

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

THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011
(Unaudited)
(In Ringgit Malaysia)



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

FINANCIAL YEAR ENDING 31 MARCH 2012
INTERIM FINANCIAL REPORT
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011

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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 THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011
(With unaudited comparative figures for the financial quarter 1 November 2010 to 31 January 2011)

	Note	Third Quarter Ended		Cumulative Quarter Ended	
		31 Dec. 2011 RM'000	31 Jan. 2011 RM'000	31 Dec. 2011 RM'000	31 Jan. 2011 RM'000
Revenue	A7	136,763	140,912	418,169	398,742
- Cost of sales		(108,223)	(108,355)	(354,515)	(318,122)
Gross profit		28,540	32,557	63,654	80,620
- Other income		1,450	1,041	7,599	5,741
- Selling and distribution costs		(2,244)	(2,478)	(6,086)	(8,123)
- Administrative expense		(8,893)	(8,200)	(25,813)	(23,608)
- Other operating expenses		(1,659)	(905)	(5,303)	(4,340)
- Finance costs		-	-	-	-
Profit from operations		17,194	22,015	34,051	50,290
- Net loss on financial assets and liabilities held for trading		-	(45)	-	(1,683)
Profit before tax		17,194	21,970	34,051	48,607
- Income tax expense	B5	(4,876)	(8,238)	(9,143)	(15,353)
Profit for the period	B13	12,318	13,732	24,908	33,254
Other comprehensive income/(expense)					
- Available-for-sale financial assets		(386)	(1,543)	(6,721)	4,709
- Exchange differences on translation of foreign subsidiaries		217	(4,753)	3,246	(5,754)
Total comprehensive income for the period		12,149	7,436	21,433	32,209



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 11 (cont'd)
(With unaudited comparative figures for the financial quarter 1 November 2010 to 31 January 2011)

	Note	Third Quarter Ended		Cumulative Quarter Ended	
		31 Dec. 2011	31 Jan. 2011	31 Dec. 2011	31 Jan. 2011
		RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period attributable to:					
- Equity holders of the Company		9,979	7,559	18,768	21,144
- Minority interests		2,339	6,173	6,140	12,110
		<u>12,318</u>	<u>13,732</u>	<u>24,908</u>	<u>33,254</u>
Total comprehensive income for the period attributable to:					
- Equity holders of the Company		9,131	8,628	12,326	28,409
- Minority interests		3,018	(1,192)	9,107	3,800
		<u>12,149</u>	<u>7,436</u>	<u>21,433</u>	<u>32,209</u>
Earnings per share (sen) attributable to equity holders of the Company					
Basic and diluted	B11	<u>7.29</u>	<u>5.52</u>	<u>13.71</u>	<u>15.44</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 this interim financial statements.



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 31 DECEMBER 2011
(With audited comparative figures as of 31 March 2011)

	Note(s)	As of 31 Dec. 2011 RM'000	As of 31 Mar. 2011 RM'000
ASSETS			
Non-Current Assets			
Land held for property development		141,944	141,944
Property, plant and equipment	A11	92,259	91,539
Investment property		16,381	3,318
Biological assets		11,296	11,298
Available-for-sale investments	B6 & B7	33,601	40,321
Advances for Plasma PIR-TRANS projects		1,686	1,849
Advances for KKPA projects		528	809
Deferred tax assets		2,499	4,815
		<hr/>	<hr/>
		300,194	295,893
Current Assets			
Inventories		73,548	75,104
Trade receivables		36,556	42,530
Other receivables, deposits and prepaid expenses		8,275	2,802
Financial assets held-for-trading		3	125
Tax recoverable		549	1,692
Fixed deposits, short-term placements, and cash and bank balances		104,035	88,418
		<hr/>	<hr/>
		222,966	210,671
		<hr/>	<hr/>
TOTAL ASSETS		523,160	506,564



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2011 (cont'd)
(With audited comparative figures as of 31 March 2011)

	As of 31 Dec. 2011 RM'000	As of 31 Mar. 2011 RM'000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	136,934	136,934
Reserves	285,564	281,454
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	422,498	418,388
Minority interests	39,593	30,486
	<hr/>	<hr/>
Total Equity	462,091	448,874
	<hr/>	<hr/>
Non-Current Liabilities		
Provision for retirement benefits	4,767	5,462
Deferred tax liabilities	7	7
	<hr/>	<hr/>
	4,774	5,469
	<hr/>	<hr/>
Current Liabilities		
Trade payables	26,544	29,769
Other payables and accrued expenses	28,898	19,502
Derivative liabilities held-for-trading	-	-
Tax liabilities	732	2,829
Dividend payable	121	121
	<hr/>	<hr/>
	56,295	52,221
	<hr/>	<hr/>
TOTAL LIABILITIES	61,069	57,690
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	523,160	506,564
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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 this interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011
(With unaudited comparative figures for the financial quarter 1 May 2010 to 31 January 2011)

