

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**

**THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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**  
**THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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 THIRD FINANCIAL QUARTER AND NINE MONTHS PERIOD ENDED 31**  
**DECEMBER 2012**

(With unaudited comparative figures for the third financial quarter and nine months period ended 31 December 2011)

	Note	Third Quarter Ended		Cumulative 9-month Ended	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
		RM'000	RM'000	RM'000	RM'000
Revenue	<b>A7</b>	140,994	136,763	445,920	418,169
- Cost of sales		(116,536)	(108,223)	(373,939)	(354,515)
Gross profit		24,458	28,540	71,981	63,654
- Other income		3,026	1,450	6,856	7,599
- Selling and distribution costs		(1,145)	(2,244)	(3,864)	(6,086)
- Administrative expenses		(8,428)	(8,893)	(27,527)	(25,813)
- Other operating expenses		(1,467)	(1,659)	(4,958)	(5,303)
- Finance costs		-	-	-	-
Profit from operations		16,444	17,194	42,488	34,051
- Net gain/(loss) on financial assets and liabilities held for trading		-	-	-	-
Profit before tax	<b>A7</b>	16,444	17,194	42,488	34,051
- Income tax expense	<b>B5</b>	(2,790)	(4,876)	(7,520)	(9,143)
Profit for the period	<b>B13</b>	13,654	12,318	34,968	24,908
Attributable to:					
- Equity holders of the Company		11,092	9,979	27,999	18,768
- Minority interests		2,562	2,339	6,969	6,140
		13,654	12,318	34,968	24,908
<b>Earnings per share (sen) attributable to equity holders of the Company</b>					
- Basic and diluted	<b>B11</b>	8.10	7.29	20.45	13.71



**SOUTHERN ACIDS (M) BERHAD**  
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**AND ITS SUBSIDIARY COMPANIES**

**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THIRD FINANCIAL QUARTER AND NINE MONTHS PERIOD ENDED 31**  
**DECEMBER 2012**

(With unaudited comparative figures for the third financial quarter and nine months period ended 31 December 2011)

	Note	Third Quarter Ended		Cumulative 9-month Ended	
		31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Profit for the period	<b>B13</b>	13,654	12,318	34,968	24,908
Other comprehensive income/(expense)					
- Available-for-sale financial assets		(157)	(386)	(1,832)	(6,721)
- Exchange differences on translation of foreign subsidiaries		(818)	217	(4,086)	3,246
Total comprehensive income for the period		<u>12,679</u>	<u>12,149</u>	<u>29,050</u>	<u>21,433</u>
Attributable to:					
- Equity holders of the Company		10,421	9,131	23,496	12,326
- Minority interests		<u>2,258</u>	<u>3,018</u>	<u>5,554</u>	<u>9,107</u>
		<u>12,679</u>	<u>12,149</u>	<u>29,050</u>	<u>21,433</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 31 DECEMBER 2012**  
(With audited comparative figures as of 31 March 2012)

	Note	As of 31.12.2012 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>	106,271	105,174
Investment property		3,318	3,318
Biological assets		9,929	10,291
Available-for-sale investments		33,071	34,903
Advances for Plasma PIR-TRANS program		472	1,534
Advances for KKPA program		5,604	3,699
Deferred tax assets		782	919
		301,391	301,782
<b>Current Assets</b>			
Inventories		60,459	64,669
Derivative financial assets		100	-
Trade receivables		42,467	50,670
Other receivables, deposits and prepaid expenses		2,388	2,222
Tax recoverable		1,514	868
Fixed deposits, short-term placements, and cash and bank balances		124,475	94,858
		231,403	213,287
<b>TOTAL ASSETS</b>		<b>532,794</b>	<b>515,069</b>



**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 31 DECEMBER 2012 (cont'd)**  
(With audited comparative figures as of 31 March 2012)

