

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 ENDED 31 MARCH 2012

FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2012
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)



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

FINANCIAL YEAR ENDED 31 MARCH 2012
INTERIM FINANCIAL REPORT
FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2012

CONTENTS	PAGE(S)
Condensed Consolidated Income Statements	3
Condensed Consolidated Statements of Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5 – 6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flow	8 – 10
Explanatory Notes to the Interim Financial Report:	
Part A: Pursuant to Financial Reporting Standard # 134	11 – 16
Part B: Pursuant to paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as amended from time to time and any re-enactment thereon	17 – 25



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

FINANCIAL YEAR ENDED 31 MARCH 2012
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2012

(With unaudited comparative figures for the 2-month financial quarter 1 February 2011 to 31 March 2011 and audited cumulative 11-month financial period 1 May 2010 to 31 March 2011)

	Note	Fourth Quarter Ended		Cumulative Quarter Ended	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
		RM'000	RM'000	RM'000	RM'000
Revenue	A7	142,535	102,631	560,704	501,373
- Cost of sales		(119,967)	(86,112)	(474,482)	(404,234)
Gross profit		22,568	16,519	86,222	97,139
- Other income		(378)	200	7,221	5,941
- Selling and distribution costs		(2,191)	(1,231)	(8,277)	(9,354)
- Administrative expenses		(11,217)	(9,172)	(37,030)	(32,780)
- Other operating expenses		(1,933)	(1,146)	(7,237)	(5,486)
- Finance costs		-	-	-	-
Profit from operations		6,849	5,170	40,899	55,460
- Net gain on financial assets and liabilities held for trading		-	1,683	-	-
Profit before tax	A7	6,849	6,853	40,899	55,460
- Income tax expense	B5	(4,167)	843	(13,310)	(14,510)
Profit for the period	B13	2,682	7,696	27,589	40,950
Attributable to:					
- Equity holders of the Company		(576)	8,217	19,564	29,361
- Minority interests		3,258	(521)	8,025	11,589
		2,682	7,696	27,589	40,950
Earnings/(loss) per share (sen) attributable to equity holders of the Company					
- Basic and diluted	B11	(0.42)	6.00	14.29	21.44



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

FINANCIAL YEAR ENDED 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2012

(With unaudited comparative figures for the 2-month financial quarter 1 February 2011 to 31 March 2011 and audited cumulative 11-month financial period 1 May 2010 to 31 March 2011)

	Note	Fourth Quarter Ended		Cumulative Quarter Ended	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
		RM'000	RM'000	RM'000	RM'000
Profit for the period	B13	2,682	7,696	27,589	40,950
Other comprehensive income/(expense)					
- Available-for-sale financial assets		1,302	5,132	(5,418)	9,841
- Exchange differences on translation of foreign subsidiaries		(5,955)	6,120	(2,709)	366
Total comprehensive income/(expense) for the period		(1,971)	18,948	19,462	51,157
Attributable to:					
- Equity holders of the Company		(1,282)	11,542	11,044	39,951
- Minority interests		(689)	7,406	8,418	11,206
		(1,971)	18,948	19,462	51,157

The consolidated income statement and 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
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

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

	Note	As of 31.03.2012 RM'000	As of 31.03.2011 RM'000
ASSETS			
Non-Current Assets			
Land held for property development		141,944	141,944
Property, plant and equipment	A11	92,221	91,539
Investment property		16,371	3,318
Biological assets		10,296	11,298
Available-for-sale investments		34,903	40,321
Advances for Plasma PIR-TRANS projects		1,534	1,849
Advances for KKPA projects		3,699	809
Deferred tax assets		843	4,815
		301,811	295,893
Current Assets			
Inventories		64,669	75,104
Trade receivables		50,382	42,530
Other receivables, deposits and prepaid expenses		2,171	2,802
Financial assets held-for-trading		-	125
Tax recoverable		914	1,692
Fixed deposits, short-term placements, and cash and bank balances		94,832	88,418
		212,968	210,671
TOTAL ASSETS		514,779	506,564



