

Company NO. 64577 - K



**SOUTHERN ACIDS (M) BERHAD**  
(Company No. 64577- K)  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**INTERIM FINANCIAL REPORT**  
**FOR THE FINANCIAL YEAR ENDING 30 APRIL 2011**

**FIRST FINANCIAL QUARTER ENDED 31 JULY 2010**  
(Unaudited)  
(In Ringgit Malaysia)



**SOUTHERN ACIDS (M) BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**INTERIM FINANCIAL REPORT**  
**FIRST FINANCIAL QUARTER ENDED 31 JULY 2010**

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**SOUTHERN ACIDS (M) BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FIRST FINANCIAL QUARTER ENDED 31 JULY 2010**

	Note	First Quarter and Cumulative Quarter	
		2010 RM'000	2009 RM'000
Revenue	<b>A7</b>	129,231	108,505
- Cost of sales		<u>(106,047)</u>	<u>(82,876)</u>
Gross profit		23,184	25,629
- Other income		2,890	1,702
- Selling and distribution costs		(2,907)	(1,683)
- Administrative expenses		(8,447)	(6,759)
- Other operating expenses		(1,450)	(8,982)
- Finance costs		-	(18)
Profit from operations		13,270	9,889
- Net gain/(loss) on financial assets and liabilities held for trading		<u>(1,572)</u>	<u>-</u>
Profit before tax		11,698	9,889
- Income tax expenses	<b>B5</b>	<u>(3,684)</u>	<u>(2,729)</u>
Profit for the period		8,014	7,160
Other comprehensive income			
- Available-for-sale financial assets		1,327	-
- Exchange differences on translation of foreign subsidiaries		304	3,548
Total comprehensive income for the period		<u>9,645</u>	<u>10,708</u>



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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 31 JULY 2010**  
**(CONT'D)**

	Note	First Quarter and Cumulative Quarter	
		2010 RM'000	2009 RM'000
Profit for the period attributable to:			
- Equity holders of the Company		5,670	5,555
- Minority interest		2,344	1,605
		<u>8,014</u>	<u>7,160</u>
Total comprehensive income for the period attributable to:			
- Equity holders of the Company		7,339	9,103
- Minority interest		2,306	1,605
		<u>9,645</u>	<u>10,708</u>
<b>Earnings/(Loss) per share (sen) attributable to equity holders of the Company</b>	B13		
Basic and diluted		<u>4.14</u>	<u>4.06</u>

The consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 April 2010 and the accompanying notes attached to the interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JULY 2010**

	Note(s)	As at 31 July 2010 RM'000	As at 30 April 2010 Restated RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Land held for property development		141,260	141,260
Property, plant and equipment	A11	91,128	91,148
Investment property		3,318	3,318
Biological assets		11,613	11,685
Available-for-sale investments	B6 & B7	32,349	20,602
Advances for Plasma PIR-TRANS projects		1,997	2,008
Advances for KKPA projects		1,082	1,201
Deferred tax assets		7,534	8,815
		<u>290,281</u>	<u>280,037</u>
<b>Current Assets</b>			
Inventories		54,392	58,534
Trade receivables		41,140	40,396
Other receivables, deposits and prepaid expenses		4,253	1,763
Financial assets held-for-trading	B10	100	-
Tax recoverable		181	1,245
Fixed deposits, short-term placements, and cash and bank balances		78,692	69,371
		<u>178,758</u>	<u>171,309</u>
<b>TOTAL ASSETS</b>		<u><u>469,039</u></u>	<u><u>451,346</u></u>



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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JULY 2010 (CONT'D)**

	Note	As at 31 July 2010 RM'000	As at 30 April 2010 Restated RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital		136,934	136,934
Reserves		257,058	237,627
Equity attributable to equity holders of the Company		393,992	374,561
Minority interests		26,183	23,877
<b>Total Equity</b>		<u>420,175</u>	<u>398,438</u>
<b>Non-Current Liabilities</b>			
Provision for retirement benefits		4,400	4,354
Deferred tax liabilities		55	55
		<u>4,455</u>	<u>4,409</u>
<b>Current Liabilities</b>			
Trade payables		20,492	25,846
Other payables and accrued expenses		18,499	19,322
Hire-purchase obligation		2	6
Tax liabilities		5,295	3,204
Dividend payable		121	121
		<u>44,409</u>	<u>48,499</u>
<b>TOTAL LIABILITIES</b>		<u>48,864</u>	<u>52,908</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>469,039</u>	<u>451,346</u>

The consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 April 2010 and the accompanying notes attached to the interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 JULY 2010**

The Group	Non-distributable reserves		Foreign exchange reserve RM'000	Fair value reserve RM'000	Distributable reserve - Retained earnings RM'000	Equity attributable to equity holders of the Company RM'000	Minority interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000						
<b>As of 1 May 2009</b>	136,934	34,321	(1,362)	-	198,059	367,952	16,893	384,845
Profit for the period	-	-	-	-	5,555	5,555	1,605	7,160
Other comprehensive income for the period	-	-	3,548	-	-	3,548	-	3,548
Total comprehensive income for the period	-	-	3,548	-	5,555	9,103	1,605	10,708
<b>As of 31 July 2009</b>	136,934	34,321	2,186	-	203,614	377,055	18,498	395,553
<b>As of 1 May 2010</b>	136,934	34,321	450	-	202,856	374,561	23,877	398,438
- Effect on adopting FRS 139	-	-	-	10,420	1,672	12,092	-	12,092
<b>As of 1 May 2010 (adjusted)</b>	136,934	34,321	450	10,420	204,528	386,653	23,877	410,530
Profit for the period	-	-	-	-	5,670	5,670	2,344	8,014
Other comprehensive income for the period	-	-	342	1,327	-	1,669	(38)	1,631
Total comprehensive income for the period	-	-	342	1,327	5,670	7,339	2,306	9,645
<b>As of 31 July 2010</b>	136,934	34,321	792	11,747	210,198	393,992	26,183	420,175

The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 April 2010 and the accompanying notes attached to the interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL PERIOD ENDED 31 JULY 2010**

	<b>Cumulative Quarter 2010 RM'000</b>	<b>Cumulative Quarter 2009 RM'000</b>
Net cash generated from / (used in) operating activities	14,773	(6,054)
Net cash used in investing activities	(3,293)	(727)
Net cash used in financing activities	<u>(4)</u>	<u>(550)</u>
Net increase / (decrease) in cash and cash equivalents	11,476	(7,331)
Cash and cash equivalents at beginning of period	67,041	73,188
Effect of exchange rate differences	<u>175</u>	<u>1,184</u>
Cash and cash equivalents at end of period	<u>78,692</u>	<u>67,041</u>
Composition of cash and cash equivalents:		
Fixed deposits and short term placements	42,060	69,811
Cash at bank and in hand / (bank overdraft)	<u>36,632</u>	<u>(2,770)</u>
	<u>78,692</u>	<u>67,041</u>

The consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 April 2010 and the accompanying notes attached to the interim financial statements.





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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

This interim financial report is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Financial Reporting Standard (FRS) No. 134 – Interim Financial Reporting and other FRS issued by the Malaysian Accounting Standards Board.

The interim financial report is unaudited and should be read in conjunction with the Group's annual financial statements for the year ended 30 April 2010. The explanatory notes to the interim financial report provide explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 April 2010.

**A. Explanatory Notes Pursuant To FRS 134**

**A1. Basis of Preparation**

The accounting policies and presentation adopted for this interim financial report is consistent with those adopted for the annual financial statements for the year ended 30 April 2010, except for the adoption of the new/revised FRSs, amendments to FRSs and IC (Interpretation Committee of the Malaysian Accounting Standards Board) interpretations that are mandatory for adoption for financial periods beginning on or after 1 January 2010.

The adoption of the above said new/revised FRSs, amendment to FRSs and IC interpretations do not have any significant impact on the financial information of the Group except for the following:

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

FRS 101 (revised) 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 101 (revised) also requires non-owner changes in equity to be presented separately from the owner changes in equity. The Group has elected to present the statement of comprehensive income in a single statement.



