

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 2013**

**FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012**  
(Figures are not audited unless otherwise specified)  
(In Ringgit Malaysia)



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

**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**INTERIM FINANCIAL REPORT**  
**FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012**

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

**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012**  
(With unaudited comparative figures for the financial quarter ended 30 June 2011)

	Note	First Quarter Ended	
		30.06.2012	30.06.2011
		RM'000	RM'000
Revenue	<b>A7</b>	148,497	132,434
- Cost of sales		(125,276)	(118,418)
Gross profit		23,221	14,016
- Other income		4,091	1,247
- Selling and distribution costs		(1,329)	(1,221)
- Administrative expenses		(9,672)	(7,801)
- Other operating expenses		(1,962)	(1,892)
- Finance costs		-	-
Profit from operations		14,349	4,349
- Net loss on financial assets and liabilities held for trading		-	-
Profit before tax	<b>A7</b>	14,349	4,349
- Income tax expense	<b>B5</b>	(2,469)	(1,228)
Profit for the period	<b>B13</b>	11,880	3,121
Attributable to:			
- Equity holders of the Company		9,437	944
- Non-controlling interests		2,443	2,177
		11,880	3,121
<b>Earnings per share (sen) attributable to equity holders of the Company</b>			
- Basic and diluted	<b>B11</b>	6.89	0.69



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012**  
(With unaudited comparative figures for the financial quarter ended 30 June 2011)

	Note	First Quarter Ended	
		30.06.2012	30.06.2011
		RM'000	RM'000
Profit for the period	<b>B13</b>	11,880	3,121
Other comprehensive income/(expense)			
- Available-for-sale financial assets		2,015	4,670
- Exchange differences on translation of foreign subsidiaries		283	919
Total comprehensive income for the period		<u>14,178</u>	<u>8,710</u>
Attributable to:			
- Equity holders of the Company		11,813	5,963
- Non-controlling interests		<u>2,365</u>	<u>2,747</u>
		<u>14,178</u>	<u>8,710</u>

The consolidated income statements and consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2012, and the accompanying notes attached to these interim financial statements.



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

**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF 30 JUNE 2012**

(With audited comparative figures as of 31 March 2012)

	Note	As of 30.06.2012 RM'000	As of 31.03.2012 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Land held for property development		141,944	141,944
Property, plant and equipment	<b>A11</b>	105,623	105,174
Investment property		3,318	3,318
Biological assets		10,319	10,291
Available-for-sale investments		36,918	34,903
Advances for Plasma PIR-TRANS program		890	1,534
Advances for KKPA program		5,170	3,699
Deferred tax assets		829	919
		<hr/>	<hr/>
		305,011	301,782
		<hr/>	<hr/>
<b>Current Assets</b>			
Inventories		68,383	64,669
Derivative financial assets		21	-
Trade receivables		52,162	50,670
Other receivables, deposits and prepaid expenses		2,880	2,222
Tax recoverable		378	868
Fixed deposits, short-term placements, and cash and bank balances		93,794	94,858
		<hr/>	<hr/>
		217,618	213,287
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>522,629</b>	<b>515,069</b>



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF 30 JUNE 2012 (cont'd)**  
(With audited comparative figures as of 31 March 2012)

	<b>As of 30.06.2012 RM'000</b>	<b>As of 31.03.2012 RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share capital	136,934	136,934
Reserves	295,463	283,650
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	432,397	420,584
Non-controlling interests	32,981	30,616
	<hr/>	<hr/>
<b>Total Equity</b>	<b>465,378</b>	<b>451,200</b>
	<hr/>	<hr/>
<b>Non-Current Liabilities</b>		
Provision for retirement benefits	6,884	6,762
Deferred tax liabilities	9	13
	<hr/>	<hr/>
	6,893	6,775
	<hr/>	<hr/>
<b>Current Liabilities</b>		
Trade payables	21,187	25,460
Other payables and accrued expenses	27,658	28,663
Derivative financial liabilities	-	79
Tax liabilities	1,121	697
Dividend payable	392	2,195
	<hr/>	<hr/>
	50,358	57,094
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>57,251</b>	<b>63,869</b>
	<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>522,629</b>	<b>515,069</b>
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The consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2012, and the accompanying notes attached to these interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012**  
(With unaudited comparative figures for the financial quarter ended 30 June 2011)