	<b>As of 31.12.2012 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	300,296	283,650
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	437,230	420,584
Minority interests	33,824	30,616
	<hr/>	<hr/>
<b>Total Equity</b>	<b>471,054</b>	<b>451,200</b>
	<hr/>	<hr/>
<b>Non-Current Liabilities</b>		
Provision for retirement benefits	6,948	6,762
Deferred tax liabilities	9	13
	<hr/>	<hr/>
	6,957	6,775
	<hr/>	<hr/>
<b>Current Liabilities</b>		
Trade payables	23,467	25,460
Other payables and accrued expenses	28,584	28,663
Derivative financial liabilities	-	79
Tax liabilities	2,610	697
Dividend payable	122	2,195
	<hr/>	<hr/>
	54,783	57,094
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>61,740</b>	<b>63,869</b>
	<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>532,794</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**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS PERIOD ENDED 31 DECEMBER 2012**  
(With unaudited comparative figures for the nine months period ended 31 December 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	Minority 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	-	-	-	-	-	18,768	18,768	6,140	24,908
Other comprehensive income/(expense)	-	-	279	(6,721)	-	-	(6,442)	2,967	(3,475)
Total comprehensive income/(expense)	-	-	279	(6,721)	-	18,768	12,326	9,107	21,433
Dividend paid	-	-	-	-	-	(8,216)	(8,216)	-	(8,216)
<b>As of 31 December 2011</b>	<b>136,934</b>	<b>34,321</b>	<b>1,478</b>	<b>13,540</b>	<b>-</b>	<b>236,225</b>	<b>422,498</b>	<b>39,593</b>	<b>462,091</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	-	-	-	-	-	27,999	27,999	6,969	34,968
Other comprehensive income/(expense)	-	-	(2,671)	(1,832)	-	-	(4,503)	(1,415)	(5,918)
Total comprehensive income/(expense)	-	-	(2,671)	(1,832)	-	27,999	23,496	5,554	29,050
Dividend paid	-	-	-	-	-	(6,850)	(6,850)	-	(6,850)
Dividend paid to non-controlling shareholders of a subsidiary company	-	-	-	-	-	-	-	(2,346)	(2,346)
<b>As of 31 December 2012</b>	<b>136,934</b>	<b>34,321</b>	<b>(5,244)</b>	<b>13,011</b>	<b>(322)</b>	<b>258,530</b>	<b>437,230</b>	<b>33,824</b>	<b>471,054</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 NINE MONTHS PERIOD ENDED 31 DECEMBER 2012**  
(With unaudited comparative figures for the nine months period ended 31 December 2011)

	<b>Nine Months Ended 31.12.2012 RM'000</b>	<b>Nine Months Ended 31.12.2011 RM'000</b>
<b>Cash Flows From/(Used In) Operating Activities</b>		
Profit before tax	42,488	34,051
Adjustments for:		
- Dividend income	(1,421)	(2,086)
- Interest income	(2,122)	(2,047)
- Gain on disposal of quoted investments	-	-
- Waiver of debts by other creditors	-	-
- Unrealised gain on foreign exchange	(89)	(446)
- Property, plant and equipment written off	1	-
- Gain on disposal of property, plant and equipment	-	(4)
- Depreciation of property, plant and equipment	6,243	6,087
- Inventories written down	333	544
- (Gain)/loss arising from derivative financial assets	(179)	122
- Provision for retirement benefits	445	137
- Amortisation of biological assets	569	375
- Allowance for doubtful debts	-	-
- Property, plant and equipment written off	-	26
- Bad debts written off	-	-
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	46,268	36,759
Increase/(decrease) in :		
- Inventories	3,877	1,013
- Trade receivables	8,292	6,421
- Other receivables, deposit and prepaid expenses	(166)	(5,471)
Increase/(decrease) in:		
- Trade payables	(1,993)	(3,226)
- Other payables and accrued expenses	(76)	9,393
- Dividend payable	(2,073)	-
	<hr/>	<hr/>
<b>Cash Generated From Operations</b>	<b>54,129</b>	<b>44,889</b>





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**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS PERIOD ENDED 31 DECEMBER 2012 (cont'd)**  
(With unaudited comparative figures for the nine months period ended 31 December 2011)

