26,747 | 54,617 | (9,054) | 21,677 |
| Interest received | 1,244 | 1,831 | 579 | 1,096 |
| Finance costs paid | (150) | (722) | – | – |
| Income tax paid | (8,714) | (10,128) | – | (82) |
| Income tax refund | 24 | – | 24 | – |
| Retirement benefits paid | (116) | (736) | – | – |
| Net Cash From/(Used In) Operating Activities | 19,035 | 44,862 | (8,451) | 22,691 |
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | | |
| Dividends received | 1,262 | 1,236 | 1,262 | 1,236 |
| Net conversion/(advances) for: | | | | |
| Plasma PIR-TRANS projects | 167 | (929) | – | – |
| KKPA projects | 64 | (415) | – | – |
| Proceeds from disposal of property, plant and equipment | 65 | 684 | – | – |
| Proceeds from disposal of: | | | | |
| Quoted shares | 15 | 12,298 | 15 | 12,298 |
| Unquoted shares | 5 | – | 5 | – |
| Additions to development costs (Note 12) | (47) | (1,571) | – | – |
| Additions to property, plant and equipment (Note 13) | (11,095) | (13,665) | (5,631) | (112) |
| (Additions to)/Reversal of biological assets | (81) | 78 | – | – |
| Additions to investment in quoted shares | (2) | (10) | (2) | (10) |
| Net Cash (Used In)/From Investing Activities | (9,647) | (2,294) | (4,351) | 13,412 |

# CASH FLOW STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2010

| | Note | The Group 2010 RM'000 | The Group 2009 RM'000 | The Company 2010 RM'000 | The Company 2009 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | | | |
| Dividend paid | | (10,080) | (10,955) | (6,847) | (10,955) |
| Repayment of: | | | | | |
| Revolving credit | | (3,581) | (299) | – | – |
| Term loan | | (2,765) | (2,264) | – | – |
| Hire-purchase obligation | | (22) | (22) | – | – |
| Advances from subsidiary companies | | – | – | 1,007 | 4,534 |
| Net Cash Used In Financing Activities | | (16,448) | (13,540) | (5,840) | (6,421) |
| **NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS** | | (7,060) | 29,028 | (18,642) | 29,682 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | 74,890 | 46,354 | 48,360 | 18,820 |
| **EFFECT OF EXCHANGE RATE DIFFERENCES** | | – | (142) | – | (142) |
| **EFFECT OF TRANSLATION DIFFERENCES** | | 1,541 | (350) | – | – |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 34 | 69,371 | 74,890 | 29,718 | 48,360 |

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 shown in Note 17.

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

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 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 August 20, 2010.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

**FRSs and IC Interpretations issued but not yet effective**

At the date of authorisation for issue of these financial statements, the FRSs, Issues Committee Interpretations ("IC Interpretation") and amendments to FRSs and IC Interpretation which were issued but not yet effective until future periods are as listed below:

| | |
|---|---|
| FRS 1 | First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)[2] |
| FRS 1 | First-time Adoption of Financial Reporting Standards (Revised in 2010)[3] |
| FRS 1 | First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS Disclosures for First-time Adopters)[4] |
| FRS 2 | Share-based Payment (Amendments relating to vesting conditions and cancellations)[2] |
| FRS 2 | Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)[3] |
| FRS 3 | Business Combinations (Revised in 2010)[3] |
| FRS 4 | Insurance Contracts[2] |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary)[3] |

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

| | |
|---|---|
| FRS 7 | Financial Instruments: Disclosures[2] |
| FRS 7 | Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets – effective date and transition)[2] |
| FRS 7 | Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)[4] |
| FRS 8 | Operating Segments[1] |
| FRS 101 | Presentation of Financial Statements (Revised in 2009)[2] |
| FRS 123 | Borrowing Costs (Revised)[2] |
| FRS 127 | Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)[2] |
| FRS 127 | Consolidated and Separate Financial Statements (Revised in 2010)[3] |
| FRS 132 | Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation)[2] |
| FRS 132 | Financial Instruments: Presentation (Amendments relating to classification of rights issue)[5] |
| FRS 138 | Intangible Assets (Amendments relating to additional consequential amendments arising from FRS 3)[3] |
| FRS 139 | Financial Instruments: Recognition and Measurement[2] |
| 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)[2] |
| Improvements to FRSs (2009)[2] | |
| IC Interpretation 9 | Reassessment of Embedded Derivatives[2] |
| IC Interpretation 9 | Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives)[2] |
| IC Interpretation 9 | Reassessment of Embedded Derivatives (Amendments relating to scope of IC Interpretation 9 and revised FRS 3)[3] |
| IC Interpretation 10 | Interim Financial Reporting and Impairment[2] |
| IC Interpretation 11 | FRS 2 – Group and Treasury Share Transactions[2] |
| IC Interpretation 12 | Service Concession Arrangements[3] |
| IC Interpretation 13 | Customer Loyalty Programmes[2] |
| IC Interpretation 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[2] |
| IC Interpretation 15 | Agreements for the Construction of Real Estate[3] |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation[3] |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners[3] |

1 Effective for annual periods beginning on or after July 1, 2009
2 Effective for annual periods beginning on or after January 1, 2010
3 Effective for annual periods beginning on or after July 1, 2010
4 Effective for annual periods beginning on or after January 1, 2011
5 Effective for annual periods beginning on or after March 1, 2010

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

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

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

FRS 3: Business Combinations (Revised in 2010)

The revised FRS 3:

- allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interests') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;
- changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in income statements;
- requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and
- requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in income statements as incurred, whereas previously they were accounted for as part of the cost of the business combination.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

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 the financial instruments, and the objectives, policies and processes for managing capital. By virtue of exemption in paragraph 44AB of FRS 7, the impact on the financial statements upon initial application of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

FRS 7: Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)

The amendments to FRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

FRS 8: Operating Segments

FRS 8, which replaces FRS $114_{2004}$ Segment Reporting, requires the identification of operating segments based on the internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess its performance.

Currently, the Group identifies two sets of segments (business and geographical) using a risks-and-rewards approach, with the Group's system of internal financial reporting as disclosed in Note 36.

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

FRS 101: Presentation of Financial Statements (Revised in 2009)

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. 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.

FRS 127: Consolidated and Separate Financial Statements (Revised in 2010)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries 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 subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in the income statements.

Under FRS 127 (Revised in 2010), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or income statements. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (Revised in 2010) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in the income statements.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

FRS 139: Financial Instruments: Recognition and Measurement

This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. By virtue of the exemption in paragraph 103AB of FRS 139, the impact on the financial statements upon initial application of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

IC Interpretation 15: Agreements for the Construction of Real Estate

IC Int. 15 Agreements for the Construction of Real Estate addresses how entities should determine whether an agreement for the construction of real estate is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue and when revenue from the construction of real estate should be recognised. Under IC Int. 15, an agreement for the construction of real estate is a construction contract within the scope of FRS 111 only when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress (whether it exercises that ability or not). If the buyer has that ability, FRS 111 applies. If the buyer does not have that ability, FRS 118 applies.

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

IC Interpretation 15: Agreements for the Construction of Real Estate (cont'd)

Presently, the agreements for the construction of real estate of the Group are accounted for in accordance with FRS $201_{2004}$ Property Development Activities whereby revenue is recognised using the percentage of completion method as construction of real estate progresses. Upon the adoption of IC Int. 15, the Group will review the nature of its agreements for the construction of real estate and will generally account for these agreements in accordance with FRS 118 as FRS $201_{2004}$ would by then have been withdrawn. It is likely that revenue from many of these agreements will be recognised at a single time – at completion upon or after delivery of the real estate. The agreements affected will be mainly those that do not meet the definition of a construction contract as interpreted by IC Int. 15 and do not transfer to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses.

The directors are of the view that the impact of the eventual application of this Interpretation is not known or reasonably estimable presently.

Improvements to FRSs (2009)

Improvements to FRSs (2009) contain amendments to 21 FRSs. Some of the improvements involve accounting changes to presentation, recognition or measurement whilst some are changes to terminology with little effect on accounting. Only the following improvement is expected to have an impact on the Group's financial statements.

- FRS 117 Leases generally requires leases of land with an indefinite useful life to be classified as operating leases. Following the amendments, leases of land are classified as either 'finance' or 'operating' using the general principles of FRS 117. These amendments are effective for annual periods beginning on or after January 1, 2010, and they are to be applied retrospectively to unexpired leases as of January 1, 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on January 1, 2010 (i.e. the date of adoption of the amendments) and the Group will recognise assets and liabilities relating to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognised in retained earnings. It is likely that the changes will affect the classification of some of the Group's leases of land.

## 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 consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group as shown in Note 17 made up to the end of the financial year. 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.

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

**Basis of Consolidation (cont'd)**

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiary companies acquired or disposed of during the year 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's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary company's equity are allocated against the interests of the Group except to the extent that the minority 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.

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.

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

### Revenue (cont'd)

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.

### 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 consolidated financial statements.

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 on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 the income statements for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statements 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 consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. 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 the income statements in the year in which the foreign operation is disposed of.

### Employee Benefits

(i) Short-term employee benefits

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

(ii) Post employment benefits

(a) Defined contribution plans

The Group and the Company contribute to Employees Provident Fund ("EPF"), the national defined contribution plan. The contributions are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. The contributions to EPF are included under staff costs in Note 7.

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

### Employee Benefits (cont'd)

(ii) Post employment benefits (cont'd)

(b) Defined benefit plans

i) Malaysia

The Company and a subsidiary company operate an unfunded defined benefit plans for eligible unionised and non-unionised employees who having completed a minimum of 5 and 10 years of service respectively. During the financial year, the Company revised its retirement benefits provision from a valuation method based on certain percentage of the basic salary and the length of service of all eligible employees to an actuarial valuation method, the Projected Unit Credit Method. Adjustment to the provision was made prospectively as the costs pertaining to prior periods could not be fairly determined.

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, and the Projected Unit Credit Method.

Under the Projected Unit Credit Method, the cost of providing the retirement benefits is charged to the income statements so as to spread the cost over the service life of the employees. The actuarial gains or losses is recognised as income or expense if the net cumulative unrecognised actuarial gains or losses at the balance sheet date 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 is amortised over the expected average remaining future service lives of the employees which is estimated as 13 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 year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided for, using the "balance sheet liability" method, on temporary differences at the balance sheet date 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, unutilised 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, unutilised tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

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 this 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:

| | |
|---|---|
| Freehold office | 2% |
| Factory buildings | 2% |
| Palm oil mills | 3.33% |
| Hospital building | 2% – 10% |
| Medical equipment | 10% |
| Plant, machinery, equipment and electrical installation | 7.5% – 50% |
| Motor vehicles | 20% – 25% |
| Office equipment, furniture and fittings | 10% –25% |
| Leasehold warehouse cum office block | 43.26% |
| Staff quarter cum office block | 5% – 10% |
| Freehold warehouse | 2% |
| Land improvements | 5% |
| Renovation | 10% |

At each balance sheet date, 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 the income statements.