The Group	Non-distributable reserves			Fair value reserve RM'000	Other reserve RM'000	Distributable reserve - Retained earnings RM'000	Equity attributable to equity holders of the Company RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000						
<b>As of 1 April 2011</b>	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	-	-	349	4,670	-	944	5,963	2,747	8,710
<b>As of 30 June 2011</b>	<b>136,934</b>	<b>34,321</b>	<b>1,548</b>	<b>24,931</b>	<b>-</b>	<b>226,617</b>	<b>424,351</b>	<b>33,233</b>	<b>457,584</b>
<b>As of 1 April 2012</b>	136,934	34,321	(2,573)	14,843	(322)	237,381	420,584	30,616	451,200
Profit for the period	-	-	-	-	-	9,437	9,437	2,443	11,880
Other comprehensive income/(expense) for the period	-	-	361	2,015	-	-	2,376	(78)	2,298
Total comprehensive income for the period	-	-	361	2,015	-	9,437	11,813	2,365	14,178
<b>As of 30 June 2012</b>	<b>136,934</b>	<b>34,321</b>	<b>(2,212)</b>	<b>16,858</b>	<b>(322)</b>	<b>246,818</b>	<b>432,397</b>	<b>32,981</b>	<b>465,378</b>

The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2012, and the accompanying notes attached to these interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012**  
(With unaudited comparative figures for the financial quarter ended 30 June 2011)

	<b>First Quarter Ended 30.06.2012 RM'000</b>	<b>First Quarter Ended 30.06.2011 RM'000</b>
<b>Cash Flows From/(Used In) Operating Activities</b>		
Profit before tax	14,349	4,349
Adjustments for:		
- Dividend income	(813)	(1,136)
- Interest income	(710)	(564)
- Gain on disposal of quoted investments	-	-
- Waiver of debts by other creditors	-	-
- Unrealised loss/(gain) on foreign exchange	(1,323)	(26)
- Allowance for doubtful debts no longer required	-	-
- Gain on disposal of property, plant and equipment	-	-
- Depreciation of property, plant and equipment	2,091	1,949
- Inventories written down	485	1,121
- Loss/(gain) arising from derivative financial assets	(100)	265
- Provision for retirement benefits	167	46
- Amortisation of biological assets	194	208
- Allowance for doubtful debts	-	-
- Property, plant and equipment written off	-	-
- Bad debts written off	-	-
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	14,340	6,212
Increase/(decrease) in :		
- Inventories	(4,200)	1,685
- Trade receivables	(170)	5,119
- Other receivables, deposit and prepaid expenses	(658)	544
Increase/(decrease) in:		
- Trade payables	(4,273)	(12,687)
- Other payables and accrued expenses	(1,004)	5,257
- Dividend payable	(1,803)	-
	<hr/>	<hr/>
<b>Cash Generated From Operations</b>	<b>2,232</b>	<b>6,130</b>





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**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012 (cont'd)**  
(With unaudited comparative figures for the financial quarter ended 30 June 2011)

	<b>First Quarter Ended 30.06.2012 RM'000</b>	<b>First Quarter Ended 30.06.2011 RM'000</b>
<b>Cash Generated From Operations</b>	<b>2,232</b>	<b>6,130</b>
- Interest received	710	564
- Income tax paid	(1,484)	(2,887)
- Retirement benefits paid	(60)	(795)
	<hr/>	<hr/>
<b>Net Cash From Operations</b>	<b>1,398</b>	<b>3,012</b>
	<hr/>	<hr/>
<b>Cash Flows From/(Used In) Investing Activities</b>		
- Dividend received	813	1,136
- Net conversion for KKPA and Plasma projects	(826)	(100)
- Proceeds from disposal of:		
- property, plant and equipment	-	-
- quoted shares	-	-
- Addition to:		
- development costs	-	-
- property, plant and equipment	(2,615)	(2,840)
- biological assets	(160)	(82)
- investment property	-	-
- Acquisition of non-controlling interest	-	-
	<hr/>	<hr/>
<b>Net Cash Used In Investing Activities</b>	<b>(2,788)</b>	<b>(1,886)</b>
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<b>Cash Flows From/(Used In) Financing Activities</b>		
- Dividend paid	-	-
- Repayment of hire purchase obligation	-	-
	<hr/>	<hr/>
<b>Net Cash From/(Used) In Financing Activities</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>