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

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

	As of 31.03.2012 RM'000	As of 31.03.2011 RM'000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	136,934	136,934
Reserves	283,613	281,454
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	420,547	418,388
Minority interests	30,821	30,486
	<hr/>	<hr/>
Total Equity	451,368	448,874
	<hr/>	<hr/>
Non-Current Liabilities		
Provision for retirement benefits	6,762	5,462
Deferred tax liabilities	9	7
	<hr/>	<hr/>
	6,771	5,469
	<hr/>	<hr/>
Current Liabilities		
Trade payables	25,534	29,769
Other payables and accrued expenses	27,428	19,502
Derivative liabilities held-for-trading	74	-
Tax liabilities	1,678	2,829
Dividend payable	1,926	121
	<hr/>	<hr/>
	56,640	52,221
	<hr/>	<hr/>
TOTAL LIABILITIES	63,411	57,690
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	514,779	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
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDED 31 MARCH 2012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2012

(With audited comparative figures for the 11-month financial period 1 May 2010 to 31 March 2011)

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	-	-	-	-	29,361	29,361	11,589	40,950
Other comprehensive income/(expense) for the period	-	-	749	9,841	-	10,590	(383)	10,207
Total comprehensive income/(expense) for the period	-	-	749	9,841	29,361	39,951	11,206	51,157
Dividend paid	-	-	-	-	(8,216)	(8,216)	(4,597)	(12,813)
As of 31 March 2011	136,934	34,321	1,199	20,261	225,673	418,388	30,486	448,874
As of 1 April 2011	136,934	34,321	1,199	20,261	225,673	418,388	30,486	448,874
Profit for the year	-	-	-	-	19,564	19,564	8,025	27,589
Other comprehensive income/(expense) for the year	-	-	(3,102)	(5,418)	-	(8,520)	393	(8,127)
Total comprehensive income/(expense) for the year	-	-	(3,102)	(5,418)	19,564	11,044	8,418	19,462
Acquisition of non-controlling interest	-	-	(669)	-	-	(669)	(6,278)	(6,947)
Dividend	-	-	-	-	(8,216)	(8,216)	(1,805)	(10,021)
As of 31 March 2012	136,934	34,321	(2,572)	14,843	237,021	420,547	30,821	451,368

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
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDED 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2012

(With audited comparative figures for the 11-month financial period 1 May 2010 to 31 March 2011)

	Cumulative Quarter Ended 31.03.2012 RM'000	Cumulative Quarter Ended 31.03.2011 RM'000
Cash Flows From/(Used In) Operating Activities		
Profit before tax	40,899	55,460
Adjustments for:		
- Dividend income	(2,147)	(4,097)
- Interest income	(2,667)	(1,833)
- Gain on disposal of quoted investments	-	(1,199)
- Waiver of debts by other creditors	-	(412)
- Unrealised loss/(gain) on foreign exchange	77	(128)
- Allowance for doubtful debts no longer required	-	(78)
- Gain on disposal of property, plant and equipment	(15)	(73)
- Depreciation of property, plant and equipment	8,029	7,152
- Inventories written down	461	1,839
- Loss arising from derivative financial assets	199	1,547
- Provision for retirement benefits	1,684	1,239
- Amortisation of biological assets	802	745
- Allowance for doubtful debts	-	671
- Property, plant and equipment written off	27	20
- Goodwill written off	323	-
- Bad debts written off	-	16
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	47,672	60,869
Increase/(decrease) in :		
- Inventories	9,974	(18,409)
- Trade receivables	(9,043)	(2,570)
- Other receivables, deposit and prepaid expenses	1,745	(1,081)
Increase/(decrease) in:		
- Trade payables	(4,235)	3,923
- Other payables and accrued expenses	1,400	589
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Cash Generated From Operations	47,513	43,321



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

FINANCIAL YEAR ENDED 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2012 (cont'd)
(With audited comparative figures for the 11-month financial period 1 May 2010 to 31 March 2011)

	Cumulative Quarter Ended 31.03.2012 RM'000	Cumulative Quarter Ended 31.03.2011 RM'000
Cash Generated From Operations	47,513	43,321
- Interest received	2,667	1,833
- Income tax paid	(10,151)	(11,380)
- Retirement benefits paid	(278)	(111)
	<hr/>	<hr/>
Net Cash From Operations	39,751	33,663
	<hr/>	<hr/>
Cash Flows From/(Used In) Investing Activities		
- Dividend received	2,147	4,097
- Net conversion for KKPA and Plasma projects	(2,575)	483
- Proceeds from disposal of:		
- property, plant and equipment	28	170
- quoted shares	-	1,741
- Addition to:		
- development costs	-	(684)
- property, plant and equipment	(9,375)	(7,952)
- biological assets	(183)	(586)
- investment property	(6,527)	-
- Acquisition of non-controlling interest	(6,600)	-
	<hr/>	<hr/>
Net Cash (Used In)/From Investing Activities	(23,085)	(2,731)
	<hr/>	<hr/>
Cash Flows From/(Used In) Financing Activities		
- Dividend paid	(8,216)	(12,813)
- Repayment of hire purchase obligation	-	(6)
	<hr/>	<hr/>
Net Cash Used In Financing Activities	(8,216)	(12,819)
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SOUTHERN ACIDS (M) BERHAD
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AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDED 31 MARCH 2012
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2012 (cont'd)
(With audited comparative figures for the 11-month financial period 1 May 2010 to 31 March 2011)