The effects of FRS 101 (revised) in respect of the revision in titles of the financial statements are as follows:

<u>As previously stated</u>	<u>Revised</u>
1. Income statement	Statement of comprehensive income
2. Balance sheet	Statement of financial position
3. Cash flow statement	Statement of cash flow

FRS117: Leases (Amendments relating to improving disclosures about financial instruments)

Prior to the adoption of the Amendments to FRS 117, leasehold land that has an indefinite economic life and with title that is not expected to pass to the lessee by the end of the lease term is classified as operating lease. Upfront payments for the rights to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and amortised on a straight line basis over the remaining period of the lease.

Upon adoption of the Amendments to FRS 117 in relation to classification of leasehold land, the Group reassessed the classification of its leasehold land as finance lease or operating lease based on the extent of risks and rewards associated with the land. The Group has determined that all its leasehold land are in substance finance lease and has reclassified its leasehold land from prepaid lease payments to property, plant and equipment as follows:

	<b>As at 30 April 2010</b>	
	<b>As previously stated RM'000</b>	<b>Restated RM'000</b>
<u>Statement of Financial Position</u>		
Property, plant and equipment	85,336	91,148
Prepaid lease payments	5,812	-

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. The Group has assessed and determined that the following classes of financial assets of the Group will be measured and recognised in accordance to the requirements of FRS 139.

Investments in quoted and unquoted equity

The investment in quoted and unquoted equity of the Group is now classified as "Available-for-sale investments" and will be valued and carried in the books at fair value. The fair value of quoted equity which trades in an active market will be measured based on the market quoted price. The fair value of unquoted equity which cannot be assessed reliably will be measured at cost. Upon its initial recognition, the opening carrying value of the quoted and unquoted investments of the Group are reassessed and measured at fair value. Any difference between the fair value and the carrying value



previously recognised will be recognised in the fair value reserve. Subsequently, any changes in the carrying fair values will be recognised as other comprehensive income in the statement of comprehensive income with corresponding movements in the fair value reserve.

A significant or prolonged decline in the fair value of the quoted and unquoted equity below its cost is considered as an indicator that the asset is impaired. If any such evidence exists, the cumulative loss, measured at the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit and loss, is removed from equity and recognised in profit and loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through profit or loss. When the quoted and unquoted equity classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss.

#### Derivative instruments

Derivative financial instruments were not previously recognised in the financial statements on inception. These are now recognised and measured at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value recognised in profit and loss at each reporting date.

An exception is made toward derivative contracts entered into by the Group for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements. Gains or losses arising from these contracts are deferred and included in the measurement of the purchase or sale transactions only upon the recognition of the anticipated transactions. When such contracts have become onerous (where the eventual costs would exceed the benefits expected), they will be dealt with in accordance with FRS 137 – Provisions, Contingent Liabilities and Contingent Assets.

### **A2. Seasonal or Cyclical Factors**

The performance and results of the Group oleochemical manufacturing division which uses palm oils as its main ingredient, and the oil palm plantation division, are subject to the cyclical fluctuation in prices of palm oils which affect by seasonal weather conditions.

### **A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There are no other items of an unusual nature, size or incidence which materially affect the assets, liabilities, equity, net income or cash flow of the Group during the interim financial period under review.

**A4. Material Changes in Estimates**

There were no changes in the estimates of amounts reported in the prior interim financial periods of the current financial year or changes in estimates of amounts reported in prior financial year, that have a material effect on the results for the current interim financial period under review.

**A5. Debt and Equity Securities**

There were no issuance and/or repayment of debt securities during the interim financial period under review.

**A6. Dividend Paid**

No dividend was paid by the Company during the interim financial period under review.

**A7. Segmental Information**

	Cumulative Quarter 2010		Cumulative Quarter 2009	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing and marketing of oleochemical products	90,364	3,183	74,607	3,094
Sales of oil palm fruit and crude palm oil	22,297	7,122	17,002	5,064
Managing and operating of private hospital	14,579	256	13,817	(570)
Warehousing and bulk conveyor operations	1,400	969	1,777	731
Others	591	168	1,302	1,570
	<u>129,231</u>	<u>11,698</u>	<u>108,505</u>	<u>9,889</u>

**A8. Material Events Subsequent to the End of the Interim Financial Period**

There is no material event subsequent to the end of the interim financial period up to 23 September 2010, being a date not earlier than seven days from the date of this interim financial report.