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**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012 (cont'd)**  
(With unaudited comparative figures for the financial quarter ended 30 June 2011)

	<b>First Quarter Ended 30.06.2012 RM'000</b>	<b>First Quarter Ended 30.06.2011 RM'000</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>(1,390)</b>	<b>1,126</b>
<b>Cash and Cash Equivalents at Beginning of Year/Period</b>	94,858	88,418
<b>Effect of Translation Differences</b>	326	248
<b>Cash and Cash Equivalents at End of Year/Period</b>	<b>93,794</b>	<b>89,792</b>
<b>Composition of Cash and Cash Equivalents:</b>		
- Fixed deposits and short term placements with licensed banks	42,079	53,833
- Investment in trust funds	29,867	-
- Cash at bank and in hand	21,848	35,959
	<b>93,794</b>	<b>89,792</b>

The consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 March 2012, and the accompanying notes attached to these interim financial statements.



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**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012**  
**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 (“MASB”).

This Interim Financial Report is unaudited and should be read in conjunction with the Group’s annual audited financial statements for the financial year ended 31 March 2012. The explanatory notes to the Interim Financial Report provide explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2012.

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

**A1. Basis of Preparation**

**A1.1.** The accounting policies and presentation adopted for this Interim Financial Report is consistent with those adopted for the annual financial statements for the financial year ended 31 March 2012, except for the adoption of the new/revised FRSs, amendments to FRSs and IC (Interpretation Committee of the MASB) Interpretations (“IC Int.”) that are mandatory for adoption for annual financial period beginning on or after 1 April 2012, as follows:

<b><u>New, revision and amendments to FRS</u></b>		<b>Effective for annual period on or after:</b>
FRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets.	1 January 2012
FRS 112	Income Taxes: Deferred Tax – Recovery of Underlying Assets.	1 January 2012
FRS 124	Related Party Disclosures (Revised).	1 January 2012
<b><u>IC Interpretations</u></b>		
IC Int. 14	FRS 119 – The Limit on a Defined Benefit Asset - Prepayment of a Minimum Funding Requirement.	1 July 2011
IC Int. 19	Extinguishing Financial Liabilities with Equity Instruments.	1 July 2011



The adoption of the above said new/revised FRSs, amendment to FRSs and IC Interpretations, if applicable, do not have any significant impact on the financial information of the Group during the interim financial periods under review.

**A1.2.** FRSs under the existing FRS Framework that have yet to be adopted in this Interim Financial report are as follows:

<b><u>New, revision and amendments to FRS</u></b>		<b>Effective for annual period on or after:</b>
FRS 101	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income.	1 July 2012
FRS 9	Financial Instruments – IFRS 9 issued by IASB in November 2009)	1 January 2013
FRS 9	Financial Instruments – IFRS 9 issued by IASB in October 2010	1 January 2013
FRS 10	Consolidated Financial Statements.	1 January 2013
FRS 11	Joint Arrangements.	1 January 2013
FRS 12	Disclosure of Interests in Other Entities.	1 January 2013
FRS 13	Fair Value Measurement.	1 January 2013
FRS 119	Employee Benefits.	1 January 2013
FRS 127	Separate Financial Statements.	1 January 2013
FRS 128	Investments In Associates and Joint Ventures.	1 January 2013
<b><u>IC Interpretations</u></b>		
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

These new/revised FRSs, amendments to FRSs or IC Interpretations, which are to be applied prospectively, are not expected to have any material financial impacts on the financial statements for the current or prior periods upon their initial adoptions, if applicable.

### **A1.3. Malaysian Financial Reporting Standards**

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS”).

MFRSs are applicable to all entities, other than private entities, in Malaysia. The effective date of MFRSs application is on annual financial reporting periods beginning on or after 1 January 2012, with the exception for Transitioning Entities that subject to the application of (a) MFRS 141: Agriculture and/or (b) IC Int. 15: Agreements for the Construction of Real Estate. Transitioning Entities also includes those entities that consolidate, equity account or proportionately consolidate an entity that has chosen to continue to apply the FRS Framework on or after 1 January 2012. The Transitioning Entities are given an option to defer adoption of the MFRS Framework for an additional two (2) years, i.e. annual period beginning on or after 1 January 2014 and in the case of the Group and the Company, their financial year commencing on 1 April 2014.



