

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 31 MARCH 2012

FIRST FINANCIAL QUARTER ENDED 30 JUNE 2011
(Unaudited)
(In Ringgit Malaysia)

Company No. 64577 - K

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

FINANCIAL YEAR ENDING 31 MARCH 2012
INTERIM FINANCIAL REPORT
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2011

CONTENTS	PAGE(S)
Condensed Consolidated Statement of Comprehensive Income	3 – 4
Condensed Consolidated Statement of Financial Position	5 – 6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flow	8
Explanatory Notes to the Interim Financial Report:	
Part A: Pursuant to Financial Reporting Standard # 134	9 – 13
Part B: Pursuant to paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad	14 – 20

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

FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2011
(With unaudited comparative figures for the financial quarter 1 May 2010 to 31 July 2010)

	Note	First Quarter and Cumulative Quarter Ended	
		30 June 2011	31 July 2010
		RM'000	RM'000
Revenue	A7	132,434	129,231
- Cost of sales		<u>(118,418)</u>	<u>(106,047)</u>
Gross profit		14,016	23,184
- Other income		1,247	2,890
- Selling and distribution costs		(1,221)	(2,907)
- Administrative expenses		(7,801)	(8,447)
- Other operating expenses		<u>(1,892)</u>	<u>(1,450)</u>
Profit before tax		4,349	11,698
- Income tax expense	B5	<u>(1,228)</u>	<u>(3,684)</u>
Profit for the period		3,121	8,014
Other comprehensive income			
- Available-for-sale financial assets		4,670	1,327
- Exchange differences on translation of foreign subsidiaries		<u>919</u>	<u>304</u>
Total comprehensive income for the period		<u>8,710</u>	<u>9,645</u>

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

FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2011 (cont'd)
(With unaudited comparative figures for the financial quarter 1 May 2010 to 31 July 2011)

	Note	First Quarter and Cumulative Quarter Ended	
		30 June 2011 RM'000	31 July 2010 RM'000
Profit/(loss) for the period attributable to:			
- Equity holders of the Company		944	5,670
- Minority interests		2,177	2,344
		<u>3,121</u>	<u>8,014</u>
Total comprehensive income for the period attributable to:			
- Equity holders of the Company		5,963	7,339
- Minority interests		2,747	2,306
		<u>8,710</u>	<u>9,645</u>
Earnings per share (sen) attributable to equity holders of the Company			
Basic and diluted	B13	<u>0.69</u>	<u>4.14</u>

The consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the preceding eleven (11) months financial period 1 May 2010 to 31 March 2011 and the accompanying notes attached to the interim financial statements.

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

FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2011
(With audited comparative figures as of 31 March 2011)

	Note(s)	As of 30 June 2011 RM'000	As of 31 March 2011 RM'000
ASSETS			
Non-Current Assets			
Land held for property development		143,250	141,944
Property, plant and equipment	A11	91,309	91,539
Investment property		3,318	3,318
Biological assets		11,331	11,298
Available-for-sale investments	B6 & B7	44,991	40,321
Advances for Plasma PIR-TRANS projects		1,835	1,849
Advances for KKPA projects		923	809
Deferred tax assets		5,332	4,815
		<hr/>	<hr/>
		302,289	295,893
		<hr/>	<hr/>
Current Assets			
Inventories		72,298	75,104
Trade receivables		38,573	42,530
Other receivables, deposits and prepaid expenses		1,096	2,802
Financial assets held-for-trading		209	125
Tax recoverable		25	1,692
Fixed deposits, short-term placements, and cash and bank balances		89,792	88,418
		<hr/>	<hr/>
		201,993	210,671
		<hr/>	<hr/>
TOTAL ASSETS		504,282	506,564

SOUTHERN ACIDS (M) BERHAD
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AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2011 (cont'd)
(With audited comparative figures as of 31 March 2011)