Save as disclosed, there is no other material events occurred during the above-mentioned period.



#### **A9. Changes in Composition of the Group**

There were no changes in the composition of the Group, including business combination, acquisition and/or disposal of subsidiary companies and long term investments, restructuring, and discontinued operations during the interim financial period under review.

#### **A10. Changes in Contingencies**

- (a) In the Annual Report for the financial year ended 30 April 2009 and 30 April 2010, the Group has disclosed a contingent event in relation to the receipt of a letter from a related party, 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.

In June 2009, the Company was served with an ex-parte order for the appointment of Interim Receivers and Managers to the Company pursuant to a Court petition filed by two shareholders of the Company. The Company has then applied to the Court to set aside the said ex-parte order, which the Court responded with an order to suspend the execution of the said ex-parte order pending an inter-parte hearing of the application by the Company.

Other than the progress on litigation events pertaining to the application by the Company to set-aside the ex-parte order and strike-out the petition of the two shareholders, which are disclosed in Note B11 to this interim financial report, there is no significant change in this contingent event. Pending a decision by the Court, the directors are still unable to ascertain at this juncture, whether there would be any material impact on the Company and the Group arising from the above said legal suits.

- (b) 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 above said claim.



### A11. Property, Plant and Equipment

- (a) The title to several parcel of freehold land of a wholly-owned subsidiary company, namely Noble Interest Sdn Bhd ("NISB"), with carrying value of RM4,950,000 (30 April 2010: RM4,950,000), which house the operations of a private hospital of another subsidiary company, have not been registered in the name of NISB. The said land was purchased by the subsidiary company from SRM and the purchase price has been fully settled since November 2000. The directors of the Company and NISB are confident that the said registration of land ownership by NISB will eventually be successful and hence, no impairment loss on the land cost and value of hospital building need to be considered at this juncture.

Litigation events pertaining to this matter are disclosed in Note B11 to this interim financial report.

- (b) The freehold warehouse of a subsidiary company, PKE (Malaysia) Sdn. Berhad, with carrying value of RM1,744,565 (30 April 2010: RM1,773,803) is located on a parcel of third party's freehold land.

### A12. Litigation Settlement

All legal suits engaged by the Group since the preceding financial year ended 30 April 2010 are still proceeding at courts, as disclosed in Note 11 to this interim financial report.

### A13. Related Party Transactions

During the financial periods under review, the material business transactions entered by the Group with related parties were as follows:

	<b>Cumulative Quarter 2010 RM'000</b>	<b>Cumulative Quarter 2009 RM'000</b>
Sales of goods	574	601
Provision of administrative services	567	489
Purchase of raw materials	<u>5,621</u>	<u>7,827</u>



**B. Explanatory Notes Pursuant to Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

**B1. Review of Group Performance**

The Group registered total revenue of RM129.23 million in the first quarter of financial year ending 30 April 2011. This was RM20.73 million or 19% higher than the corresponding period in the preceding financial year. The improved revenue was attributed to higher sales volume and average selling prices in both oleochemical and plantation divisions.

The Group pre-tax profit registered a corresponding increase of RM1.81 million or 18% from RM9.89 million in the preceding year's first quarter to RM11.70 million in the current quarter.

**B2. Material Changes in Financial Results as Compared to that of the Preceding Quarter**

The Group's first quarter revenue of RM129.23 million was higher as compared to RM115.45 million registered in the preceding quarter ended 30 April 2010.

Profit before tax for the current quarter was higher by RM6.12 million or 110% when compared to RM5.58 million registered in the preceding quarter mainly contributed by the oleochemical and plantation divisions.

**B3. Prospect of the Group**

The results of the first quarter of current financial year 2011 surpassed last year's comparative periods both in term of revenue and profitability. Barring any unforeseen circumstances, the Directors are cautiously optimistic that the Group will be able to sustain its current performance throughout the entire financial year.

**B4. Profit Forecast**

There is no profit forecast and profit guarantee issued by the Group and the Company during the interim financial period under review.