	<b>Nine Months Ended 31.12.2012 RM'000</b>	<b>Nine Months Ended 31.12.2011 RM'000</b>
<b>Cash Generated From Operations</b>	<b>54,129</b>	<b>44,889</b>
- Interest received	2,122	2,047
- Income tax paid	(5,801)	(7,779)
- Retirement benefits paid	(120)	(887)
<b>Net Cash From Operations</b>	<b>50,330</b>	<b>38,270</b>
<b>Cash Flows From/(Used In) Investing Activities</b>		
- Dividend received	1,421	2,086
- Net conversion for KKPA and Plasma projects	(843)	444
- Proceeds from disposal of:		
- property, plant and equipment	18	28
- Addition to:		
- development costs	-	-
- property, plant and equipment	(8,467)	(6,233)
- biological assets	(690)	-
- investment property	-	(12,985)
<b>Net Cash Used In Investing Activities</b>	<b>(8,561)</b>	<b>(16,660)</b>
<b>Cash Flows From/(Used In) Financing Activities</b>		
- Dividend paid	(9,196)	(8,216)
- Repayment of hire purchase obligation	-	-
<b>Net Cash Used In Financing Activities</b>	<b>(9,196)</b>	<b>(8,216)</b>



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**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS PERIOD ENDED 31 DECEMBER 2012 (cont'd)**  
(With unaudited comparative figures for the nine months period ended 31 December 2011)

	<b>Nine Months Ended 31.12.2012 RM'000</b>	<b>Nine Months Ended 31.12.2011 RM'000</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>32,573</b>	<b>13,394</b>
<b>Cash and Cash Equivalents at Beginning of Year/Period</b>	94,858	88,418
<b>Effect of Translation Differences</b>	(2,956)	2,223
<b>Cash and Cash Equivalents at End of Year/Period</b>	<b>124,475</b>	<b>104,035</b>
<b>Composition of Cash and Cash Equivalents:</b>		
- Fixed deposits and short term placements	89,789	78,348
- Cash at bank and in hand	34,686	25,687
	<b>124,475</b>	<b>104,035</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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(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**FINANCIAL YEAR ENDING 31 MARCH 2013**  
**THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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's 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**

A final dividend of 6.67 sen per ordinary share of RM1.00 each, less 25% tax, amounted to RM6,850,123 in respect of the preceding financial year ended 31 March 2012 has been approved by the shareholders of the Company at its Annual General Meeting held on 26 September 2012, and was paid on 30 October 2012.

**A7. Segmental Information**

	Nine Months Ended 31.12.2012		Nine Months Ended 31.12.2011	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Manufacture and sales of oleochemical products	294,518	15,946	284,103	8,728
Sales of oil palm fruit and crude palm oil	88,960	25,226	73,931	22,129
Private hospital operations	53,999	2,556	50,590	2,121
Warehouse and bulk conveyor operations	5,152	1,508	5,835	2,830
Others	3,291	(2,748)	3,710	(1,757)
	<u>445,920</u>	<u>42,488</u>	<u>418,169</u>	<u>34,051</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 19 February 2013, 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, 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 31 December 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. ("SA Industries"), 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 31 December 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>Nine Months Ended 31.12.2012 RM'000</b>	<b>Nine Months Ended 31.12.2011 RM'000</b>
Sales of goods	682	994
Provision of administrative services	1,683	1,642
Purchase of raw materials	3,109	3,462





**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 recorded total revenue of RM141.0 million and RM445.9 million respectively for the current quarter and nine months period ended 31 December 2012. In line with higher revenue, profit before tax was also higher at RM16.4 million and RM42.5 million against last year's RM17.2 million and RM34.1 million respectively. These positive results were mainly derived from our Oleochemical and Plantation and Milling Divisions.