	Note	As of 30 June 2011 RM'000	As of 31 March 2011 RM'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		136,934	136,934
Reserves		287,417	281,454
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		424,351	418,388
Minority interests		33,233	30,486
		<hr/>	<hr/>
Total Equity		457,584	448,874
		<hr/>	<hr/>
Non-Current Liabilities			
Provision for retirement benefits		4,736	5,462
Deferred tax liabilities		7	7
		<hr/>	<hr/>
		4,743	5,469
		<hr/>	<hr/>
Current Liabilities			
Trade payables		17,082	29,769
Other payables and accrued expenses		24,752	19,502
Tax liabilities		0	2,829
Dividend payable		121	121
		<hr/>	<hr/>
		41,955	52,221
		<hr/>	<hr/>
TOTAL LIABILITIES		46,698	57,690
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		504,282	506,564
		<hr/> <hr/>	<hr/> <hr/>

The consolidated statement of financial position should be read in conjunction with the audited financial statements for the preceding eleven (11) months financial period 1 May 2010 to 31 March 2011 and the accompanying notes attached to the interim financial statements.



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

FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2011
(With unaudited comparative figures for the financial quarter 1 May 2010 to 31 July 2010)

The Group	Non-distributable reserves			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	Foreign exchange reserve RM'000					
As of 1 May 2010	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
As of 1 May 2010 (restated)	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
As of 31 July 2010	136,934	34,321	792	11,747	210,198	393,992	26,183	420,175
As of 1 April 2011	136,934	34,321	1,199	20,261	225,673	418,388	30,486	448,874
Profit for the period	-	-	-	-	944	944	2,177	3,121
Other comprehensive income for the period	-	-	349	4,670	-	5,019	570	5,589
Total comprehensive income for the period	-	-	1,548	4,670	944	5,963	2,747	8,710
Dividend	-	-	-	-	-	-	-	-
As of 30 June 2011	136,934	34,321	1,548	24,931	226,617	424,351	33,233	457,584

The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the preceding eleven (11) months financial period 1 May 2010 to 31 March 2011 and the accompanying notes attached to the interim financial statements.



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

FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2011
(With unaudited comparative figures for the financial quarter 1 May 2010 to 31 July 2010)

	First Quarter and Cumulative Quarter Ended 30 June 2010 RM'000	First Quarter and Cumulative Quarter Ended 31 July 2010 RM'000
Net cash generated from operating activities	3,012	14,773
Net cash used in investing activities	(1,886)	(3,293)
Net cash used in financing activities	-	(4)
Net increase in cash and cash equivalents	1,126	11,476
Cash and cash equivalents at beginning of period	88,418	67,041
Effect of exchange rate differences	248	175
Cash and cash equivalents at end of period	<u>89,792</u>	<u>78,692</u>
Composition of cash and cash equivalents:		
Fixed deposits and short term placements	53,833	42,060
Cash at bank and in hand	35,959	36,632
	<u>89,792</u>	<u>78,692</u>

The consolidated statement of cash flow should be read in conjunction with the audited financial statements for the preceding eleven (11) months financial period 1 May 2010 to 31 March 2011 and the accompanying notes attached to the interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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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.

This Interim Financial Report is unaudited and should be read in conjunction with the Group's annual audited financial statements for the preceding eleven (11) months period 1 May 2010 to 31 March 2011. 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 period ended 31 March 2011.

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 preceding financial period 1 May 2010 to 31 March 2011, 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 annual financial periods beginning on or after 1 April 2011, as follows:

<u>Financial Reporting Standards</u>		Effective for annual period on or after:
FRS 1	First-time Adoption of Financial Reporting Standard (Revised)	1 July 2010
FRS 1	First-time Adoption of Financial Reporting Standard (Amendments relating to limited exemption from Comparative FRS 7 Disclosures for First-time Adopters)	1 January 2011
FRS 1	First-time Adoption of Financial Reporting Standard (Amendments relating to additional exemptions for First-time Adopters)	1 January 2011
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)	1 July 2010
FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transaction)	1 January 2011
FRS 3	Business Combinations (Revised)	1 July 2010
FRS 5	Non-current assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary)	1 July 2010



FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)	1 January 2011
FRS 127	Consolidated and Separate Financial Statements (Revised)	1 July 2010
FRS 128	Investment in Associates (Revised)	1 July 2010
FRS 132	Financial Instruments: Presentation (Amendments relating to classification of right issue)	1 March 2010
FRS 138	Intangible Assets (Amendment relating to additional consequential amendments arising from FRS 3)	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets – effective date and transition, embedded derivatives and revised FRS 3 and revised FRS 127)	1 July 2010
<u>IC Interpretations</u>		
IC Int. 4	Determining whether an arrangement contains a lease	1 January 2011
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to scope of IC Interpretation 9 and Revised FRS 3)	1 July 2010
IC Int. 12	Service Concession Arrangements	1 July 2010
IC Int. 14	FRS 119 – The Limit of a Defined Benefit Asset, Minimum Funding Requirement and Their Interaction	1 July 2010
IC Int. 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Int. 17	Distribution of Non-cash Assets to Owners	1 July 2010
IC Int. 18	Transfer of Assets from Customers	1 January 2011

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 during the interim financial periods under review.

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 is affected by seasonal weather conditions.

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

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



Except as disclosed, 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 periods under review.

A4. Material Changes in Estimates

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

A5. Debt and Equity Securities

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

A6. Dividend Paid

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

A7. Segmental Information

	First Quarter and Cumulative Quarter Ended 30 June 2011		First Quarter and Cumulative Quarter Ended 30 July 2010	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit before tax RM'000
Manufacturing and marketing of oleochemical products	94,647	(2,659)	90,364	3,183
Sales of oil palm fruit and crude palm oil	18,885	5,966	22,297	7,122
Managing and operating of private hospital	15,605	360	14,579	256
Warehousing and bulk conveyor operations	1,718	867	1,400	969
Others	1,579	(185)	591	168
	<u>132,434</u>	<u>4,349</u>	<u>129,231</u>	<u>11,698</u>

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

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



Save as disclosed, there is no other material events occurred subsequent to the end of the interim financial period up to 19 August 2011, being a date not earlier than seven days from the date of this Interim Financial Report.

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 periods under review.

A10. Changes in Contingencies

There are no changes in the contingencies from the status as disclosed in the audited financial statements of the Group for the preceding financial period ended 31 March 2011.

Detailed litigation proceedings of the contingent material litigations are disclosed in Note B11(c) and B11(e) to this Interim Financial Report.

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 RM4.9 million (30 April 2010: RM4.9 million), 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 Southern Realty (Malaya) Sdn. Berhad ("SRM", a major shareholder of the Company) 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(b) to this Interim Financial Report.

- (b) The freehold warehouse of a subsidiary company, PKE (Malaysia) Sdn. Berhad ("PKEM"), with carrying value of RM1.7 million (31 March 2011: RM1.7 million) is located on a parcel of freehold land belonging to a related party.
- (c) As of 30 June 2011, the tile to a parcel of long-term leasehold land of PKEM with carrying value of RM4.1 million (31 March 2011: RM4.1 million) has not been registered in the name of PKEM, pending the completion of the documentation on transfer.



- (d) As of 30 June 2011, the strata title in respect of a freehold office premises with carrying value of RM3.5 million (31 March 2011: RM3.5 million) belonging to the Company has not yet been issued to the Company.
- (e) A factory building and oleochemical plant of a subsidiary company, Southern Acids Industries Sdn. Bhd. (“SA Industries”, formerly known as Pofachem (M) Sdn. Berhad), are constructed on a parcel of land belonging to SRM. The existing rental agreement between SRM and SA Industries expired on 30 April 2011 but the parties had agreed in principle to extend the said rental agreement to 30 April 2012 pending the execution of the renewed tenancy agreement. Pursuant to the tenancy agreement, SA Industries intends to apply for a renewal of the tenancy agreement upon its expiry in 2012. Based on past experience of successful renewal of the tenancy agreement and since SRM is a major shareholder of the Company, the directors of the Company and SA Industries are confident that the said tenancy agreement will be successfully renewed upon its expiry in 2012 and accordingly, no impairment loss on the factory building and oleochemical plant need to be considered.
- (f) On 30 June 2011, SAB Bio-Fuel Sdn. Bhd. (“SABBF”), a wholly owned subsidiary company of the Company, entered into a sale and purchase agreement with POIC Sabah Sdn. Bhd. for the acquisition of a piece of land for a total purchase consideration of RM13.1 million. The land measures approximately one (1) million square feet and is located in the Palm Oil Industrial Cluster at Lahad Datu, Sabah. This acquisition of land is conditional upon SABBF obtaining all the requisite approvals and licenses from relevant authorities for its intended use and development of the said land.