**B5. Income Tax Expense**

	<b>First Quarter and Cumulative Quarter</b>	
	<b>2010 RM'000</b>	<b>2009 RM'000</b>
Estimate tax payable		
- Malaysian tax expense	493	263
- Overseas tax expense	1,910	1,446
	2,403	1,709
- (Provision)/reversal of deferred tax assets	1,281	1,020
	3,684	2,729
Total	3,684	2,729

**B6. Disposal of Unquoted Investments and Properties**

There was no material disposal of unquoted investments and properties by the Group during the interim financial period under review.

**B7. Investment in Quoted Securities**

There were no purchase and disposal of quoted securities during the interim financial period under review.

Investment in quoted securities as at 31 July 2010 was as follows:

	<b>RM'000</b>
At cost	20,257
At fair value	31,893

**B8. Corporate Proposals**

There is no pending corporate proposal as at 23 September 2010, being a date no earlier than seven days from the date of this interim financial report.





## B9 Group Borrowings and Debt Securities

As at 31 July 2010, the Group does not have any outstanding borrowings and debt securities.

## B10. Financial Instruments

The Group had not entered into any new type of derivatives during the interim financial period under review that was not disclosed in the preceding year's annual financial statements.

### (a) Foreign currency forward contract

Sales denominated in foreign currencies constitute a substantial portion of the Group annual revenue. The Group enters into foreign currency exchange contracts to manage its exposure to fluctuations in foreign currency exchange rates.

As at 31 July 2010, the position of the foreign currency forward contracts of the Group, with validity periods ranging from 1 month to 3 months, was as follows:

	Currency	Contract / Notional value RM'000	Fair value RM'000	Derivative financial asset recognise d RM'000
Forward position:				
- Buy	USD	80	80	-
- Sell	USD/GBP/EUR	8,141	8,041	100
		<u>8,221</u>	<u>8,121</u>	<u>100</u>

### (b) Structured foreign currency forward contract

In the preceding financial year ended 30 April 2010, the Company ceased the recognition of its two structured foreign currency forward contracts with a licensed financial institution. Total amount of foreign currency that remained outstanding for delivery at the point of termination was USD15.8 million and the subsequent marked-to-market gain not recognised by the Group was USD1.4 million.

Litigation in relation to the termination of the structured foreign currency contracts by the Company is disclosed in Note 11 to this interim financial report.



**(c) Commodity future contracts**

Commodity future contracts were entered into to manage exposure to adverse movements in crude palm oil prices. These contracts were entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's expected purchase, sale or usage requirements.

Gains or losses arising from these contracts are deferred and included in the measurement of the purchase or sale transactions only upon the recognition of the anticipated transactions.

As at 23 September 2010, being a date not earlier than seven days from the date of this interim financial report, total outstanding purchase commodity future contracts of the Group amounted to RM4.210 million, with effective dates of up to December 2010.

**B11. Material Litigations**

- (a) On 6 August 2009, the Company and Pofachem (M) Sdn Berhad ("PMSB", a wholly owned subsidiary of the Company) filed a suit to claim damages against certain directors or employees of the Company or PMSB for breach of fiduciary duty and for breach of section 132(1) and 132(1A) of the Companies Act, 1965 and for interest and costs by the defendants. The claim arose from the failure of the parties to secure a renewal of a tenancy agreement entered into between PMSB and Southern Realty (Malaya) Sdn Berhad ("SRM") over a parcel of land in which the factory building and oleochemical manufacturing plant of PMSB is sitting on.
- (b) On 6 August 2009, the Company and Noble Interest Sdn Bhd ("NISB", a wholly owned subsidiary of the Company) filed a suit to claim damages against certain directors or employees of the Company or NISB for breach of fiduciary duty and for breach of section 132(1) and 132(1A) of the Companies Act, 1965 and for interest and costs by the defendants. The claim arose from the non-completion of a Sale and Purchase Agreement entered into between NISB and SRM over several parcels of land in which the private hospital building of NISB is built. In respect of the claim against a director, there is an additional claim to account for secret profits in the sum of RM2,105,200.
- (c) On 9 September 2009, the Petitioners of the appointment of Interim Receivers and Managers into the Company (as detailed in Note A10 to this interim financial report) had obtained ex-parte leave to commence contempt proceeding 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 into the Company)



arising from the filing of two legal suits as mentioned in (a) and (b) above. In response, the Company has initiated action to set aside/strike out the order granting leave which was obtained ex-parte and without notice to the Company and to oppose the contempt proceedings.