	Cumulative Quarter Ended 31.03.2012 RM'000	Cumulative Quarter Ended 31.03.2011 RM'000
Net Increase in Cash and Cash Equivalents	8,450	18,113
Cash and Cash Equivalents at Beginning of Year/Period	88,418	69,371
Effect of Translation Differences	(2,036)	934
Cash and Cash Equivalents at End of Year/Period	94,832	88,418
Composition of Cash and Cash Equivalents:		
- Fixed deposits and short term placements with licensed banks	43,398	52,275
- Investment in trust funds	27,293	-
- Cash at bank and in hand	24,141	36,143
	94,832	88,418

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.



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 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 are 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 had 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 12-Month Ended 31.03.2012		Cumulative 11-Month Ended 31.03.2011	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing and marketing of oleochemical products	376,109	10,558	348,380	19,570
Sales of oil palm fruit and crude palm oil	102,316	28,356	87,806	30,516
Managing and operating of private hospital	68,746	3,065	54,288	2,793
Warehousing and bulk conveyor operations	8,066	3,762	5,055	2,073
Others	5,467	(4,842)	5,844	508
	<u>560,704</u>	<u>40,899</u>	<u>501,373</u>	<u>55,460</u>



A8. Material Event 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 22 May 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. ("SABLGT"). The initial authorised share capital of SABLGT is RM500,000 comprising 500,000 ordinary shares of RM1.00 each and the initial paid-up share capital is RM2.00 comprising 2 ordinary shares of RM1.00 each. SABLGT is currently dormant and its intended business activity is that of port handling services.

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 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(e) to this Interim Financial Report.

A11. Property, Plant and Equipment

- (a) The title to several parcels 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 March 2012, the title 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 March 2012, 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 has applied for a renewal of the tenancy agreement upon its expiry in April 2012, and is waiting for a reply from SRM. 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 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 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

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, had on 3 October 2011 been withdrawn with no order as to costs as the tenancy over the subject land had 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 had 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 12-Month Ended 31.03.2012 RM'000	Cumulative 11-Month Ended 31.03.2011 RM'000
Sales of goods	1,651	1,990
Provision of administrative services	2,110	1,695
Purchase of raw materials	5,240	6,121



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

Southern Acids (M) Berhad Group recorded a total revenue of RM142.5 million and RM560.7 million respectively in the fourth quarter and financial year ended 31 March 2012. These were 39% and 12% higher when compared to last year's, which financial periods were two months (fourth quarter) and eleven months (financial year) respectively when the Group changed its financial year from 30 April to 31 March.

Should last year's results be annualised for the purpose of comparison, the current financial periods' results will be lower by 7% quarter-to-quarter, and higher by 2% year-to-year.

Profit before tax for the fourth quarter of RM6.8 million was marginally lower than last year's two months results, and 32% lower when compared to last year's extrapolated profit before tax.

As for the complete financial year, the current financial year's profit before tax was lower despite registering higher revenue when compared to last year's eleven months and annualised profit before tax.

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 has been adversely impacted by the increasing price competition in the global market posed by Indonesia's oleochemical products, which are heavily subsidised by its upstream palm oil sector through a revamped export tax structure since September 2011. Product margins were also affected by higher production costs. Both revenue and profit before tax deteriorated when compared to last year.
- (b) Plantation and milling division, which is based in Indonesia, registered higher revenue when compared to last year. This was mainly attributed to a stable yield of fresh fruit bunches from internal estates, coupled with consistent rate of oil extraction, and an overall higher prices of crude palm oil through out the current financial year. Despite higher revenue, profit before tax was lower due mainly to higher cost of estate maintenance and fertilizer program.
- (c) Healthcare division, which operates the Sri Kota Specialist Medical Centre (SKMC) in the town centre of Klang, recorded higher patient registration during the current financial year. This is notwithstanding the highly competitive business environment with challenges such as clustering of competitors in the same vicinity in which SKMC operates. Both revenue and profit before tax were higher when compared to last year.