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

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

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

### Prepaid Lease Payments

The upfront payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over lease term of 91 years.

In respect of the subsidiary companies in Indonesia, prepaid lease payments include deferred land rights which represent the costs associated with the legal transfer or renewal of land titles, including legal fees, area survey and land re-measurement fees, notarial fees, taxes and other expenses. These costs are deferred and amortised using the straight-line method over the legal terms of the related land rights of 30 to 35 years.

### 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.

### Investment in Associated Company

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

Investment in associated company is stated at cost less any impairment losses in the Company's financial statements. The Group's investment in associated company is accounted for under the equity method of accounting based on the management financial statements of the associated company made up to the end of the financial year. Under this method of accounting, the Group's interest in the post-acquisition profit and reserves of the associated company is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet. Losses of an associated company in excess of the Group's interest in that associated company (which includes any long-term interests that, in substance, form part of the Group's net investment in the associated company) are not recognised unless the Group has incurred legal or constructive obligations or made payments on behalf of the associated company. The carrying amount of such investment is reduced to recognise any impairment in the value of the investment.

Unrealised profits and losses arising on transactions between the Group and its associated company are eliminated to the extent of the Group's equity interest in the associated company.

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

### Other Investments

Investments in quoted and unquoted shares are stated at cost less impairment losses.

### Impairment of Assets

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

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 the income statements.

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 the income statements.

### 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 20, 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 KKPA ("Kredit Koperasi Primer untuk Anggotanya") projects in respect of another subsidiary company in Indonesia, as further explained in Note 21, represent the accumulated costs to develop plasma plantations measuring 470 (2009: 470) hectares out of total land required to be developed of 500 (2009: 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 each balance sheet date 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 the income statements.

### Inventories

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

The costs of raw materials, medical and surgical supplies, spare parts and other supplies comprise the original purchase price plus the costs of bringing these inventories to their present location and condition. The costs of 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.

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

### Receivables

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

### Payables

Trade and other payables are stated at nominal value of the consideration to be paid in the future for goods and services received.

### 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 balance sheet date, 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 Assets

The Group's principal financial assets are fixed deposits, short-term placements, cash and bank balances, other investments, trade and other receivables, advances for Plasma PIR-TRANS projects, advances for KKPA projects and inter-company receivables.

### Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Financial liabilities include trade and other payables, bank borrowings, hire-purchase obligation, dividend payable and inter-company indebtedness.

Equity instruments are recorded at the proceeds received net of direct issue costs.

### Cash Flow Statements

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

Cash and cash equivalents comprise cash and bank balances, fixed deposits and short-term placements with licensed banks and short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change 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.

### (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 balance sheet date, 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 April 30, 2010, allowance for doubtful debts on receivables provided by the Group and the Company are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Amount owing by subsidiary companies | – | – | 911 | – |
| Trade receivables | 1,382 | 827 | – | – |
| Other receivables | 35 | – | – | – |
| | 1,417 | 827 | 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 April 30, 2010, allowance for losses on conversion of advances provided by the Group is as follows:

| | The Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Advances for Plasma PIR-TRANS projects | 822 | 870 |
| Advances for KKPA projects | 400 | 400 |
| | 1,222 | 1,270 |

## 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, unutilised 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, unutilised 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 April 30, 2010, the total carrying value of deferred tax assets recognised by the Group and the Company are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Deferred tax assets | 8,815 | 9,440 | 1,157 | 510 |

#### (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. During the financial year, the Company recognised impairment losses in respect of the following asset:

| | The Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Impairment losses on investment in subsidiary companies | 501 | – |

## 5. REVENUE

An analysis of revenue is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Manufacturing and marketing of oleochemical products | 310,387 | 316,446 | 310,088 | 314,884 |
| Sales of oil palm fruit and crude palm oil | 79,396 | 63,255 | – | – |
| Managing and operating of private hospital | 52,976 | 50,908 | – | – |
| Warehousing and bulk conveyor operations | 6,773 | 7,202 | – | – |
| Administrative services fee | 1,951 | 2,402 | – | – |
| Dividend income from quoted shares | 1,629 | 1,646 | 1,629 | 1,646 |
| Rental income | 88 | 96 | – | – |
| | 453,200 | 441,955 | 311,717 | 316,530 |

## 6. INVESTMENT REVENUE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Interest income on fixed deposits and short-term placements with licensed banks | 1,244 | 1,831 | 579 | 1,096 |

## 7. OTHER OPERATING INCOME/(EXPENSES) AND STAFF COSTS

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| 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 | 71 | – | – |
| Gain on disposal of property, plant and equipment | 50 | 359 | – | – |
| Rental income | 2,837 | 1,723 | – | – |
| Waiver of debts by other creditors | 2,386 | 4,043 | – | – |
| Advances for Plasma PIR-TRANS projects written off | (1,154) | – | – | – |
| Allowance for doubtful debts | (590) | (130) | (911) | – |
| Allowance for impairment loss on investment in subsidiary companies | – | – | (501) | – |
| Allowance for diminution in value of quoted shares | – | (831) | – | (831) |

## 7. OTHER OPERATING INCOME/(EXPENSES) AND STAFF COSTS (CONT'D)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Allowance for losses on conversion of KKPA projects | – | (400) | – | – |
| Bad debts written off: | | | | |
| Trade receivables | (24) | (8) | – | – |
| Other receivables | (75) | – | – | – |
| Fees paid/payable to external auditors: | | | | |
| Statutory audit: | | | | |
| Auditors of the Company | (176) | (120) | (55) | (50) |
| Other member firm of the auditors of the Company | (226) | (239) | (226) | (239) |
| Other auditors | (6) | (39) | – | – |
| Non audit services: | | | | |
| Auditors of the Company | (6) | (36) | (6) | (36) |
| Other member firm of the auditors of the Company | – | (294) | – | (236) |
| Other auditors | (5) | (5) | – | – |
| (Loss)/Gain on disposal of: | | | | |
| Unquoted shares | (3) | – | (3) | – |
| Quoted shares | 3 | 5,534 | 3 | 5,534 |
| (Loss)/Gain on foreign exchange: | | | | |
| Realised | (12,020) | (19,640) | 1,504 | – |
| Unrealised | (384) | (1,951) | (384) | (1,951) |
| Inventories written down | (511) | (340) | – | – |
| Lease rental of land | (376) | (376) | – | – |
| Provision for retirement benefits | (1,334) | (430) | (853) | (16) |
| Property, plant and equipment written off | – | (26) | – | – |
| Realised loss on conversion of Plasma PIR-TRANS projects | (123) | (109) | – | – |
| Rental of: | | | | |
| Land paid/payable to a related party (Note 25) | (420) | (67) | – | – |
| Storage tanks | (186) | (183) | – | – |
| Premises paid/payable to a related party (Note 25) | (72) | (145) | – | – |
| Staff quarter paid/payable to a related party (Note 25) | (50) | (50) | – | – |
| Equipment paid/payable to a related party (Note 25) | (28) | (9) | – | – |
| Premises paid/payable to third parties | (24) | (4) | – | – |
| Plant and machinery | (10) | (43) | – | – |
| Office equipment | (16) | (3) | – | – |

Staff costs 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 RM2,530,795 and RM176,240 (2009: RM2,538,140 and RM52,144) respectively.

## 8. DIRECTORS' REMUNERATION

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **Directors of the Company** | | | | |
| Executive directors: | | | | |
| Fees | 30 | 60 | 30 | 60 |
| Other emoluments | 20 | 73 | 20 | 73 |
| | 50 | 133 | 50 | 133 |
| Non-executive directors: | | | | |
| Fees | 181 | 181 | 181 | 181 |
| Other emoluments | 138 | 468 | 138 | 468 |
| | 319 | 649 | 319 | 649 |
| | 369 | 782 | 369 | 782 |
| **Directors of the Subsidiaries** | | | | |
| Fees | 96 | 97 | – | – |
| Other emoluments | 867 | 976 | – | – |
| | 963 | 1,073 | – | – |
| | 1,332 | 1,855 | 369 | 782 |

Contributions to EPF for the directors by the Group during the current financial year amounted to RM70,518 (2009: RM92,781).

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM8,800 (2009: RM6,175).

## 9. FINANCE COSTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Interest expense on: | | | | |
| Term loan | 45 | 264 | – | – |
| Revolving credit | 102 | 445 | – | – |
| Hire-purchase | 3 | 13 | – | – |
| | 150 | 722 | – | – |

## 10. INCOME TAX EXPENSE/(CREDIT)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Estimated tax payable: | | | | |
| Current | 9,663 | 6,551 | 367 | 205 |
| Underprovision in prior years | 198 | 485 | 192 | 531 |
| | 9,861 | 7,036 | 559 | 736 |
| Deferred tax (Note 22): | | | | |
| Current | 851 | (3,606) | (424) | (476) |
| Overprovision in prior years | (262) | (33) | (223) | – |
| | 589 | (3,639) | (647) | (476) |
| | 10,450 | 3,397 | (88) | 260 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Profit before tax | 30,721 | 4,321 | 779 | 2,524 |
| Tax at the applicable tax rate of 25% (2009: 25%) | 7,680 | 1,080 | 195 | 631 |
| Differential in tax rate in other jurisdiction | 691 | 787 | – | – |
| Tax effects of: | | | | |
| Non-deductible expenses | 2,335 | 1,140 | 670 | 484 |
| Non-taxable income | (1,570) | (1,472) | (922) | (1,386) |
| Deferred tax asset not recognised | 1,378 | 1,440 | – | – |
| Under/(Over)provision in prior years: | | | | |
| Current | 198 | 485 | 192 | 531 |
| Deferred tax | (262) | (33) | (223) | – |
| Effect of changes in tax rate | – | (30) | – | – |
| Income tax expense/(credit) | 10,450 | 3,397 | (88) | 260 |

The Company has tax-exempt income amounting to RM20,525,550 (2009: RM27,210,676) which, subject to agreement of the Inland Revenue Board, is available for distribution of its retained earnings as tax-exempt dividends.