A12. Litigation Settlement

All legal suits engaged by the Group since the preceding financial period ended 31 March 2011 are still proceeding at courts, as disclosed in Note B11 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:

	First Quarter and Cumulative Quarter Ended 31/03/11 RM'000	First Quarter and Cumulative Quarter Ended 31/07/10 RM'000
Sales of goods	293	574
Provision of administrative services	453	567
Purchase of raw materials	1,817	5,621
	<u>1,817</u>	<u>5,621</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 RM132.4 million in the first quarter of financial year ending 31 March 2012. This was RM3.2 million or 2.5% higher when compared to the first quarter of the preceding financial period. The higher revenue was mainly contributed from the oleochemical division, which products were priced in accordance with higher prices of palm oil and refined palm oils used in production. Revenue from the plantation and palm oil division was lower when compared to last year due to an unforeseen workers' strike in Indonesia that resulted in the loss of revenue for a month in April 2011.

Despite a higher revenue, profit before tax was lower at RM3.9 million when compared to RM11.7 million registered in the first quarter of last financial period. This was mainly due to unforeseen interruption in the production process at the oleochemical plant which resulted in an increase in production costs. The lower revenue from the plantation and palm oil division also resulted in lower profit contribution.

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

The Group's current quarter total revenue of RM132.4 million, when compared with the three-month extrapolated revenue of RM153.6 million registered in the preceding quarter, was lower by RM21.2 million or 13.8%. This was mainly due to the loss of revenue from the plantation and palm oil division and lower selling prices of palm oil and oleochemical products.

Profit before tax of RM3.9 million in the current quarter, was also lower when compared to RM11.2 million (three-month extrapolated) registered in the preceding quarter due to an increased production costs at the oleochemical division and lower revenue from the plantation and palm oil division.

B3. Prospect of the Group

Despite the occurrence of unforeseen workers' strike in Indonesia in the first quarter and production interruption at the oleochemical plant, the directors are confident that the performance of the Group will improve in the remaining months of the current financial year following the resumption of normal operations in May 2011.

B4. Profit Forecast

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

**B5. Income Tax Expense**

	First Quarter and Cumulative Quarter Ended	
	30 June 2011	31 July 2010
	RM'000	RM'000
Estimate tax payable		
- Malaysian tax expense	493	493
- Overseas tax expense	1,400	1,910
	<hr/>	<hr/>
	1,893	2,403
- (Provision)/reversal of deferred tax assets	(665)	1,281
	<hr/>	<hr/>
Total	<u>1,228</u>	<u>3,684</u>

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 was no purchase and disposal of quoted securities by the Group during the interim financial period under review.

Investment in quoted securities as of 30 June 2011 was as follows:

	RM'000
At cost	<u>19,717</u>
At fair value	<u>44,535</u>

B8. Corporate Proposals

There is no pending corporate proposal as of 19 August 2011, being a date no earlier than seven days from the date of this Interim Financial Report.

B9. Group Borrowings and Debt Securities

As of 30 June 2011, the Group does not have any outstanding borrowings and debt securities.