B1 Detailed Analysis of Group Performance (cont'd)

- (d) Warehousing and conveying division has benefited from higher volume of palm kernel expeller exported and handled by PKE (Malaysia) Sdn. Bhd. and PKE Transport (M) Sdn. Bhd. during the financial year 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

	Fourth Quarter Ended 31.03.2012		Third Quarter Ended 31.12.2011	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Oleochemical division	92,006	1,830	86,542	8,082
Plantation and milling division	29,444	5,928	29,857	8,863
Healthcare division	18,156	944	17,687	491
Warehousing and conveying division	2,231	932	2,062	970
Others	698	(2,785)	615	(1,212)
	142,535	6,849	136,763	17,194

The Group's current quarter total revenue of RM142.5 million was RM5.7 million or 4% higher when compared with the revenue of RM136.8 million registered in the preceding quarter. All core businesses achieved higher revenue when compared to the preceding quarter except for the Plantation and Milling division, which was affected by the low-crop season in the last quarter of the current financial year.

Despite higher revenue, profit before tax of the oleochemical division was significantly lower than the preceding quarter due mainly to increase in prices of feedstocks that dampened the profit margin against a backdrop of intense price competition from Indonesia's oleochemical products.

Plantation and milling division also saw a drop in profit before tax due mainly to increase in cost of oil palm estate and palm oil mill maintenance during the low-crop season.

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



B3. Prospect of the Group

The Group's performance was adversely impacted by an unforeseen workers' strike in Indonesia and the production interruption at the oleochemical plant in the first quarter of the current financial year, and subsequently by the revamped palm oil industry tax structure in Indonesia since September 2011.

The Board is mindful of the causal factors that have negatively impacted the Group's performance, and has or will take all possible measures within its control to address these factors or to mitigate its consequential effects. Nevertheless, 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 was no profit forecast and profit guarantee issued by the Group and the Company during the interim financial periods under review.

B5. Income Tax Expense

	Fourth Quarter Ended		Cumulative Quarter Ended	
	3-Month	2-Month	12-Month	11-Month
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Malaysian tax expense	1,012	42	2,125	2,586
- Overseas tax expense	1,226	(542)	7,074	7,972
	2,238	(500)	9,199	10,558
- (Provision)/reversal of deferred tax assets	1,929	(343)	4,111	3,952
	4,167	(843)	13,310	14,510
Total	4,167	(843)	13,310	14,510

B6. Corporate Proposals

There is no pending corporate proposal as of 22 May 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 March 2012, the Group does not have any outstanding borrowings and debt securities.

B8. Financial Instruments

The Group did not enter 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 year.

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 of 22 May 2012, 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 RM5.8 million, with effective dates of up to August 2012.

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;



B9. Material Litigations (cont'd)

- 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.



B9. Material Litigations (cont'd)

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 May 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

	Fourth Quarter Ended		Cumulative Quarter Ended	
	3-Month	2-Month	12-Month	11-Month
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Profit/(loss) attributable to equity holders of the Company (in RM'000)	(576)	8,217	19,564	29,361
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings/(loss) per share (in Sen)	(0.42)	6.00	14.29	21.44

**B12. Realised and Unrealised Retained Profits**

	As of 31.03.2012 RM'000	As of 31.03.2011 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	247,138	230,945
- Unrealised	558	5,061
	<u>247,696</u>	<u>236,006</u>
Less: Consolidation adjustments	(10,675)	(10,333)
Total Group retained profits as per unaudited consolidated Statements of Changes in Equity	<u>237,021</u>	<u>225,673</u>

B13. Detailed Incomes and Expenses for the Periods

	Fourth Quarter 31.03.2012 RM'000	Cumulative Quarter 31.03.2012 RM'000
- Interest income	620	2,667
- Other income including investment income	1,028	2,813
- Depreciation and amortization	(2,369)	(8,831)
- Inventories written down	(461)	(461)
- Goodwill written off	(323)	(323)
- Gain/(loss) on foreign exchange	(1,739)	1,952
- Gain/(loss) on derivatives	(77)	(199)
	<u>(77)</u>	<u>(199)</u>

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 fourth financial quarter of financial year ended 31 March 2012, was authorised for issuance by the Board of Directors of the Company during a meeting of the Directors on 29 May 2012.