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

A subsidiary company has tax-exempt accounts amounting to approximately RM173,890,000 (2009: 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 (2009: 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/(LOSS) PER SHARE

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

| | The Group | |
|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 |
| Profit/(Loss) for the year attributable to ordinary equity holders of the Company | 11,644 | (3,919) |

| | The Group | |
|---|---|---|
| | 2010 | 2009 |
| Number of ordinary shares in issue | 136,934,132 | 136,934,132 |
| Basic earnings/(loss) per share (sen) | 8.50 | (2.86) |

**Diluted:**
The basic and diluted earnings/(loss) 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, 2008 | 136,354 | 3,288 | 139,642 |
| Addition | – | 1,571 | 1,571 |
| As of April 30, 2009 | 136,354 | 4,859 | 141,213 |
| 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 |

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

## 13. PROPERTY, PLANT AND EQUIPMENT

| The Group | Cost | | | | | | |
|---|---|---|---|---|---|---|---|
| | As of May 1, 2008 RM'000 | Additions RM'000 | Disposals RM'000 | Write off RM'000 | Reclassification RM'000 | Effects of foreign exchange translation RM'000 | As of April 30, 2009 RM'000 |
| Freehold office | 4,950 | – | – | – | 200 | (4) | 5,146 |
| Factory buildings | 7,443 | 39 | (289) | – | – | – | 7,193 |
| Palm oil mills | 16,985 | – | – | – | 231 | (399) | 16,817 |
| Hospital building | 27,496 | 519 | – | – | – | – | 28,015 |
| Medical equipment | 38,931 | 7,113 | (5,168) | (31) | – | – | 40,845 |
| Plant, machinery, equipment and electrical installation | 108,883 | 4,338 | – | – | 926 | (86) | 114,061 |
| Motor vehicles | 4,260 | 518 | (301) | – | – | (23) | 4,454 |
| Office equipment, furniture and fittings | 17,283 | 673 | – | (8) | (79) | (10) | 17,859 |
| Leasehold warehouse cum office block | 5,930 | – | – | – | – | – | 5,930 |
| Staff quarter cum office block | 1,247 | 183 | – | – | (132) | (28) | 1,270 |
| Freehold warehouse | 2,310 | – | – | – | – | – | 2,310 |
| Land improvements | 6,065 | – | – | – | 30 | (143) | 5,952 |
| Construction in-progress: | | | | | | | |
| Plant and machinery | 3,992 | – | – | – | (847) | – | 3,145 |
| Building | 83 | 282 | – | – | (329) | (1) | 35 |
| Total | 245,858 | 13,665 | (5,758) | (39) | – | (694) | 253,032 |

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

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

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

| The Group | As of May 1, 2008 RM'000 | Charge for the year RM'000 | Disposals RM'000 | Write off RM'000 | Reclassification RM'000 | Effects of foreign exchange translation RM'000 | As of April 30, 2009 RM'000 |
|---|---|---|---|---|---|---|---|
| | Accumulated Depreciation | | | | | | |
| Freehold land | – | – | – | – | – | – | – |
| Factory buildings | 2,878 | 162 | – | – | (5) | – | 3,035 |
| Palm oil mills | 9,514 | 1,640 | – | – | – | (241) | 10,913 |
| Hospital building | 2,982 | 561 | – | – | – | – | 3,543 |
| Medical equipment | 31,086 | 4,395 | (4,909) | (10) | – | – | 30,562 |
| Plant, machinery, equipment and electrical installation | 90,844 | 3,158 | (265) | – | – | (44) | 93,693 |
| Motor vehicles | 3,242 | 348 | (259) | – | – | (16) | 3,315 |
| Office equipment, furniture and fittings | 13,245 | 1,641 | – | (3) | 5 | (6) | 14,882 |
| Leasehold warehouse cum office block | 5,887 | 21 | – | – | – | – | 5,908 |
| Staff quarter cum office block | 228 | 102 | – | – | – | (6) | 324 |
| Freehold warehouse | 447 | 46 | – | – | – | – | 493 |
| Land improvements | 911 | 300 | – | – | – | (25) | 1,186 |
| Construction in-progress: | | | | | | | |
| Plant and machinery | – | – | – | – | – | – | – |
| Building | – | – | – | – | – | – | – |
| Total | 161,264 | 12,374 | (5,433) | (13) | – | (338) | 167,854 |

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

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

| The Group | Net book value As of April 30, 2010 RM'000 | As of April 30, 2009 RM'000 |
|---|---|---|
| Freehold land | 5,158 | 5,146 |
| Freehold office | 3,593 | – |
| Factory buildings | 5,443 | 4,158 |
| Palm oil mills | 4,686 | 5,904 |
| Hospital building | 22,936 | 24,472 |
| Medical equipment | 7,588 | 10,283 |
| Plant, machinery, equipment and electrical installation | 22,696 | 20,368 |
| Motor vehicles | 1,555 | 1,139 |
| Office equipment, furniture and fittings | 2,651 | 2,977 |
| Leasehold warehouse cum office block | 15 | 22 |
| Staff quarter cum office block | 1,014 | 946 |
| Freehold warehouse | 1,774 | 1,817 |
| Land improvements | 4,747 | 4,766 |
| Construction in-progress: | | |
| Plant and machinery | 206 | 3,145 |
| Building | 349 | 35 |
| Renovation | 925 | – |
| Total | 85,336 | 85,178 |

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

| The Company | Freehold office RM'000 | Motor vehicle RM'000 | Office equipment, furniture and fittings RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of May 1, 2008 | – | 69 | – | – | 69 |
| Addition | – | 112 | – | – | 112 |
| As of April 30, 2009/May 1, 2009 | – | 181 | – | – | 181 |
| Additions | 3,593 | 538 | 575 | 925 | 5,631 |
| As of April 30, 2010 | 3,593 | 719 | 575 | 925 | 5,812 |
| **Accumulated depreciation** | | | | | |
| As of May 1, 2008 | – | 11 | – | – | 11 |
| Charge for the year | – | 23 | – | – | 23 |
| As of April 30, 2009/May 1, 2009 | – | 34 | – | – | 34 |
| Charge for the year | – | 116 | 11 | – | 127 |
| As of April 30, 2010 | – | 150 | 11 | – | 161 |
| **Net book value** | | | | | |
| As of April 30, 2010 | 3,593 | 569 | 564 | 925 | 5,651 |
| As of April 30, 2009 | – | 147 | – | – | 147 |

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

| | The Group 2010 RM'000 | 2009 RM'000 |
|---|---|---|
| Motor vehicle | 66 | 87 |

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

As of April 30, 2010, the title to several parcels of freehold land of a subsidiary company, Noble Interest Sdn. Bhd., with carrying value of RM4,950,000 (2009: RM4,950,000) have not been registered in the name of the said subsidiary company. During the financial year, the Company and its said subsidiary company filed a suit at the Kuala Lumpur High Court against the former directors or employees of the Company or its said subsidiary company, for the non-completion of the purchase of several parcels of the said land, as referred to in Note 40(b).

As of April 30, 2010, the freehold warehouse of a subsidiary company, PKE (Malaysia) Sdn. Berhad, with carrying value of RM1,773,803 (2009: RM1,817,072) is located on a parcel of third party's freehold land.

Included in property, plant and equipment of the Group are fully depreciated assets which are still in use, with cost amounting to RM134,957,534 (2009: RM89,784,677).

## 14. INVESTMENT PROPERTY

| | The Group | |
|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 |
| At cost | 3,318 | 3,318 |
| Fair value | 3,771 | 3,539 |

Investment property consists of a piece of freehold land in Kampung Jawa, Klang, which has been rented out to a third party.

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 year amounted to RM88,000 (2009: RM96,000). Direct operating expenses arising from the investment property during the year amounted to RM14,152 (2009: RM14,148).

## 15. BIOLOGICAL ASSETS

| | The Group 2010 RM'000 | 2009 RM'000 |
|---|---|---|
| **Cost** | | |
| At beginning of year | 15,703 | 16,158 |
| Additions | 81 | 131 |
| Reversal | – | (209) |
| Effects of foreign exchange translation | 939 | (377) |
| At end of year | 16,723 | 15,703 |
| **Accumulated Amortisation** | | |
| At beginning of year | 4,047 | 3,445 |
| Charge for the year | 752 | 691 |
| Effects of foreign exchange translation | 239 | (89) |
| At end of year | 5,038 | 4,047 |
| **Net book value** | 11,685 | 11,656 |

## 16. PREPAID LEASE PAYMENTS

| | The Group 2010 RM'000 | 2009 RM'000 |
|---|---|---|
| **Cost** | | |
| At beginning of year | 6,828 | 6,886 |
| Effects of foreign exchange translation | 146 | (58) |
| At end of year | 6,974 | 6,828 |
| **Accumulated Amortisation** | | |
| At beginning of year | 988 | 874 |
| Charge for the year | 122 | 119 |
| Effects of foreign exchange translation | 52 | (5) |
| At end of year | 1,162 | 988 |
| **Net book value** | 5,812 | 5,840 |

## 16. PREPAID LEASE PAYMENTS (CONT'D)

| | The Group 2010 RM'000 | The Group 2009 RM'000 |
|---|---|---|
| **Analysed as:** | | |
| Long-term leasehold land | 4,201 | 4,249 |
| Short-term leasehold land | 1,611 | 1,591 |
| | 5,812 | 5,840 |

As of April 30, 2010, the title to a parcel of long-term leasehold land of a subsidiary company, PKE (Malaysia) Sdn. Berhad., with carrying value of RM4,200,714 (2009: RM4,248,998) has not been registered in the name of the said subsidiary company pending the resolution over the payment of quit rent, the amount of which is disputed.

## 17. INVESTMENT IN SUBSIDIARY COMPANIES

| | The Company 2010 RM'000 | The Company 2009 RM'000 |
|---|---|---|
| Unquoted shares – at cost | 44,574 | 44,574 |
| Less: Accumulated impairment loss | (501) | – |
| Net | 44,073 | 44,574 |

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

| Direct Subsidiary Companies | Country of incorporation | Effective equity interest 2010 | Effective equity interest 2009 | Principal activities |
|---|---|---|---|---|
| Southern Management (M) Sdn. Bhd # | Malaysia | 100% | 100% | Provision of administrative and accounting services |
| 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. |

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

| Direct Subsidiary Companies | Country of incorporation | Effective equity interest 2010 | Effective equity interest 2009 | 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 |
| 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 financial statements of these subsidiary companies are 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 year. 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.

## 18. INVESTMENT IN ASSOCIATED COMPANY

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Unquoted shares – at cost | – | 30 | – | 30 |
| Add: Share of post-acquisition reserves | – | (22) | – | – |
| Less: Allowance for diminution in value | – | – | – | (23) |
| Reclassified as other investment | – | (8) | – | (7) |
| | – | – | – | – |

The summarised financial statements of the associated company is as follows:

| | The Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| **Assets and Liabilities** | | |
| Total assets | – | 39 |
| Total liabilities | – | (13) |
| Net assets | – | 26 |
| Group's share of net assets of associated company | – | 8 |
| **Income Statement** | | |
| Profit for the year | – | 1 |
| Group's share of profit for the year | – | 1 |

The associated company, which is incorporated in Malaysia, is as follows:

| Associated company | Country of incorporation | Effective equity interest 2010 | Effective equity interest 2009 | Principal activities |
|---|---|---|---|---|
| JWS Projects Sdn. Bhd. * | Malaysia | – | 30% | Investment holding |

* During the previous financial year, the Group's investment in associated company was accounted for under the equity method of accounting based on the management financial statements of the associated company made up to March 24, 2009 as JWS Projects Sdn. Bhd. was in the process of liquidation by way of members' voluntary winding up at an Extraordinary General Meeting held on March 24, 2009. Accordingly, the investment in JWS Projects Sdn. Bhd. of the Group and of the Company had been reclassified as other investment as of April 30, 2009.

On April 6, 2010, the said associated company completed its members' voluntarily winding-up process in accordance with the Companies Act, 1965.