The Group	Non-distributable reserves			Fair value reserve RM'000	Distributable reserve - Retained earnings RM'000	Equity attributable to 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	-	-	-	-	21,144	21,144	12,110	33,254
Other comprehensive income/(expense) for the period	-	-	2,556	4,709	-	7,265	(8,310)	(1,045)
Total comprehensive income/(expense) for the period	-	-	2,556	4,709	21,144	28,409	3,800	32,209
Dividend	-	-	-	-	(8,217)	(8,217)	-	(8,217)
As of 31 January 2011	136,934	34,321	3,006	15,129	217,455	406,845	27,677	434,522
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	-	-	-	-	18,768	18,768	6,140	24,908
Other comprehensive income/(expense) for the period	-	-	279	(6,721)	-	(6,442)	2,967	(3,475)
Total comprehensive income/(expense) for the period	-	-	279	(6,721)	18,768	12,326	9,107	21,433
Dividend	-	-	-	-	(8,216)	(8,216)	-	(8,216)
As of 31 December 2011	136,934	34,321	1,478	13,540	236,225	422,498	39,593	462,091

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 this interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011
(With unaudited comparative figures for the financial quarter 1 May 2010 to 31 January 2011)

	Cumulative Quarter Ended 31 Dec. 2011 RM'000	Cumulative Quarter Ended 31 Jan. 2011 RM'000
Cash Flows From/(Used In) Operating Activities		
Profit before tax	34,051	48,607
Adjustments for:		
- Dividend income	(2,086)	(4,049)
- Interest income	(2,047)	(1,477)
- Gain on disposal of investments	-	(1,199)
- Gain on disposal of property, plant and equipment	(4)	-
- Unrealised Gain on foreign exchange	(446)	(1,428)
- Amortisation of biological assets	375	611
- Depreciation of property, plant and equipment	6,087	5,852
- Loss arising from derivative assets	122	1,683
- Inventories written down	544	1,179
- Provision for retirement benefits	137	137
- Property, plant and equipment written off	26	
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	36,759	49,916
Increase/(decrease) in :		
- Inventories	1,013	(16,764)
- Trade receivables	6,421	(414)
- Other receivables, deposit and prepaid expenses	(5,471)	(2,607)
Increase/(decrease) in:		
- Trade payables	(3,226)	9,771
- Other payables and accrued expenses	9,393	(2,292)
	<hr/>	<hr/>
Cash Generated From Operations	44,889	37,610
- Interest received	2,047	1,477
- Income tax paid	(7,779)	(9,692)
- Retirement benefits paid	(887)	(40)
	<hr/>	<hr/>
Net Cash From Operations	38,270	29,355
	<hr/>	<hr/>



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011 (cont'd)
(With unaudited comparative figures for the financial quarter 1 May 2010 to 31 January 2011)

	Cumulative Quarter Ended 31 Dec. 2011 RM'000	Cumulative Quarter Ended 31 Jan. 2011 RM'000
Cash Flows From/(Used In) Investing Activities		
- Dividend received	2,086	4,049
- Net conversion for KKPA and Plasma projects	444	645
- Proceeds from disposal of:		
- property, plant and equipment	28	892
- quoted shares	-	1,741
- Addition to:		
- development costs	-	(595)
- property, plant and equipment	(6,233)	(6,081)
- biological assets	-	(559)
- investment property	(12,985)	-
Net Cash From/(Used In) Investing Activities	(16,660)	92
Cash Flows From/(Used In) Financing Activities		
- Dividend paid	(8,216)	(12,813)
- Repayment of hire purchase obligation		(6)
Net Cash Used In Financing Activities	(8,216)	(12,819)
Net Increase/(Decrease) in Cash and Cash Equivalents	13,394	16,628
- Cash and Cash Equivalents at Beginning of Period	88,418	69,371
- Effect of Translation Differences	2,223	(1,420)
Cash and cash equivalents at end of period	104,035	84,579
Composition of cash and cash equivalents:		
Fixed deposits and short term placements	78,348	49,997
Cash at bank and in hand	25,687	34,582
	104,035	84,579

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 this 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.

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 division which uses palm oils as its main ingredient, and the plantation and milling 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 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

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 period ended 31 March 2011 has been approved by the shareholders of the Company at its Annual General Meeting held on 30 September 2011, and was paid on 28 October 2011.