On 30 September 2009, the Company announced that the Court hearing for the following applications, which detailed above and in Note A10 to this interim financial report, had been fixed for mention on 16 October 2009:

- (i) application by the Company to set aside the Ex-Parte Order for the appointment of Interim Receivers and Managers into the Company (refer to Note A10);
- (ii) application by the Petitioners to set aside the Order for Stay obtained by the Company in relation to the appointment of Interim Receivers and Managers (refer to Note A10);
- (iii) application by the Petitioners for contempt against five directors of the Company (refer to paragraph above); and
- (iv) application by the Company to set aside/strike out the petition for contempt (refer to paragraph above).

On 16 October 2009, the Company announced that the above-mentioned Court hearings have been rescheduled to 3 December 2009 and 14 January 2010.

On 3 December 2009, the Company announced that the Court has determined that the hearing of (iii) above be heard in priority to (i), (ii) and (iv). The hearing of (iii) was fixed on 14 January 2010.

On 15 January 2010, the Company announced that the case as stated in (iii) above have been partially heard on 14 January 2010 and was fixed for continuous hearing on 3 March 2010.

On 3 March 2010, the Company announced that the case stated in (iii) above is fixed for decision on 20 April 2010.

On 8 July 2010, the Company announced that the case a stated in (iii) above has been fixed for mention on 2 September 2010.

On 21 September 2010, the Company announced that the case as stated in (iii) above was mentioned in Court during the day and has been fixed for decision on 1 October 2010. If appropriate, the case as stated in (i) above will also be mentioned on the same day.



Pending the disposal of the above mentioned cases by the Court, the Order for Stay that suspended the Ex-Parte Order for appointment of Interim Receivers and Managers continues to operate. The role of the Interim Receivers and Managers is currently confined to verification of payments made by the Company. The Board of Directors of the Company remains in full control in the management of the Company.

- (d) On 7 April 2010, the Company announced that it had on 6 April 2010 filed a Writ of Summons against Standard Chartered Bank Malaysia Berhad (“SCB”) at the High Court of Malaya claiming against SCB inter-alia:
- (i) a declaration that three (3) Target Redemption Forward Currency Option Transactions contracts which the Company entered into with SCB in 2008 are void;
  - (ii) a sum of RM18,685,756; and
  - (iii) damages to be assessed.
- (e) On 8 April 2010, the Company announced that Southern Management (M) Sdn Bhd (“SMSB”, a wholly owned subsidiary of the Company) had on 7 April 2010 been served a Writ of Summons and Statement of Claim filed by Southern Palm Industries Sdn Bhd (“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 to two (2) companies which certain employees of SMSB hold directorship. The sum claimed is for repayment of cost of funds of approximately RM62.0 million, plus further interest and costs. SMSB has retained solicitors to defend the action. The case is pending court hearing to be fixed.

Except as disclosed, the Group does not have other litigation proceeding.

## **B12. Dividends**

No dividend has been proposed for the interim financial periods under review.

A final dividend (tax exempt) of 6% per ordinary share of RM1.00 each amounting to RM8,216,048 in respect of the preceding financial year ended 30 April 2010 will be tabled for approval by the shareholders of the Company at the forthcoming 29<sup>th</sup> Annual General Meeting of the Company.

**B13. Earnings per Share**

	<b>First Quarter and Cumulative Quarter</b>	
	<b>2010</b>	<b>2009</b>
Profit attributable to equity holders of the Company (in RM'000)	5,670	5,555
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934
	<hr/>	<hr/>
Basic earnings per share (in Sen)	<u>4.14</u>	<u>4.06</u>

**B14. Auditors' Report on Preceding Annual Financial Statements**

The Auditors' Report on the financial statements for the financial year ended 30 April 2010 was not qualified but at the material time the auditors had drawn attention to certain matters as follow:

- (a) 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.

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) 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.

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.

This Interim Financial Report of Southern Acids (M) Berhad for the first financial quarter ended 31 July 2010 was authorised for issuance by the Board of Directors of the Company pursuant to a resolution dated 29 September 2010.