## 19. OTHER INVESTMENTS

| | The Group and The Company 2010 RM'000 | 2009 RM'000 |
|---|---|---|
| Shares in Malaysia: | | |
| Quoted shares – at cost | 20,258 | 20,448 |
| Less: Allowance for diminution in value | (112) | (3,818) |
| Net | 20,146 | 16,630 |
| Unquoted shares – at cost | 456 | 464 |
| | 20,602 | 17,094 |
| Market value of quoted shares | 30,566 | 18,946 |

## 20. ADVANCES FOR PLASMA PIR-TRANS PROJECTS

| | The Group 2010 RM'000 | 2009 RM'000 |
|---|---|---|
| **Cost** | | |
| At beginning of year | 3,909 | 3,065 |
| Additions | – | 1,264 |
| Write off (Note 7) | (1,154) | – |
| Conversion | (167) | (335) |
| Effects of foreign exchange translation | 242 | (85) |
| At end of year | 2,830 | 3,909 |
| **Accumulated allowance for losses on conversion of Plasma PIR-TRANS Projects** | | |
| At beginning of year | 870 | 941 |
| No longer required (Note 7) | (154) | (71) |
| Effects of foreign exchange translation | 106 | – |
| At end of year | 822 | 870 |
| **Net book value** | 2,008 | 3,039 |

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.

## 20. ADVANCES FOR PLASMA PIR-TRANS PROJECTS (CONT'D)

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 the income statements.

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 7,990 (2009: 7,580) hectares have been converted.

Included in advances for plasma PIR-TRANS projects is interest capitalised on borrowings amounting to RMNil (2009: RM1,302,362).

## 21. ADVANCES FOR KKPA ("KREDIT KOPERASI PRIMER UNTUK ANGGOTANYA") PROJECTS

| | The Group | |
|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 |
| **Cost** | | |
| At beginning of year | 1,571 | 1,189 |
| Additions | 436 | 415 |
| Conversion | (500) | – |
| Effects of foreign exchange translation | 94 | (33) |
| At end of year | 1,601 | 1,571 |
| **Accumulated Allowance for Losses on Conversion of KKPA Projects** | | |
| At beginning of year | 400 | – |
| Charge for the year | – | 400 |
| At end of year | 400 | 400 |
| **Net book value** | 1,201 | 1,171 |

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 (2009: 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.

## 22. DEFERRED TAX ASSETS/(LIABILITIES)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| At beginning of year | 9,349 | 5,710 | 510 | 34 |
| Transfer from/(to) income statements (Note 10): | | | | |
| Property, plant and equipment | (891) | (718) | (186) | (8) |
| Advances for Plasma PIR-Trans projects | 230 | – | – | – |
| Other payables and accrued expenses | (112) | 108 | – | – |
| Provision for retirement benefits | 295 | (84) | 214 | 4 |
| Unrealised loss on foreign exchange | (393) | 480 | (393) | 480 |
| (Utilised)/Unabsorbed capital allowances | (627) | 897 | 221 | – |
| Unutilised tax losses | 909 | 2,956 | 791 | – |
| | (589) | 3,639 | 647 | 476 |
| At end of year | 8,760 | 9,349 | 1,157 | 510 |

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 balance sheets purposes:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| Deferred tax assets | 8,815 | 9,440 | 1,157 | 510 |
| Deferred tax liabilities | (55) | (91) | – | – |
| | 8,760 | 9,349 | 1,157 | 510 |

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **Deferred tax assets** | | | | |
| Temporary differences arising from: | | | | |
| Advances for Plasma PIR-Trans projects | 230 | – | – | – |
| Other payables and accrued expenses | – | 112 | – | – |
| Provision for retirement benefits | 1,087 | 792 | 249 | 35 |
| Unrealised loss on foreign exchange | 95 | 488 | 95 | 488 |
| Unabsorbed capital allowances | 7,406 | 8,033 | 221 | – |
| Unutilised tax losses | 3,865 | 2,956 | 791 | – |
| | 12,683 | 12,381 | 1,356 | 523 |
| Offsetting | (3,868) | (2,941) | (199) | (13) |
| Deferred tax assets (after offsetting) | 8,815 | 9,440 | 1,157 | 510 |
| **Deferred tax liabilities** | | | | |
| Temporary differences arising from property, plant and equipment | (3,923) | (3,032) | (199) | (13) |
| Offsetting | 3,868 | 2,941 | 199 | 13 |
| Deferred tax liabilities (after offsetting) | (55) | (91) | – | – |

As mentioned in Note 3, the tax effects of deductible temporary differences, unutilised tax losses and unused tax credits which would give rise to net deferred tax asset are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised. As of April 30, 2010, the estimated amount of deductible temporary differences, unutilised tax losses and unabsorbed capital allowances, for which the net deferred tax asset is not recognised in the financial statements due to uncertainty of its realisation, is as follows:

| | The Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Temporary differences arising from: | | |
| Property, plant and equipment | (5,827) | (8,507) |
| Trade receivables | 1,215 | 827 |
| Other payables and accrued expenses | 2,588 | 1,262 |
| Unabsorbed capital allowances | 25,933 | 25,491 |
| Unutilised tax losses | 7,894 | 7,216 |
| | 31,803 | 26,289 |

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

## 23. INVENTORIES

| | The Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| **At cost:** | | |
| Raw materials | 18,089 | 7,992 |
| Work-in-progress | 17,088 | 20,214 |
| Finished goods | 12,046 | 12,545 |
| Medical and surgical supplies | 2,495 | 3,142 |
| Consumables | 7,695 | 9,474 |
| **At net realisable value:** | | |
| Finished goods | 1,121 | 1,240 |
| Total | 58,534 | 54,607 |

## 24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

### (a) Trade receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Trade receivables | 41,778 | 29,409 | 32,730 | 22,700 |
| Less: Allowance for doubtful debts | (1,382) | (827) | – | – |
| Net | 40,396 | 28,582 | 32,730 | 22,700 |

Trade receivables comprise amounts receivable for the sale of goods and services rendered.

The credit period granted on sale of goods and services rendered ranges from 30 to 60 (2009: 30 to 60) days.

An allowance of RM1,382,000 (2009: RM827,000) has been made for estimated irrecoverable amounts from the sale of goods and services rendered. This allowance has been determined based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

The currency profile of trade receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| United States Dollar | 25,265 | 17,351 | 25,265 | 17,351 |
| Ringgit Malaysia | 15,744 | 11,892 | 7,097 | 5,183 |
| Indonesian Rupiah | 401 | – | – | – |
| Pound Sterling | 311 | 166 | 311 | 166 |
| Euro | 57 | – | 57 | – |
| | 41,778 | 29,409 | 32,730 | 22,700 |

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

### (b) Other receivables, deposits and prepaid expenses

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| Other receivables | 822 | 678 | 267 | 65 |
| Less: Allowance for doubtful debts | (35) | – | – | – |
| Net | 787 | 678 | 267 | 65 |
| Refundable deposits | 160 | 524 | 98 | 117 |
| Prepaid expenses | 816 | 750 | 72 | 50 |
| | 1,763 | 1,952 | 437 | 232 |

The currency profile of other receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| Ringgit Malaysia | 608 | 297 | 267 | 65 |
| Indonesian Rupiah | 214 | 381 | – | – |
| | 822 | 678 | 267 | 65 |

## 25. RELATED COMPANY AND RELATED PARTY TRANSACTIONS

### (a) Amount owing by subsidiary companies

| | The Company | |
|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 |
| Amount owing by subsidiary companies | 209,755 | 210,762 |
| Less: Allowance for doubtful debts | (911) | – |
| Net | 208,844 | 210,762 |

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 (2009: RM Nil) has been made for estimated irrecoverable amounts due from certain subsidiary companies.

## 25. RELATED COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

### (a) Amount owing by subsidiary companies (cont'd)

The currency profile of amount owing by subsidiary companies is as follows:

| | The Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Ringgit Malaysia | 209,755 | 208,892 |
| Indonesian Rupiah | – | 1,870 |
| | 209,755 | 210,762 |

### (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.

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

| | The Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Ringgit Malaysia | 122,676 | 120,040 |
| United States Dollar | 140 | 140 |
| | 122,816 | 120,180 |

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 Dato' Low Boon Eng, DPMS, JP. and Mr Lim Kim Long, who are directors of the Company, have financial interests. |

## 25. RELATED COMPANY 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 | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| **Subsidiary companies** | | |
| Pofachem (M) Sdn. Berhad | | |
| Purchases of goods | (310,088) | (314,883) |
| Realised loss on foreign exchange | 14,430 | 18,281 |
| Southern Management (M) Sdn. Bhd. | | |
| Administrative charges | (122) | (258) |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **Related parties** | | | | |
| Southern Realty (Malaya) Sdn. Berhad | | | | |
| Purchases of goods | (13,128) | (18,821) | – | – |
| Sales of goods | 1,614 | 1,741 | – | – |
| Administrative charges | 830 | 1,040 | – | – |
| Rental paid/payable for: | | | | |
| Land | (420) | (67) | – | – |
| Premises | (72) | (145) | – | – |
| Staff quarter | (50) | (50) | – | – |
| Equipment | (28) | (9) | – | – |
| Bukit Rotan Palm Oil Sdn. Bhd. | | | | |
| Purchases of goods | (4,859) | (10,533) | – | – |
| Administrative charges | 206 | 299 | – | – |
| Southern Edible Oil Industries (M) Sdn. Berhad | | | | |
| Sales of goods | 453 | 1,726 | 166 | 326 |
| Purchases of goods | (2,469) | (13,002) | – | – |
| Administrative charges | 185 | 257 | – | – |

## 25. RELATED COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

### Related Party Transactions (cont'd)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **Related parties** | | | | |
| Southern Keratong Plantations Sdn. Berhad | | | | |
| Purchases of goods | (2,442) | (5,824) | – | – |
| Administrative charges | 326 | 588 | – | – |
| SKP Borneo Sdn. Bhd. | | | | |
| Administrative charges | 204 | 150 | – | – |
| Torita Rubber Works Sdn. Bhd. | | | | |
| Sales of goods | 91 | – | 91 | – |
| Sunny Futures Sdn. Bhd. | | | | |
| Purchases of goods | – | (515) | – | – |
| Procurements of brokerage services | (33) | (45) | – | – |
| Administrative charges | 17 | 18 | – | – |
| Trading gain | 1,080 | 5,917 | – | – |

### 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 | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **Trade receivables** | | | | |
| Sunny Futures Sdn. Bhd. | 1,418 | 412 | 1,397 | 378 |
| Torita Rubber Works Sdn. Bhd. | 373 | 404 | 132 | 172 |
| Bukit Rotan Palm Oil Sdn. Bhd. | 269 | 230 | – | – |
| Torita Trading (M) Sdn. Bhd. | 227 | 281 | – | – |
| Southern Realty (Malaya) Sdn. Berhad | 166 | 312 | – | – |
| Southern Edible Oil Industries (M) Sdn. Berhad | 92 | 113 | 81 | 61 |
| Southern Keratong Plantations Sdn. Berhad | 88 | 61 | – | – |
| SKP Borneo Sdn. Bhd. | 30 | 65 | – | – |
| Banting Hock Hin Estate Company Sdn. Bhd. | 23 | – | – | – |
| | 2,686 | 1,878 | 1,610 | 611 |