A7. Segmental Information

	Cumulative Quarter Ended 31 December 2011		Cumulative Quarter Ended 31 January 2011	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit before tax RM'000
Manufacturing and marketing of oleochemical products	284,103	8,728	277,031	17,570
Sales of oil palm fruit and crude palm oil	73,931	22,129	71,377	26,867
Managing and operating of private hospital	50,590	2,121	44,405	1,718
Warehousing and bulk conveyor operations	5,835	2,830	4,411	2,007
Others	3,710	(1,757)	1,518	445
	<u>418,169</u>	<u>34,051</u>	<u>398,742</u>	<u>48,607</u>



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

On 17 January 2012, the Company announced that it had on 16 January 2012 acquired 300,000 ordinary shares of RM1.00 each from two (2) minority shareholders, representing 10% equity interest in Firstview Development Sdn Bhd ("FVD"), for a total cash consideration of RM6.6 million. FVD is principally an investment holding company with 2 subsidiary companies in the oil palm plantation and palm oil milling operations in Indonesia. Following the acquisition, the Company's total equity interest in FVD has increased from 80% to 90%.

Except as stated above, there is no other material event occurred subsequent to the end of the interim financial period up to 22 February 2012, being a date not earlier than seven days from the date of this Interim Financial Report.

A9. Changes in Composition of the Group

On 22 July 2011, the Company incorporated a wholly owned subsidiary company, SAB Logistic and Grains Terminal Sdn. Bhd. ("SABLGTT"). The initial authorised share capital of SABLGTT 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. SABLGTT is currently dormant and its intended business activity is that of port handling services.

Except as stated above, there is no other change 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 B9(c) and B9(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 (31 March 2011: 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 A12 and B9(b) to this Interim Financial Report.

- (b) The freehold warehouse of a subsidiary company, PKE (Malaysia) Sdn. Berhad (“PKEM”), with carrying value of RM1.6 million (31 March 2011: RM1.7 million) is located on a parcel of freehold land belonging to a related party.
- (c) As of 31 December 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 31 December 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.

Litigation events pertaining to this matters are disclosed in Note A12 and B9(a) of this Interim Financial Report.

- (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 purchases 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

On 5 October 2011, the Company announced the following two (2) legal settlements:

- (a) Suit against the former directors of SA Industries for failing to renew the tenancy agreement of a parcel of land in which the oleochemicals production plant of SA Industries is situated, has on 3 October 2011 been withdrawn with no order as to costs as the tenancy over the subject land has been, after the filing of the suit, renewed by the landlord namely SRM; and
- (b) Suit against the former directors of NISB for failing to complete the purchase of a parcel of land from SRM has also on 3 October 2011 been withdrawn with no order as to costs but with liberty to file afresh as the Company and NISB are now in negotiations with SRM to complete the transfer of the subject land.

Except as stated above, all other legal suits engaged by the Group since the preceding financial period ended 31 March 2011 are still proceeding at courts, as disclosed in Note B9 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:

	Cumulative Quarter Ended 31 December 2011 RM'000	Cumulative Quarter Ended 31 January 2011 RM'000
Sales of goods	994	1,217
Provision of administrative services	1,642	956
Purchase of raw materials	3,462	5,174



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

B1. Detailed Analysis of Group Performance

The Group registered total revenue of RM136.8 million and RM418.2 million respectively for the current quarter and 9-month period ended 31 December 2011. These were 3% lower (3-month) and 5% higher (9-month) when compared to last year's. Despite higher revenue, profit before tax was lower when compared to last year due to lower profit margins and higher operation costs incurred.

With reference to Note A7 – Segmental information, of this Interim Financial Report, the analysis of the performance of the core operating segments of the Group are as follows: -

- (a) Oleochemical division, which product prices are closely linked to prices of palm oils, registered higher revenue of RM284.1 million against last year's RM277.0 million. This is due to higher average CPO price during the current nine (9) months period when compared to last year's. Despite higher revenue generated, profit before tax was lower at RM8.7 million (Last year: RM17.6 million) due mainly to unforeseen interruption in the production process which resulted in an increase in production costs. The reduction in profit margin is the result of competition from Indonesia.
- (b) Plantation and milling division's revenue of RM73.9 million was higher when compared with last year's RM71.4 million. This is due mainly to higher volume of CPO and palm kernel sold. However, profit before tax of the division was lower at RM22.1 million (Last year: RM26.9 million) due to lower average selling prices and higher production costs.
- (c) Healthcare division contributed higher revenue of RM50.6 million when compared with last year's RM44.4 million mainly attributed to higher patient registration. The higher revenue has directly translated into higher profit before tax of RM2.1 million (Last year: RM1.7 million).
- (d) Warehousing and conveying division benefited from higher volume of palm kernel expeller export during the period with an increase in both revenue and profit before tax derived from its warehousing and bulk conveyor handling services.