**A1. Basis of Preparation (cont'd)**

**A1.3. Malaysian Financial Reporting Standards (cont'd)**

The Group and the Company, being Transitioning Entities, have availed themselves of this transitional arrangement and will continue to apply FRSs in the current financial year ending 31 March 2013.

**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**

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

**A4. Material Changes in Estimates**

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

**A5. Debt and Equity Securities**

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

**A6. Dividend Paid**

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

**A7. Segmental Information**

	First Quarter Ended 30.06.2012		First Quarter Ended 30.06.2011	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Manufacturing and marketing of oleochemical products	102,526	4,340	94,647	(2,659)
Sales of oil palm fruit and crude palm oil	24,640	8,859	18,885	5,966
Managing and operating of private hospital	18,577	1,125	15,605	360
Warehousing and bulk conveyor operations	1,448	210	1,718	867
Others	1,306	(185)	1,579	(185)
	<u>148,497</u>	<u>14,349</u>	<u>132,434</u>	<u>4,349</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 August 2012, being a date not earlier than seven days from the date of this Interim Financial Report.

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

There is no 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 period 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 year ended 31 March 2012.

Detailed litigation proceedings of the contingent material litigation are disclosed in Note B9 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 2012: 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.
- (b) The freehold warehouse of a subsidiary company, PKE (Malaysia) Sdn. Berhad ("PKEM"), with carrying value of RM1.6 million (31 March 2012: RM1.6 million) is located on a parcel of freehold land belonging to a related party.
- (c) As of 30 June 2012, the strata title in respect of a freehold office premises with carrying value of RM3.4 million (31 March 2012: RM3.5 million) belonging to the Company has not yet been issued to the Company.
- (d) A factory building and oleochemical plant of a subsidiary company, Southern Acids Industries Sdn. Bhd., are constructed on a parcel of land belonging to SRM. The existing rental agreement between SRM and SA Industries had expired on 30 April 2012 but the parties had agreed in principle to extend the said rental agreement to 30 April 2013 pending the execution of the renewed tenancy agreement. Pursuant to the tenancy agreement, SA Industries intends to extend the lease tenure upon its expiry in April 2013. 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.
- (e) As of 30 June 2012, a piece of leasehold land of SAB Bio-Fuel Sdn. Bhd. located in the Palm Oil Industrial Cluster at Lahad Datu, Sabah has yet to be registered in the name of SAB Bio-Fuel Sdn. Bhd. pending settlement of the purchase consideration, which is subject to re-scheduling on terms of payments.

### **A12. Litigation Settlement**

All legal suits engaged by the Group and in progress since the preceding financial year ended 31 March 2012 are still proceeding at courts, as disclosed in Note B9 to this Interim Financial Report.

**A13. Related Party Transactions**

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

	<b>First Quarter Ended 30.06.2012 RM'000</b>	<b>First Quarter Ended 30.06.2011 RM'000</b>
Sales of goods	257	293
Provision of administrative services	426	453
Purchase of raw materials	8,416	1,817





**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 profit before tax of RM14.3 million in the first financial quarter ended 30 June 2012, on a total revenue of RM148.5 million. These results, when compared to last year, were higher by 230% and 12% respectively.

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 is as follows: -

- (a) Oleochemical division delivered better results, despite intense competition from oleochemical producers in Indonesia which are enjoying favourable government incentives for palm oil downstream processing. This business division was adversely affected by a production machinery breakdown in last year's first quarter.
- (b) Plantation and milling division continued to be a major contributor to the results of the group. Total fresh fruit bunches processed as well as crude palm oil produced and sold were significantly higher than last year which was adversely affected by a workers' strike.
- (c) Healthcare division, which operates the Sri Kota Specialist Medical Centre (SKMC) in the town centre of Klang, recorded higher patient registration thus resulting in improved profit before tax when compared to last year.
- (d) Warehousing and conveying division saw lower volume of palm kernel expellers delivered to its conveyor facilities for loading services and accordingly, revenue was lower. The results of this division had been adversely affected by a breakdown in its fixed conveyor loading facilities.