## 25. RELATED COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

### Related Party Balances (cont'd)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **Other receivables, deposits and prepaid expenses** | | | | |
| Sunny Futures Sdn. Bhd. | 57 | 6 | – | – |
| Torita Trading (M) Sdn. Bhd. | 55 | 48 | – | – |
| Southern Keratong Plantations Sdn. Berhad | 34 | – | – | – |
| Torita Rubber Works Sdn. Bhd. | 26 | 34 | – | – |
| Southern Palm Industries Sdn. Berhad | 24 | 24 | 24 | 24 |
| Bukit Rotan Palm Oil Sdn. Bhd. | 16 | – | – | – |
| Banting Hock Hin Estate Company Sdn. Bhd. | 9 | – | – | – |
| Southern Realty (Malaya) Sdn. Berhad | – | 21 | – | – |
| | 221 | 133 | 24 | 24 |
| **Trade payables** | | | | |
| Southern Realty (Malaya) Sdn. Berhad | 3,755 | 1,263 | – | – |
| Bukit Rotan Palm Oil Sdn. Bhd. | 636 | – | – | – |
| Southern Edible Oil Industries (M) Sdn. Berhad | 4 | 13 | – | – |
| | 4,395 | 1,276 | – | – |
| **Other payables** | | | | |
| Southern Realty (Malaya) Sdn. Berhad | 51 | 9 | 48 | 9 |
| Southern Edible Oil Industries (M) Sdn. Berhad | 24 | – | – | – |
| | 75 | 9 | 48 | 9 |

### Compensation of Key Management Personnel

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

## 25. RELATED COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **Directors** | | | | |
| Fees | 307 | 338 | 211 | 241 |
| Other emoluments | 954 | 1,424 | 158 | 541 |
| Post employment benefits | 71 | 93 | – | – |
| | 1,332 | 1,855 | 369 | 782 |
| **Other members of key management** | | | | |
| Short-term employment benefits | 1,722 | 483 | 578 | 128 |
| Post employment benefits | 173 | 58 | 69 | 15 |
| | 1,895 | 541 | 647 | 143 |
| Total compensation | 3,227 | 2,396 | 1,016 | 925 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cash and bank balances | 28,752 | 32,452 | 2,780 | 13,094 |
| Fixed deposits and short-term placements with licensed banks | 40,619 | 42,438 | 26,938 | 35,266 |
| | 69,371 | 74,890 | 29,718 | 48,360 |

The effective interest rates for fixed deposits and short-term placements range from 0.95% to 7.64% (2009: 1.50% to 10.00%) per annum and have maturity period ranging from 1 to 365 days (2009: 1 to 365 days).

## 26. FIXED DEPOSITS, SHORT-TERM PLACEMENTS, AND CASH AND BANK BALANCES (CONT'D)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| Ringgit Malaysia | 43,212 | 45,738 | 26,947 | 36,538 |
| Indonesian Rupiah | 23,268 | 17,293 | – | – |
| Pound Sterling | 2,771 | 2,860 | 2,771 | 2,860 |
| Hong Kong Dollar | 120 | 2 | – | – |
| United States Dollar | – | 8,997 | – | 8,962 |
| | 69,371 | 74,890 | 29,718 | 48,360 |

## 27. SHARE CAPITAL

| | The Group and The Company | |
|---|---|---|
| | 2010<br>RM'000 | 2009<br>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 |

## 28. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| ***Non-distributable:*** | | | | |
| Share premium | 34,321 | 34,321 | 34,321 | 34,321 |
| Foreign exchange reserve | 450 | (1,362) | – | – |
| | 34,771 | 32,959 | 34,321 | 34,321 |
| ***Distributable:*** | | | | |
| Retained earnings | 202,856 | 198,059 | 43,101 | 49,081 |
| | 237,627 | 231,018 | 77,422 | 83,402 |

## 28. RESERVES (CONT'D)

### Share premium

Share premium arose from the following issue of shares:

| | The Group and The Company | |
|---|---|---|
| | 2010 RM'000 | 2009 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 |

### Foreign exchange reserve

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

### 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.

## 28. RESERVES (CONT'D)

### Retained earnings (cont'd)

As of the balance sheet date, 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 RM30,615,000 (2009: RM37,300,000) of its retained earnings as of April 30, 2010 if distributed by way of cash dividends. The balance of retained earnings of RM12,486,000 (2009: RM11,781,000) which is not covered by tax credits, if distributed as dividends, would be under the single tier income tax system as explained above.

## 29. TERM LOAN

| | The Group | |
|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 |
| Term loan | – | 2,765 |
| Less: Portion due within 12 months, included under bank borrowings (Note 33) | – | (2,622) |
| Non-current portion | – | 143 |

The non-current portion is repayable as follows:

| | The Group | |
|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 |
| Financial year ending April 30, 2011 | – | 143 |

The term loan is denominated in United States Dollar.

The term loan in 2009 which pertained to a subsidiary company in Indonesia, was obtained from a foreign bank and bore interest at rates ranging from 3.19% to 3.52% per annum. This term loan was repayable over 60 monthly installments commencing April 2005 and was secured as follows:

(a) A negative pledge over all the current and future assets of the said subsidiary company; and

(b) Corporate guarantee given by the Company.

During the financial year, the said term loan was fully paid.

## 30. HIRE-PURCHASE OBLIGATION

| | The Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Total instalments outstanding | 7 | 32 |
| Less: Interest-in-suspense | (1) | (4) |
| Principal outstanding | 6 | 28 |
| Less: Amount due within 12 months (shown under current liabilities) | (6) | (22) |
| Non-current portion | – | 6 |

The non-current portion is repayable as follows:

| | The Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Financial year ending April 30, 2011 | – | 6 |

The effective borrowing rate is 6.68% (2009: 6.68%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangement.

The Group's hire-purchase obligation is secured by the financial institution's charge over the asset under hire-purchase.

## 31. PROVISION FOR RETIREMENT BENEFITS

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

**The Group**

| | Malaysia RM'000 | Indonesia RM'000 | Total RM'000 |
|---|---|---|---|
| As of May 1, 2008 | 3,010 | 412 | 3,422 |
| Addition (Note 7) | 240 | 190 | 430 |
| Utilised during the year | (676) | (60) | (736) |
| Effects of foreign exchange translation | – | (11) | (11) |
| As of April 30, 2009/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 | 3,559 | 795 | 4,354 |

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

### The Company

| | The Company 2010 RM'000 | 2009 RM'000 |
|---|---|---|
| At beginning of year | 141 | 125 |
| Addition (Note 7) | 853 | 16 |
| At end of year | 994 | 141 |

The amount recognised in the balance sheets are analysed as follows:

### The Group

| 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 |

| 2009 | Malaysia RM'000 | Indonesia RM'000 | Total RM'000 |
|---|---|---|---|
| Present value of defined benefit obligations | 2,574 | 790 | 3,364 |
| Unrecognised actuarial losses | – | (259) | (259) |
| | 2,574 | 531 | 3,105 |

### The Company

| | The Company 2010 RM'000 | 2009 RM'000 |
|---|---|---|
| Present value of defined benefit obligations | 1,469 | 141 |
| Unrecognised actuarial losses | (475) | – |
| | 994 | 141 |

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

The amount recognised in the income statements are as follows:

**The Group**

| 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 |

| 2009 | Malaysia RM'000 | Indonesia RM'000 | Total RM'000 |
|---|---|---|---|
| Current service cost | 240 | 134 | 374 |
| Interest cost on obligation | – | 53 | 53 |
| Net actuarial loss recognised | – | 3 | 3 |
| | 240 | 190 | 430 |

**The Company**

| | The Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Current service cost | 462 | 16 |
| Interest cost on obligation | 251 | – |
| Net actuarial loss recognised | 140 | – |
| | 853 | 16 |

The principal actuarial assumptions used as of April 30, 2010 are as follows:

| | 2010 | 2009 |
|---|---|---|
| **Malaysia** | | |
| Discount rate (%) | 7.0 | – |
| Future salary increments (%) | 1175.0 | – |
| Normal retirement age: | | |
| Male | 55 | – |
| Female | 50 | – |
| **Indonesia** | | |
| Discount rate (%) | 11.0 | 12.0 |
| Future salary increments (%) | 10.0 | 10.0 |
| Normal retirement age: | | |
| Male | 55 | 55 |
| Female | 55 | 55 |

## 32. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

### (a) Trade Payables

Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranges from 7 to 60 (2009: 7 to 60) days.

The currency profile of trade payables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| Ringgit Malaysia | 24,566 | 21,776 | – | – |
| Indonesian Rupiah | 1,280 | 1,548 | – | – |
| | 25,846 | 23,324 | – | – |

### (b) Other Payables and Accrued Expenses

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| Other payables | 7,182 | 7,683 | 2,395 | 483 |
| Accrued expenses | 10,162 | 7,894 | 2,543 | 3,347 |
| Loans from shareholders of subsidiary companies | 1,978 | 3,388 | – | – |
| | 19,322 | 18,965 | 4,938 | 3,830 |

Other payables arose mainly from on-going costs. These amounts are unsecured, interest-free and are repayable within 60 (2009: 60) days from the transaction dates.

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

The currency profile of other payables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| Ringgit Malaysia | 5,451 | 6,059 | 2,272 | 483 |
| Indonesian Rupiah | 1,511 | 1,504 | – | – |
| Hong Kong Dollar | 220 | 120 | 123 | – |
| | 7,182 | 7,683 | 2,395 | 483 |

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

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

| | The Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Ringgit Malaysia | 1,637 | 1,637 |
| Indonesian Rupiah | 341 | 1,751 |
| | 1,978 | 3,388 |

## 33. BANK BORROWINGS

| | The Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Term loan (Note 29) | – | 2,622 |
| Revolving credit | – | 3,581 |
| | – | 6,203 |

The Group and the Company have credit facilities totalling RM22,721,000 (2009: RM60,941,700) and RM10,000,000 (2009: RM17,000,000), 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 4.25% to 7.80% (2009: 4.25% to 7.55%) per annum.

## 34. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cash and bank balances | 28,752 | 32,452 | 2,780 | 13,094 |
| Fixed deposits and short-term placements with licensed banks | 40,619 | 42,438 | 26,938 | 35,266 |
| | 69,371 | 74,890 | 29,718 | 48,360 |

## 35. DIVIDENDS

| | The Group and The Company | |
|---|---|---|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Final dividend of 5.0%, tax exempt, in 2009 | 6,847 | – |
| Final dividend of 8.0%, tax exempt, in 2008 | – | 10,955 |
| | 6,847 | 10,955 |

A final dividend of 5%, tax exempt, per ordinary share of RM1.00 each amounting to RM6,846,707 proposed in the previous financial year and dealt with in the previous directors' report was paid by the Company on November 26, 2009.

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 year on the issued and paid up ordinary shares of the Company. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

## 36. SEGMENTAL INFORMATION

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

(i) Manufacturing and marketing
(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.