B10. Financial Instruments

The Group did not entered into any new type of derivatives during the interim financial period under review that had not been disclosed in the preceding year's annual audited 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 of 30 June 2011, 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 assets recognised RM'000
Forward position:				
- Buy	USD	-	-	-
- Sell	USD/GBP/EUR	23,082	22,873	209
		<u>23,082</u>	<u>22,873</u>	<u>209</u>

(b) Structured foreign currency forward contract

In the previous 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 B11(d) 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 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 19 August 2011, 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 RM2.3 million, with effective dates of up to October 2011.

B11. Material Litigations

- (a) On 6 August 2009, the Company and SA Industries (formerly known as Pofachem (M) Sdn. Berhad) filed a suit to claim damages against certain directors or employees of the Company or SA Industries 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 SA Industries and SRM over a parcel of land in which the factory building and oleochemical manufacturing plant of SA Industries is sitting on. The case has been fixed for case management on 12 September 2011.
- (b) On 6 August 2009, the Company and NISB 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 RM2.1 million. The case has been fixed for full trial in October 2011.
- (c) On 6 July 2009, the Company was served with an ex-parte order from the court for the appointment of Interim Receivers and Managers to the Company pursuant to a petition under Section 181 of the Companies Act, 1965 filed by two (2) shareholders (“Petitioners”) in respect of numerous alleged questionable actions and transactions in the Company and certain of its subsidiary companies. The suit petition was followed by a series of legal actions between the Company, its shareholders and directors, and the Petitioners over a period of two (2) years as follows: -
 - i. application by the Company to set aside the said ex-parte order which the court has responded with an order to suspend the said order over the appointment of Interim Receivers and Managers pending inter-parte hearing of the said application by the Company;
 - ii. contempt proceedings filed by the Petitioners against five (5) directors of the Company for breach of ex-parte order in relation to the filing of a legal suit as detailed in Notes 38(a) and 38(b); and



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

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

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

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

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

The case is now pending assessment for damages arising from the ex-parte order appointing the Interim Receivers and Managers, and is fixed for final mention on 14 November 2011.

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

SCB responded to the suit with an application for stay, which the High Court allowed on 17 December 2010. Subsequently the Court of Appeal has dismissed the appeal by the Company on the decision by the High Court. The Company has then applied for leave to appeal to the Federal Court and the matter has been fixed for hearing on 12 September 2011.

- (e) On 7 April 2010, Southern Management (M) Sdn Bhd ("SMSB", a wholly owned subsidiary of the Company) was served with 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 material litigation proceeding up to 19 August 2011, being a date not earlier than seven days from the date of this Interim Financial Report.

B12. Dividends

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

B13. Earnings per Share

	First Quarter and Cumulative Quarter Ended	
	30 June 2011	31 July 2010
	(11 months)	
Profit attributable to equity holders of the Company (in RM'000)	944	5,670
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934
	<hr/>	<hr/>
Basic earnings per share (in Sen)	<u>0.69</u>	<u>4.14</u>

B14. Realised and Unrealised Retained Profits

	As of 30 Jun 11 RM'000
Total retained profits of the Company and its subsidiaries	
- Realised	221,038
- Unrealised	5,579
	<hr/>
Total Group retained profits as per unaudited consolidated financial statements	<u>226,617</u>



B15. Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report on the financial statements for the preceding eleven (11) months financial period ended 31 March 2011 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 25 February 2009 from a related party, Southern Realty (Malaya) Sdn. Berhad, which is also a major shareholder of the Company, alleging numerous questionable transactions involving certain companies within the Group with certain related parties, and amongst related parties during the past several years. Most of these allegations are directed at Southern Management (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, which provided administrative and accounting services to these related parties.

The Company had in March 2009 appointed a third party to commence investigation into those numerous alleged questionable transactions. However, in May 2009, the said third party withdrew its involvement in the said investigation. The Company's plan to appoint another party to resume the said investigation was halted pending the outcome of the application by the Company to set aside the order for appointment of Interim Receivers and Managers to the Company, as mentioned in Note B11 (c) above.

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

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

- (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 of financial year ending 31 March 2012, was authorised for issuance by the Board of Directors of the Company pursuant to a resolution dated 25 August 2011.