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

	First Quarter Ended 30.06.2012		Fourth Quarter Ended 31.03.2012	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Oleochemical division	102,526	4,340	92,006	1,830
Plantation and milling division	24,640	8,859	29,444	5,928
Healthcare division	18,577	1,125	18,156	944
Warehousing and conveying division	1,448	210	2,231	932
Others	1,306	(185)	698	(2,785)
	<b>148,497</b>	<b>14,349</b>	<b>142,535</b>	<b>6,849</b>

The Group's current quarter revenue of RM148.5 million was RM6.0 million or 4% higher when compared with the revenue of RM142.5 million in the preceding corresponding quarter. All core businesses achieved higher revenue except for the warehousing and conveying division, which saw lower volume of palm kernel expellers delivered for export loading.

The Group's bottomline saw a significant improvement of 110% due mainly to the oleochemical division, which was also attributed to lower prices of feedstocks.

The improvement in the profit before tax of the plantation and milling division and the health care division was in line with the higher revenue recorded.

## B3. Prospect of the Group

The performance of the Group in the first financial quarter showed positive improvement when compared to last year.

The Directors and the Management however remain cautious about the challenges which lie ahead. These include the recent decision by the Malaysian government to increase the duty-free export quota of crude palm oil and its potential effect on the prices of raw materials feedstocks of the Group's oleochemical division. The Indonesian Government's incentives which favour processed palm oils in Indonesia will continue to impact the Group's plantation and milling division in Indonesia as well as the oleochemical division in Malaysia.



#### **B4. Profit Forecast**

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

#### **B5. Income Tax Expense**

	<b>First Quarter Ended</b>	
	<b>30.06.2012</b>	<b>30.06.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Estimated tax payable		
- Malaysian tax expense	155	493
- Overseas tax expense	2,314	1,400
	2,469	1,893
- (Provision)/reversal of deferred tax assets	-	(665)
	-	-
Total	2,469	1,228

#### **B6. Corporate Proposals**

There is no pending corporate proposal as of 22 August 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 30 June 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) 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 August 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 Litigation**

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 August 2012, being a date not earlier than seven days from the date of this Interim Financial Report.

**B10. Dividends**

Subsequent to the preceding Interim Financial Report for the fourth quarter of financial year ended 31 March 2012, the Company had on 24 July 2012 announced a proposed final dividend of 6.67 sen per ordinary share of RM1.00 each, less 25% tax, amounting to RM6,846,707 for the financial year ended 31 March 2012. The proposed final dividend is subject to the approval by shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liability in the interim financial statements. Upon approval by the shareholders, the cash dividend payment will be accounted for in equity as an appropriation of retained earnings during the current financial year ending 31 March 2013.

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

**B11. Earnings per Share**

	<b>First Quarter Ended</b>	
	<b>30.06.2012</b>	<b>30.06.2011</b>
Profit attributable to equity holders of the Company (in RM'000)	9,437	944
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934
Basic earnings per share (in Sen)	<u>6.89</u>	<u>0.69</u>

**B12. Realised and Unrealised Retained Profits**

	<b>As of 30.06.2012 RM'000</b>	<b>As of 31.03.2012 RM'000</b>
Total retained profits of the Group		
- Realised	255,503	247,505
- Unrealised	<u>2,657</u>	<u>704</u>
	258,160	248,209
Less: Consolidation adjustments	<u>(11,342)</u>	<u>(10,828)</u>
Total Group retained profits	<u>246,818</u>	<u>237,381</u>

**B13. Detailed Incomes and Expenses for the Periods**

	<b>First Quarter Ended</b>	
	<b>30.06.2012 RM'000</b>	<b>30.06.2011 RM'000</b>
- Interest income	710	564
- Other income including investment income	2,580	2,156
- Depreciation and amortization	(2,285)	(2,157)
- Inventories written down	(485)	(1,121)
- Gain on foreign exchange	1,751	158
- Gain/(loss) on derivatives	100	(265)

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 financial year ended 31 March 2012 was not qualified but at the material time the auditors had drawn attention to certain matters as follow:

- (a) In the financial year ended 30 April 2009, the Company received a letter 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 allegations. 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 the appointment of Interim Receivers and Managers to the Company.

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 exercise 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 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 2013, was authorised for issuance by the Board of Directors of the Company during its meeting on 27 August 2012.