## 36. SEGMENTAL INFORMATION (CONT'D)

| 2010 | Manufacturing and marketing 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 |
| **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 | 2,888 | 332 | – | 11,790 |
| 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 |
| Prepaid lease payments | – | – | 74 | 48 | – | 122 |
| 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 |

## 36. SEGMENTAL INFORMATION (CONT'D)

| 2010 | Manufacturing and marketing 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) |
| **Consolidated Balance Sheet** | | | | | | |
| **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 |

## 36. SEGMENTAL INFORMATION (CONT'D)

| 2009 | Manufacturing and marketing 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 | 316,446 | 50,908 | 63,255 | 9,700 | – | 440,309 |
| External dividend income | 1,646 | – | – | – | – | 1,646 |
| Inter-segment sales | – | – | – | 1,495 | (1,495) | – |
| Total revenue | 318,092 | 50,908 | 63,255 | 11,195 | (1,495) | 441,955 |
| **Financial Results** | | | | | | |
| Segment results | (13,153) | (2,988) | 16,953 | 2,399 | – | 3,211 |
| Share in profit of associated company | | | | | | 1 |
| Profit from operations | | | | | | 3,212 |
| Finance costs | | | | | | (722) |
| Investment revenue | | | | | | 1,831 |
| Profit before tax | | | | | | 4,321 |
| Income tax expense | | | | | | (3,397) |
| Profit for the year | | | | | | 924 |

## 36. SEGMENTAL INFORMATION (CONT'D)

| 2009 | Manufacturing and marketing 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 | 3,878 | 8,188 | 1,489 | 110 | – | 13,665 |
| **Non-cash expenses:** | | | | | | |
| Depreciation of property, plant and equipment | 2,799 | 6,487 | 2,650 | 438 | – | 12,374 |
| Unrealised loss on foreign exchange – net | 1,951 | – | – | – | – | 1,951 |
| Allowance for diminution in value of quoted shares | 831 | – | – | – | – | 831 |
| Amortisation of: | | | | | | |
| Biological assets | – | – | 691 | – | – | 691 |
| Prepaid lease payments | – | – | 70 | 49 | – | 119 |
| Provision for retirement benefits | 240 | – | 190 | – | – | 430 |
| Allowance for loss on conversion of KKPA projects | – | – | 400 | – | – | 400 |
| Inventories written down | 340 | – | – | – | – | 340 |
| Allowance for doubtful debts | – | 130 | – | – | – | 130 |
| Property, plant and equipment written off | – | 26 | – | – | – | 26 |
| Bad debts written off | 8 | – | – | – | – | 8 |
| **Non-cash income:** | | | | | | |
| Gain on disposal of quoted shares | (5,534) | – | – | – | – | (5,534) |
| Waiver of debts by other creditors | – | – | (4,043) | – | – | (4,043) |
| Gain on disposal of property, plant and equipment | (29) | (292) | (6) | (32) | – | (359) |
| Allowance for loss on conversion of Plasma PIR-TRANS projects no longer required | – | – | (71) | – | – | (71) |
| **Consolidated Balance Sheet** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 419,113 | 53,625 | 195,329 | 39,607 | (279,134) | 428,540 |
| Income tax assets | 9,558 | – | 148 | – | – | 9,706 |
| Consolidated assets | | | | | | 438,246 |
| **Liabilities** | | | | | | |
| Segment liabilities | 28,152 | 69,447 | 156,803 | 31,251 | (233,764) | 51,889 |
| Income tax liabilities | – | – | 1,382 | 130 | – | 1,512 |
| Consolidated liabilities | | | | | | 53,401 |

## 36. 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 | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Asia: | | |
| Malaysia | 138,039 | 127,633 |
| Others | 284,953 | 251,335 |
| Europe | 17,236 | 49,993 |
| America | 12,115 | 9,398 |
| Others | 857 | 3,596 |
| | 453,200 | 441,955 |

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 | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Asia: | | | | |
| Malaysia | 366,340 | 366,581 | 9,861 | 12,177 |
| Others | 81,070 | 67,198 | 1,234 | 1,488 |
| Europe | 1,123 | 3,546 | – | – |
| America | 2,745 | 666 | – | – |
| Others | 68 | 255 | – | – |
| | 451,346 | 438,246 | 11,095 | 13,665 |

## 37. CAPITAL COMMITMENTS

As of April 30, 2010, the Group has the following capital commitments:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Purchase of property, plant and equipment: | | | | |
| Approved and contracted for | 818 | 61 | 428 | – |

## 38. CONTINGENCIES

(a) Contingencies in respect of material litigations:

(i) 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 these numerous alleged questionable transactions. However, in May 2009, the said third party withdrew its involvement in the said investigation. The Company, in consultation with its legal counsel, intends to engage another third party to resume the abovementioned investigation into these allegations once the Company's application to the High Court to set aside the ex-parte order for the appointment of Interim Receivers and Managers to the Company, as referred to in paragraph (ii) below, is successful. The Group and the Company may be exposed to potential claims, the amount of which is not presently determinable, in the event that these allegations are proven.

(ii) On July 6, 2009, the Company was served with an ex-parte order dated June 30, 2009 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 shareholders (one of whom was also a former executive director of the Company) in respect of the following alleged grievances:

(a) engaging a third party at a substantial fee of RM2.5 million to investigate into complaints raised by a major shareholder in respect of numerous alleged questionable transactions as mentioned in paragraph (i) above.

(b) the removal of certain bank signatories.

(c) irregular payment of certain allowances to a non-executive director and a former non-executive director.

(d) the former independent Chairman of the Company alleged to be actively engaged in the management of the Company and acting in an executive capacity.

## 38. CONTINGENCIES (CONT'D)

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

On July 8, 2009, the Company applied to the High Court to set aside the ex-parte order dated June 30, 2009 appointing the Interim Receivers and Managers. The High Court has ordered the suspension of the ex-parte order pending the inter-parte hearing of the Company's application set for September 17, 2009.

On September 9, 2009, the Petitioners for the appointment of Interim Receivers and Managers to the Company as mentioned above had obtained ex-parte leave to commence contempt proceedings against five directors of the Company. The alleged contempt by the said directors relates to an alleged breach by these directors of the Ex-Parte Order (for the appointment of Interim Receivers and Managers to the Company) arising from the filing of two legal suits as referred to in Note 40(a) and (b). In response, the concerned directors have initiated an action to set aside/strike out the order granting leave which was obtained ex-parte.

On September 17, 2009, the abovementioned court hearing was rescheduled to September 30, 2009.

On September 30, 2009, the court hearing for the following applications had been fixed for mention on October 16, 2009:

a) application by the Company to set aside the Ex-Parte Order for the appointment of Interim Receivers and Managers to the Company;

b) applications by the Petitioners to set aside the Stay Order obtained by the Company in relation to the appointment of Interim Receivers and Managers;

c) application by the Petitioners for contempt against five directors of the Company as mentioned above; and

d) application by the concerned directors to set aside/strike out the petition for contempt as mentioned above.

On October 16, 2009, the abovementioned court hearing for the applications was rescheduled to December 3, 2009.

On December 3, 2009, the High Court determined that the hearing of the Petitioners' applications for contempt against certain directors of the Company is to be heard in priority to the Company's application to set aside the Ex-Parte Order for the appointment of Receivers and Managers.

The Stay Order suspending the ex-parte order for appointment of the Interim Receivers and Managers continues to operate, pending the decision on the application to set aside the Ex-Parte Order for the appointment of Interim Receivers and Managers. The effect of the Stay Order is to suspend the appointment of the Interim Receivers and Managers whose role is limited to verifying payments made by the Company and to permit the Board of Directors of the Company to continue to be in full control and to manage the Company.

As the outcome of the court decision on the abovementioned application is not known, the directors are unable to ascertain, at this juncture, whether there would be any material financial impact on the Group and the Company arising from the abovesaid ex-parte order for the appointment of Interim Receivers and Managers.

## 38. CONTINGENCIES (CONT'D)

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

(iii) On April 7, 2010, Southern Management (M) Sdn. Bhd. ("SMSB"), a subsidiary company, was served 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 retained solicitors to defend against the claim. The pending case court hearing has yet 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.

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

As of April 30, 2010, the Company has issued corporate guarantees without security to licensed financial institutions for credit facilities totalling RM9,381,000 (2009: RM9,381,000) granted to three Malaysian and an Indonesian subsidiary companies. Of this amount, the credit facilities granted to the Indonesian subsidiary company of RM3,191,000 (2009: RM3,191,000) has been fully discharged on June 9, 2010. Accordingly, the Company was contingently liable to the extent of credit facilities utilised by the said subsidiary companies.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### (i) Foreign currency risk

The Group undertakes trade transactions, which are mainly denominated in United States Dollar, Euro, Indonesian Rupiah and other foreign currencies, with its trade debtors, trade creditors and related companies where the amounts outstanding are exposed to currency translation risks.

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

### (ii) Interest rate risk

The Group's significant interest bearing financial assets and financial liabilities are mainly its fixed deposits and short-term placements.

The fixed deposits and short-term placements as at balance sheet date, which bear interest as disclosed in Note 26, are short-term and therefore their exposure to the effects of future changes in prevailing level of interest rates are limited.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (iii) Price fluctuation risk

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

### (iv) Credit risk

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

The Group's exposure to credit risk in relation to its trade and other receivables, should all its customers fail to perform their obligations as of April 30, 2010, is the carrying amount of these receivables as disclosed in the balance sheets.

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

### (v) Liquidity risk

The Group practises 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.

### (vi) Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

### (vii) Foreign Currency Forward Contracts

In order to hedge its exposure to foreign exchange risks, the Company enters into the following foreign currency forward contracts.

(a) Foreign currency forward contracts

At the balance sheet date, the Company entered into foreign currency forward contacts, with maturities within the next twelve months, for the following notional amounts:

| | The Group and The Company Notional amount | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| **Sell contracts** | | |
| United States Dollar | 32,349 | 9,517 |
| Euro | 77 | 45 |
| Pound Sterling | 486 | 228 |
| | 32,912 | 9,790 |

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (vii) Foreign Currency Forward Contracts (cont'd)

(a) Foreign currency forward contracts (cont'd)

| | The Group and The Company Notional amount | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| **Buy contracts** | | |
| United States Dollar | 363 | – |
| Euro | 552 | – |
| | 915 | – |

Total net unrecognised gain/(loss) as at the balance sheet date on foreign currency forward contracts are as follows:

| | The Group and The Company Net unrecognised gain/(loss) as at end of the financial year | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Sell contracts | 1,748 | 176 |
| Buy contracts | (76) | – |
| | 1,672 | 176 |

(b) Structured foreign currency forward contracts

At the balance sheet date, the Company had entered into structured foreign currency forward contracts with the following notional amounts and maturities:

| | The Group and The Company | |
|---|---|---|
| | Notional amount | Effective period |
| **April 30, 2010** | | |
| **Sell contracts** | | |
| USD/MYR Target Redemption Forward | USD15.82 million | May 2008 – July 2010 |
| **April 30, 2009** | | |
| **Sell contracts** | | |
| USD/MYR Target Redemption Forward | USD110 million | May 2008 – July 2010 |

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (vii) Foreign Currency Forward Contracts (cont'd)

(b) Structured foreign currency forward contracts (cont'd)

The net unrecognised gain/(loss) as at the balance sheet date on structured foreign currency forward contracts entered into are as follows:

| | The Group and The Company | | |
|---|---|---|---|
| | Maturities | | Net unrecognised gain/(loss) as at end of the financial year |
| | Less than 1 year RM'000 | 1 – 2 years RM'000 | RM'000 |
| **April 30, 2010** | | | |
| **Sell contracts** | | | |
| USD/MYR Target Redemption Forward | 1,381 | – | 1,381 |
| **April 30, 2009** | | | |
| **Sell contracts** | | | |
| USD/MYR Target Redemption Forward | (28,994) | (1,665) | (30,659) |

On April 6, 2010, the Company ceased the recognition of the abovementioned structured foreign currency forward contracts with a licensed financial institution.