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

- (a) Oleochemical Division has reaped the benefits of lower prices of feedstocks to continue to deliver better results.
- (b) Plantation and Milling Division has been benefiting from the increase in supply of fresh fruit bunches from surrounding estates in optimizing the milling capacity of its mill for higher crude palm oil (“CPO”) output.
- (c) Healthcare Division, which operates the Sri Kota Specialist Medical Centre 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 experienced lower volume of palm kernel expellers delivered to its conveyor facilities for loading services and accordingly, revenue and profit before tax were lower when compared to last year.



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

	Third Quarter Ended 31.12.2012		Second Quarter Ended 30.09.2012	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Oleochemical division	87,515	6,318	104,477	5,288
Plantation and milling division	32,217	9,351	32,103	7,016
Healthcare division	18,042	968	17,380	463
Warehousing and conveying division	2,076	913	1,628	385
Others	1,144	(1,106)	841	(1,457)
	<b>140,994</b>	<b>16,444</b>	<b>156,429</b>	<b>11,695</b>

The Group's current quarter revenue of RM141.0 million was 10% lower when compared to the preceding quarter. This was due mainly to the decrease in revenue from Oleochemical Division as a result of lower average price of CPO in the 3<sup>rd</sup> quarter against 2<sup>nd</sup> quarter. The Plantation and Milling Division has cushioned the adverse impact of lower CPO price with higher production output and sales volume.

Notwithstanding registering lower revenue, the Oleochemical Division has registered a higher profit before tax due mainly to an income from insurance claim. On the other hand, lower operating expenses incurred by the Plantation and Milling Division has contributed positively to its bottomline.

## B3. Prospect of the Group

The performance of the Group was robust despite challenging business environment shadowed by continuing global economic uncertainties and increasing competition between the palm oil industry of Malaysia and Indonesia.

The Directors and the Management however remain cautious about the challenges which lie ahead especially our Oleochemical Division in Malaysia and Plantation and Milling Division in Indonesia. These include the impact of the recent decision by the Malaysian government to drastically reduce the export duty of CPO, and the potential counter-action from Indonesia, on the price of CPO in the near and medium term.



#### 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

	Third Quarter Ended		Nine Months Ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Malaysian tax expense	235	311	656	1,113
- Overseas tax expense	2,555	2,383	6,864	5,848
	<u>2,790</u>	<u>2,694</u>	<u>7,520</u>	<u>6,961</u>
- (Provision)/reversal of deferred tax assets	-	2,182	-	2,182
	<u>2,790</u>	<u>4,876</u>	<u>7,520</u>	<u>9,143</u>
Total	<u>2,790</u>	<u>4,876</u>	<u>7,520</u>	<u>9,143</u>

#### B6. Corporate Proposals

There is no pending corporate proposal as of 19 February 2013, 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 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 19 February 2013, being a date not earlier than seven days from the date of this Interim Financial Report, total outstanding commodity future contract (purchase) of the Group amounted to RM1.8 million, with effective dates of execution up to May 2013.

**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 19 February 2013, 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 period under review.

**B11. Earnings per Share**

	<b>Third Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
Profit attributable to equity holders of the Company (in RM'000)	11,092	9,979	27,999	18,768
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	8.10	7.29	20.45	13.71

**B12. Realised and Unrealised Retained Profits**

	<b>As of 31.12.2012 RM'000</b>	<b>As of 31.03.2012 RM'000</b>
Total retained profits of the Group		
- Realised	269,434	247,505
- Unrealised	1,455	704
	270,889	248,209
Less: Consolidation adjustments	(12,358)	(10,828)
Total Group retained profits	258,531	237,381

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

	<b>Nine Months Ended</b>	
	<b>31.12.2012 RM'000</b>	<b>31.12.2011 RM'000</b>
- Interest income	2,122	869
- Other income including investment income	4,304	520
- Depreciation and amortization	6,812	2,302
- Inventories written down	333	544
- Gain/(loss) on foreign exchange	437	(2,024)
- Gain on derivatives	179	2,133

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 for disclosure.



#### **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 third quarter of financial year ending 31 March 2013, was authorised for issuance by the Board of Directors of the Company during its meeting on 26 February 2013.