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

	Third Quarter Ended 31 December 2011		Second Quarter Ended 30 September 2011	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Oleochemical division	86,542	8,082	102,914	3,305
Plantation and milling division	29,857	8,863	25,189	7,300
Healthcare division	17,687	491	17,298	1,270
Warehousing and conveying division	2,062	970	2,055	993
Others	615	(1,212)	1,516	(360)
	136,763	17,194	148,972	12,508

The Group's current quarter total revenue of RM136.8 million decreased by RM12.2 million or 8.2% when compared with the revenue of RM149.0 million registered in the preceding quarter. All core businesses registered higher revenue when compared to the preceding quarter except for the Oleochemical division, which saw a drop in quantity sold due to intense competition from Indonesia.

Despite lower revenue, profit before tax of the oleochemical division was higher than the preceding quarter, capitalizing on the price competition in the feedstock market. Plantation and milling division achieved higher revenue due to increase in sales volume and this directly translated into higher profit before tax.

Healthcare division and warehousing & conveyor division continued to steadily contribute positively to the bottomline of the Group.

B3. Prospect of the Group

Despite the occurrence of the unforeseen workers' strike in Indonesia and the production interruption at the oleochemical plant in the 1st quarter of the current financial year, the Group has since recovered from these events and recorded better results in the second quarter and third quarter.

Notwithstanding the improved quarterly performances, the intense threats posed by competitions from increased production capacity of downstream operators in the palm oil industry in Indonesia, which have taken advantage of the price-subsidized tax structure, continues to be a matter of serious concern to the Board.



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

	Third 2012 RM'000	Quarter 2011 RM'000	Cumulative Quarter 2012 RM'000	2011 RM'000
Estimate tax payable				
- Malaysian tax expense	311	1,790	1,113	2,544
- Overseas tax expense	2,383	4,084	5,848	8,514
	2,694	5,874	6,961	11,058
- (Provision)/reversal of deferred tax assets	2,182	2,364	2,182	4,295
	4,876	8,238	9,143	15,353
Total				

B6. Corporate Proposals

There is no pending corporate proposal as of 22 February 2012, being a date no earlier than seven days from the date of this Interim Financial Report.

B7. Group Borrowings and Debt Securities

As of 31 December 2011, the Group does not have any outstanding borrowings and debt securities.

B8. 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.



(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 RM1.4 million.

Following the Company's decision not to pursue further the legal action to nullify the structured foreign currency forward contracts, the marked-to-market gain of RM1.4 million has been recognised in the income statement in the second quarter of the current financial period.

Litigation in relation to the termination of the structured foreign currency contracts by the Company is disclosed in Note B9(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 22 February 2012, being a date not earlier than seven days from the date of this Interim Financial Report, the Group does not has any commodity future contract outstanding for execution.

B9. 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 Company and SA Industries had on 3 October 2011 withdrew the case as the tenancy agreement has been renewed by SRM.



- (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 Company and NISB had on 3 October 2011 withdrew the case with liberty to file afresh as negotiation with SRM is still in progress for the transfer of the land title.

- (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.

On 14 November 2011, the Company announced that the Petitioners have agreed to pay a sum of RM320,000 as damages to the Company arising from the ex-parte order appointing the Interim Receivers and Managers.

- (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 application was dismissed.

The Company had on 7 October 2011 announced its decision not to pursue this matter further.

- (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 22 February 2012, being a date not earlier than seven days from the date of this Interim Financial Report.

**B10. Dividends**

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

B11. Earnings per Share

	Third Quarter Ended		Cumulative Quarter Ended	
	31 Dec. 2011	31 Jan. 2011	31 Dec. 2011	31 Jan. 2011
Profit attributable to equity holders of the Company (in RM'000)	9,979	7,559	18,768	21,144
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	<u>7.29</u>	<u>5.52</u>	<u>13.71</u>	<u>15.44</u>

B12. Realised and Unrealised Retained Profits

	As of 31 Dec. 2011 RM'000	As of 31 Jan. 2011 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	244,936	221,324
- Unrealised	2,947	9,160
	<u>247,883</u>	<u>230,484</u>
Less: Consolidation adjustments	(11,658)	(13,029)
Total Group retained profits as per unaudited consolidated financial statements	<u>236,225</u>	<u>217,455</u>



B13. Detailed Incomes and Expenses for the Periods

	3-mth ended 31 Dec. 2011 RM'000	9-mth ended 31 Dec. 2011 RM'000
- Interest income	869	2,047
- Other income including investment income	520	1,785
- Depreciation and amortization	2,302	6,462
- Inventories written down	544	544
- Gain/(loss) on foreign exchange	(2,024)	3,691
- Gain/(loss) on derivatives	2,133	(122)

Other items of disclosure pursuant to Appendix 9B, Part A, paragraphs 16 and 17 of the Main market Listing requirements of Bursa Malaysia Securities Berhad are not applicable.

B14. 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 B9 (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 third financial quarter of financial year ending 31 March 2012, was authorised for issuance by the Board of Directors of the Company during a meeting of the Directors on 28 February 2012.