Litigation in relation to the termination of the structured foreign currency contracts by the Company is disclosed in Note 40(c).

### (viii) Commodity Future Contracts

At the balance sheet date, the Group entered into commodity future contracts, with maturities within the next twelve months, for the following notional amounts:

| | The Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| **Buy contracts** | 10,401 | – |

The net unrecognised gain as at the balance sheet date on commodity future contracts are as follows:

| | The Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| **Buy contracts** | 36 | – |

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Fair Values

Except as disclosed below, the carrying amounts of the financial assets and financial liabilities reported in the balance sheets were deemed as their fair value due to the immediate or short-term maturity nature of these financial instruments:

| | Note | The Group Carrying amount RM'000 | The Group Fair value RM'000 | The Company Carrying amount RM'000 | The Company Fair value RM'000 |
|---|---|---|---|---|---|
| **April 30, 2010** | | | | | |
| **Financial Asset** | | | | | |
| Other investments: | | | | | |
| Quoted shares | 19 | 20,146 | 30,566 | 20,146 | 30,566 |
| **Financial Liability** | | | | | |
| Hire-purchase obligation | 30 | 6 | 6 | – | – |
| **April 30, 2009** | | | | | |
| **Financial Asset** | | | | | |
| Other investments: | | | | | |
| Quoted shares | 19 | 16,630 | 18,946 | 16,630 | 18,946 |
| **Financial Liabilities** | | | | | |
| Term loan | 29 | 2,765 | 2,745 | – | – |
| Hire-purchase obligation | 30 | 28 | 26 | – | – |

**(i) Other investment in quoted shares**

The fair value of other investment in quoted shares is estimated based on the market value as of the balance sheet date.

**(ii) Term loan**

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

**(iii) Hire-purchase obligation**

The fair value of hire-purchase obligation is estimated using discounted cash flow analysis based on current interest rates for similar types of hire-purchase arrangements.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Investment in subsidiary companies and other investment in unquoted shares

It is not practicable within the constraints of timeliness and cost to estimate reliably the fair value of investment in subsidiary companies and other investment in unquoted shares.

As of April 30, 2010, based on the audited financial statements, the Company's share of net tangible assets of investment in subsidiary companies and other investment in unquoted shares amounted to RM314,182,000 and RM34,391,000 (2009: RM299,665,000 and RM30,689,000) respectively.

## 40. MATERIAL LITIGATIONS

(a) On August 6, 2009, the Company and its subsidiary company, Pofachem (M) Sdn. Berhad ("PMSB") (the "Plaintiff") filed a suit at the Kuala Lumpur High Court against a director and certain former directors or employees of the Company or PMSB (the "Defendants"). The claim is for damages including interest and costs for breach of fiduciary duty and for breach of Sections 132(1) and 132(1A) of the Companies Act, 1965 by the Defendants.

The claim arose from the failure of the Defendants to secure a renewal of a tenancy over 5.5 acres of land forming part of the land held under Lot 7198, Mukim of Kapar, District of Klang, Selangor Darul Ehsan (the "Demised Land") which was let to PMSB under a Tenancy Agreement dated January 1, 1991 for 6 consecutive terms of 3 years each. The Defendants failed to renew the tenancy with the landlord, Southern Realty (Malaya) Sdn. Berhad, a major shareholder of the Company, when it expired on April 30, 2008. A factory building and an oleochemical plant operated by PMSB with net book value of RM26,534,093 as of April 30, 2010 (2009: RM26,594,774) is constructed on the Demised Land.

(b) On August 6, 2009, the Company and its subsidiary company, Noble Interest Sdn Bhd ("NISB") (the "Plaintiff"), had filed another suit at the Kuala Lumpur High Court against Mr. Lim Boon Eng, Madam Lou Ai Choo and Mr. Low Mong Chai @ Low Ah Kow (the "Defendants"). The claim is for damages including interest and costs for breach of fiduciary duty and for breach of Sections 132(1) and 132(1A) of the Companies Act, 1965 by the defendants, who are former directors or employees of the Company or its said subsidiary company. The Plaintiff's claim arose from the non-completion of the purchase of several parcels of land (the "Property") under a Sale and Purchase Agreement dated October 31, 1995 entered into between the said subsidiary company as purchaser and Southern Realty (Malaya) Sdn. Berhad, a related party and a major shareholder of the Company. The purchase price of RM4,950,000 for the said Property has been fully settled since November 4, 2000 but the Defendants had failed to ensure the transfer of title to the said Property and its registration in the name of the said subsidiary company. The Sri Kota Specialist Medical Centre, which is operated by Southern Medicare Sdn. Bhd., a subsidiary Company, and carrying a book value of RM22,934,385 (2009: RM23,488,344) as of April 30, 2010, is constructed on the said Property. In addition, a further claim to account for secret profits in the sum of RM2,105,200 is made against Mr. Low Mong Chai @ Low Ah Kow.

(c) The Company had on April 6, 2010 filed a Writ of Summons against a bank at the High Court of Malaya claiming against the said bank inter-alia a declaration that the three Target Redemption Forward Currency Option Transactions which the Company entered into with the bank in 2008 are void, the sum of RM18,685,756 being losses suffered and other damages to be assessed.

# STATEMENT BY DIRECTORS

The directors of **SOUTHERN ACIDS (M) BERHAD** state that, in their opinion, the accompanying balance sheets as of April 30, 2010 and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 51 to 120, 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 of the Company as of April 30, 2010 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

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

**DATO' LOW BOON ENG, DPMS, JP**

**LIM KIM LONG**

Klang
August 20, 2010

# 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 balance sheets as of April 30, 2010 and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 51 to 120, 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** this 20th day of August, 2010.

Before me,

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

# PROPERTIES OF THE GROUP
## AS AT APRIL 30, 2010

| | Subsidiaries / Location of property | Type of Property | Area | Nature / Purpose | Tenure | Age of Building | Net Book Value as at 30 April 2010 (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<br>Selangor | Land | 220.79 acres | Plantation Estate | Freehold | N/A | 48,393 |
| | Thangamallay Estate<br>Lot 14480, Batu 7<br>Jalan Kebun<br>Kampung Jawa<br>42450 Klang<br>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<br>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<br>Selangor | Land | 409.25 acres | Plantation Estate | Freehold | N/A | 89,700 |
| 2. | **Pofachem (M) Sdn Berhad** | | | | | | |
| | Golconda Estate, 10th Mile<br>Persiaran Hamzah Alang<br>Off Jalan Kapar<br>42200 Kapar<br>Selangor | Buildings | 27.90 acres | Factory | N/A | Ranging from 15 to 29 years | 5,443 |
| 3. | **Noble Interest Sdn Bhd** | | | | | | |
| | P.T. 1288, Seksyen 14<br>Mukim Klang<br>Daerah Klang<br>Selangor | Land<br>Buildings | 1.62 acres<br>6,458 m2 | Hospital Use<br>Hospital Buildings | Freehold<br>N/A | N/A<br>11 years | 4,950<br>22,936 |
| 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 24 February 2097 | N/A | 4,201 |

# PROPERTIES
## OF THE GROUP
### AS AT APRIL 30, 2010

| | Subsidiaries / Location of property | Type of Property | Area | Nature / Purpose | Tenure | Age of Building | Net Book Value as at 30 April 2010 (in RM'000) |
|---|---|---|---|---|---|---|---|
| 4. | **PKE (Malaysia) Sdn Berhad (cont'd)** | | | | | | |
| | Lot 6579, Jalan Jerung<br>Pelabuhan Utara<br>42000 Port Klang<br>Selangor | Warehouse | 132,858 sq.ft | Warehousing | Lease Rental Expiring on 15 May 2011 | 19 years | 15 |
| | No.18, Jalan Firma 2/1<br>Kawasan Perindustrian Tebrau<br>Johor Bahru, Johor | Warehouse | 50,400 sq.ft | Rented to third party | Freehold | 13 years | 1,774 |
| 5. | **SAB Properties Development Co. Sdn Berhad** | | | | | | |
| | G.M. 2172 Lot 2824<br>Mukim Klang<br>Daerah Klang<br>Selangor | Land | 3.25 acres | Vacant Land | Freehold | N/A | 3,318 |
| 6. | **P.T. Mustika Agro Sari** | | | | | | |
| | Kebun Tanjung Pauh &<br>Kebun Petai<br>Province of Riau<br>Indonesia | Oil Palm Estate, Palm Oil Mill and Buildings | 6,538 acres | Plantation and Palm-Oil Processing | Leasehold Expiring in 20 March 2036 and 9 April 2036 | 8 years | 14,471 |
| 7. | **P.T. Wanasari Nusantara** | | | | | | |
| | Kebun Wanasari<br>Province of Riau<br>Indonesia | Oil Palm Estate, Palm Oil Mill and Buildings | 13,136 acres | Plantation | Leasehold Expiring in 31 December 2029 and 29 January 2032 | 22 years | 11,737 |
| | | | | | | | **210,105** |

# ANALYSIS OF SHAREHOLDINGS
## AS AT SEPTEMBER 8, 2010

| | | |
|---|---|---|
| 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 | : | 2,761 |

### DISTRIBUTION SCHEDULE OF SHARE AS AT SEPTEMBER 8, 2010

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Share Held |
|---|---|---|---|---|
| less than 100 | 194 | 7.03 | 7,601 | 0.00 |
| 100 to 1,000 | 701 | 25.39 | 529,413 | 0.39 |
| 1,001 to 10,000 | 1,476 | 53.46 | 5,657,375 | 4.13 |
| 10,001 to 100,000 | 327 | 11.84 | 9,257,370 | 6.76 |
| 100,001 – 6,846,706 (less than 5% of issued shares) | 59 | 2.14 | 41,857,413 | 30.57 |
| 6,846,707 (5% of issued shares) and above | 4 | 0.14 | 79,624,960 | 58.15 |
| **Total** | **2,761** | **100.00** | **136,934,132** | **100.00** |

### LIST OF SUBSTANTIAL SHAREHOLDERS AS AT SEPTEMBER 8, 2010

| 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 AT SEPTEMBER 8, 2010

| | | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|---|
| | Names of Directors | No. of Shares | % | No. of Shares | % |
| 1. | Dato' Low Boon Eng | 2,487 | 0.00 | 65,626,507 | 47.93 |
| 2. | Dato' Panglima Kubu Mohd Yusoff Bin Haji Amin | 0 | 0.00 | 0 | 0.00 |
| 3. | Mohd Hisham Bin Harun | 0 | 0.00 | 0 | 0.00 |
| 4. | Sukhinderjit Singh Muker | 0 | 0.00 | 0 | 0.00 |
| 5. | Lim Kim Long | 49,276 | 0.04 | 69,052,267 | 50.43 |
| 6. | Leong So Seh | 0 | 0.00 | 0 | 0.00 |

# ANALYSIS OF SHAREHOLDINGS
AS AT SEPTEMBER 8, 2010

## TOP THIRTY SECURITIES ACCOUNT HOLDERS AS AT SEPTEMBER 8, 2010
**(Without aggregating the securities from different securities account belonging to the same Depositor)**

| Nos. | Names | No. of Share Held | % of Issued Shares |
|---|---|---|---|
| 1. | Southern Palm Industries Sdn Berhad | 42,840,270 | 31.28 |
| 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 | 3.58 |
| 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 | 1.53 |
| 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. | Naga Wira Sdn Berhad | 720,938 | 0.53 |
| 19. | Bekalan Utama Sdn Berhad | 694,166 | 0.51 |
| 20. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Mong Hua @ Low Mong Hua (4851 DHAM) | 600,000 | 0.44 |
| 21. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>PSB-CBG9 for Low Mong Hua Sdn Berhad (49246 DHAM) | 585,000 | 0.43 |
| 22. | Mong Teck Sdn Berhad | 559,972 | 0.41 |
| 23. | Toh Kam Choy | 540,000 | 0.39 |
| 24. | Yeoh Kean Hua | 490,000 | 0.36 |
| 25. | Sai Yee @ Sia Say Yee | 463,000 | 0.34 |
| 26. | Chin Pek Foo | 421,000 | 0.31 |
| 27. | Rasional Sdn Berhad | 392,666 | 0.29 |
| 28. | Ooi Lay Suan | 384,500 | 0.28 |
| 29. | JF Apex Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Teo Siew Lai (Margin) | 382,000 | 0.28 |
| 30. | Tan Soon Muay @ Tan Kim Huay | 316,666 | 0.23 |
| **Total** | | **115,091,477** | **84.05** |

# NOTICE OF THE 29TH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty-Ninth Annual General Meeting of the Company will be held at Zamrud I & II, Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia on Thursday, October 28, 2010 at 10:30 am for the following purposes:-

## ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended April 30, 2010 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 year ended April 30, 2010. **Resolution 2**

3. To approve the payment of Directors' Fees for the financial year ended April 30, 2010. **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) Dato' Low Boon Eng, DPMS, JP **Resolution 4**

   b) Tuan Haji Mohd. Hisham Bin Harun **Resolution 5**

5. 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 6**

## SPECIAL BUSINESS

6. 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 7**

   "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 8**

   "That subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into the categories of recurrent transactions of a revenue or trading nature and with those Related Parties as specified in Section 2.2.2 of the Circular to Shareholders dated October 5, 2010 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.

**SPECIAL RESOLUTION**

**c) Proposed Amendment to Articles of the Articles of Association** **Resolution 9**

"That Article 117 of the Company's Articles of Association be deleted in its entirety and substituted by the following new Article 117:-

**Existing Provision**

Every dividend warrant may, unless otherwise directed, be sent by post to the last registered address of the member entitled thereto, and the receipt of the person whose name at the date of the declaration of the dividend appears of the Record of Depositors or Register of Members as the owners of any share, or in the case of joint holders of any one of such joint holders, shall be a good discharge to the Company for all payments made in respect of such share. No unpaid dividend or interest shall bear interest as against the Company.

**Revised Provisions**

(a) Subject to the provision of the Act, the Central Depositories Act and the Rules, the Listing Requirements and/or regulatory authorities, payment of dividend may be made by direct transfer or such other mode of electronic means to the bank account of the holder whose name appear in the Record of Depositors or, if more that one (1) person is entitled thereto in consequence of the death or bankruptcy of the holder, payment in such manner to the bank account of any one of such persons or to the bank account of such person as such persons may by writing direct. The payment of any dividend by such electronic means shall constitute a good and full discharge to the Company of the dividend to which it relates regardless of any discrepancy given by the Member in the details of bank account(s).

(b) Subject to the provision of the Act, the Central Depositories Act and the Rules, any dividend, interest or other money payable in cash in respect of shares may be paid by banker's draft, money order, cheque or warrant sent through the post to the address of the holder. Every such draft, money order, cheque or warrant shall be made payable to the order of the persons to whom it is sent and payment of same if purporting to be endorsed shall be a good discharge to the Company, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such draft, money order, cheque or warrant shall be sent at the risk of the persons entitled to the money represented thereby.

# NOTICE OF THE 29TH
## ANNUAL GENERAL MEETING

### NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a Final Dividend (tax exempt) of 6% per ordinary share will be payable on November 26, 2010 to depositors who are registered in the Record of Depositors at the close of business on November 8, 2010, if approved by members at the Twenty-Ninth Annual General Meeting on October 28, 2010.

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 November 4, 2010 (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 November 8, 2010 in respect of ordinary transfers; and

c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

**BY ORDER OF THE BOARD**

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

Klang, Selangor Darul Ehsan
October 5, 2010

**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 authorised in writing, or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. 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 Resolution 7, if passed will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on October 28, 2009 and which will lapse at the conclusion of the Twenty-Ninth Annual General Meeting.

   The General Mandate will provide flexibility to the Company and enable the directors to take swift action in case of a need for corporate exercises or in the event business opportunities arise which involve the issue of new shares.

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

   The proposed Resolution 8, if passed, will authorise the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of Company. Please refer to Section 2.2.2 of the Circular to Shareholders dated October 5, 2010 for more information.

7. Proposed Amendment to Articles of the Articles of Association

   The Special Resolution proposed under Resolution 9, if passed, will allow the Company to incorporate the amendment to Article 117 of the Company's Articles of Association. The Proposed Amendment is to streamline the Company's Articles of Association with the provisions of the Companies Act, 1965 and the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

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

   Place : Zamrud I & II
   Saujana Hotel Kuala Lumpur
   Saujana Resort
   Jalan Lapangan Terbang SAAS
   40150 Shah Alam, Selangor Darul Ehsan, Malaysia

   Date : Thursday, October 28, 2010

   Time : 10:30 a.m.

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

   (i) Dato' Low Boon Eng, DPMS, JP, pursuant to Articles 95 and 96 of the Company's Articles of Association.

   (ii) Tuan Haji Mohd. Hisham Bin Harun, pursuant to Articles 95 and 96 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 12 to 14 and the Directors' Shareholdings in the Company on page 46 of the Annual Report.

3. Board Meetings held during the financial year ended April 30, 2010.

   A total of Twenty-Two (22) Board of Directors' meetings were held during the financial year:

   – Four (4) Board of Directors' meetings were held at 6th Floor, Wisma Southern, 26-34 Jalan Dato Hamzah, 41000 Klang, Selangor

   – Eighteen (18) Board of Directors' meetings were held at K C Teh Conference Room, Klang, Selangor

3. Board of Directors' meetings held during the financial year ended April 30, 2010. (cont'd)

   The dates and times for these Board of Directors' meetings are tabulated below:

   - 6 May 2009 (3.00 PM)
   - 1 June 2009 (9.00 AM)
   - 29 June 2009 (11.00 AM)
   - 9 July 2009 (2.30 PM)
   - 13 July 2009 (3.00 PM)
   - 16 July 2009 (10.00 AM)
   - 29 July 2009 (11.00 AM)
   - 20 August 2009 (3.00 PM)
   - 26 August 2009 (2.00 PM)
   - 26 August 2009 (4.00 PM)
   - 25 September 2009 (2.00 PM)
   - 9 October 2009 (3.00 PM)
   - 22 October 2009 (2.00 PM)
   - 4 November 2009 (4.00 PM)
   - 20 November 2009 (3.00 PM)
   - 15 December 2009 (10.00 AM)
   - 28 January 2010 (9.30 AM)
   - 1 March 2010 (2.00 PM)
   - 22 March 2010 (2.30 PM)
   - 30 March 2010 (3.00 PM)
   - 8 April 2010 (2.30 PM)
   - 28 April 2010 (2.30 PM)

4. Details of attendance of Directors in office during the financial year for Board of Directors' meetings which were held during the financial year are as follows:-

| Name of Director | Number of Meetings held in financial year during Director's tenure in office | Number of Meetings Attended | % |
|---|---|---|---|
| Dato' Mohd. Yusoff Bin Haji Amin, SMS, PJK, JP | 22 | 22 | 100 |
| Sukhinderjit Singh Muker | 22 | 13 | 60 |
| Dato' Low Boon Eng, DPMS, JP | 22 | 21 | 99 |
| Lim Kim Long | 22 | 22 | 100 |
| Tuan Haji Mohd. Hisham Bin Harun | 22 | 22 | 100 |
| Yap Soon Nam (Resigned on May 1, 2010) | 22 | 21 | 99 |
| Leong So Seh (f) | 22 | 18 | 82 |

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# PROXY FORM

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

I/We ______________________________ of NRIC. No/Co.No. ______________________

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

______________________________ of ______________________

NRIC No. ______________________ or failing him / her ______________________

of ______________________ NRIC No. ______________________

as my/our proxy to vote for me/us on my/our behalf at the Twenty-Ninth Annual General Meeting of the Company to be held on Thursday, October 28, 2010 and at any adjournment thereof. I/We direct my/our proxy to vote for or against the resolutions to be proposed at the Meeting as hereunder indicated.

| No | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended April 30, 2010 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 year ended April 30, 2010 | | |
| 3. | To approve the payment of Directors' Fees for the financial year ended April 30, 2010 | | |
| 4. | To re-elect Dato' Low Boon Eng, DPMS, JP as a Director of the Company in accordance with Articles 95 and 96 of the Company's Articles of Association. | | |
| 5. | To re-elect Tuan Haji Mohd. Hisham Bin Harun as a Director of the Company in accordance with Articles 95 and 96 of the Company's Articles of Association. | | |
| 6. | To re-appoint Messrs. Deloitte KassimChan as Auditors and to authorise the Directors to fix their remuneration. | | |
| 7. | To approve the Resolution pertaining to the Authority to issue shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 8. | To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature. | | |
| | **Special Resolution** | | |
| 9. | To approve the Proposed Amendment to Article 117 of the Articles of Association of the Company. | | |

Dated this ____________ day of ______________________

______________________ ______________________

Signature/Common Seal No. of Shares held

**NOTES:**

1. A member entitled to attend and vote at the Meeting of the Company is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy shall be in writing (in the common seal or usual form) under the hand of appointer or of his/her attorney duly authorised in writing, or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. 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.

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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

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**Southern Acids (M) Berhad** (64577-K)

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No. 8, Jalan Batu Tiga Lama
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Selangor Darul Ehsan
Malaysia

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