

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 2014

FIRST FINANCIAL QUARTER ENDED 30 JUNE 2013
(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 2014
INTERIM FINANCIAL REPORT
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2013

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

FINANCIAL YEAR ENDING 31 MARCH 2014
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2013

| | Note | First Quarter Ended | |
|---|------------|---------------------|------------|
| | | 30.06.2013 | 30.06.2012 |
| | | RM'000 | RM'000 |
| Revenue | A7 | 130,117 | 148,497 |
| - Cost of sales | | (105,982) | (125,276) |
| Gross profit | | 24,135 | 23,221 |
| - Other income | | 1,474 | 4,091 |
| - Selling and distribution costs | | (2,536) | (1,329) |
| - Administrative expenses | | (9,615) | (9,672) |
| - Other operating expenses | | - | (1,962) |
| - Finance costs | | - | - |
| Profit from operations | | 13,458 | 14,349 |
| - Net gain/(loss) on financial assets and liabilities held for trading | | - | - |
| Profit before tax | A7 | 13,458 | 14,349 |
| - Income tax expense | B5 | (3,477) | (2,469) |
| Profit for the year | B13 | 9,981 | 11,880 |
| Attributable to: | | | |
| - Equity holders of the Company | | 8,328 | 9,437 |
| - Minority interests | | 1,653 | 2,443 |
| | | 9,981 | 11,880 |
| Earnings per share (sen) attributable to equity holders of the Company | | | |
| - Basic and diluted | B11 | 6.08 | 6.89 |



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

FINANCIAL YEAR ENDING 31 MARCH 2014
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE FIRST FINANCIAL QUARTER ENDED 30
JUNE 2013

| | Note | First Quarter Ended | |
|---|------------|---------------------|---------------|
| | | 30.06.2013 | 30.06.2012 |
| | | RM'000 | RM'000 |
| Profit for the year | B13 | 9,981 | 11,880 |
| Other comprehensive income/(expense) | | | |
| - Available-for-sale financial assets | | 860 | 2,015 |
| - Exchange differences on translation of foreign subsidiaries | | 632 | 283 |
| Total comprehensive income for the year | | <u>11,473</u> | <u>14,178</u> |
| Attributable to: | | | |
| - Equity holders of the Company | | 9,585 | 11,813 |
| - Minority interests | | 1,888 | 2,365 |
| | | <u>11,473</u> | <u>14,178</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 2013, 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 2014
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2013

| | Note | Unaudited As of 30.06.2013 RM'000 | Audited As of 31.03.2013 RM'000 |
|---|------------|---|---|
| ASSETS | | | |
| Non-Current Assets | | | |
| Land held for property development | | 141,944 | 141,944 |
| Property, plant and equipment | A11 | 105,279 | 105,322 |
| Investment property | | 3,318 | 3,318 |
| Biological assets | | 9,920 | 9,912 |
| Available-for-sale investments | | 34,688 | 33,828 |
| Advances for Plasma PIR-TRANS program | | - | 133 |
| Advances for KKPA program | | 7,008 | 6,220 |
| Deferred tax assets | | 1,041 | 1,036 |
| | | 303,198 | 301,713 |
| Current Assets | | | |
| Inventories | | 52,818 | 54,532 |
| Derivative financial assets | | - | 161 |
| Trade receivables | | 38,054 | 37,716 |
| Other receivables, deposits and prepaid expenses | | 4,448 | 4,249 |
| Tax recoverable | | 1,075 | 2,491 |
| Fixed deposits, short-term placements, and cash and bank balances | | 156,554 | 148,497 |
| | | 252,949 | 247,646 |
| TOTAL ASSETS | | 556,147 | 549,359 |



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

FINANCIAL YEAR ENDING 31 MARCH 2014
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2013 (cont'd)

| | Unaudited As of 30.06.2013 RM'000 | Audited As of 31.03.2013 RM'000 |
|--|--|--|
| EQUITY AND LIABILITIES | | |
| Capital and Reserves | | |
| Share capital | 136,934 | 136,934 |
| Reserves | 319,434 | 309,849 |
| Equity attributable to equity holders of the Company | 456,368 | 446,783 |
| Minority interests | 37,860 | 35,972 |
| Total Equity | 494,228 | 482,755 |
| Non-Current Liabilities | | |
| Provision for retirement benefits | 7,958 | 7,945 |
| Deferred tax liabilities | 3,428 | 3,428 |
| | 11,386 | 11,373 |
| Current Liabilities | | |
| Trade payables | 17,926 | 25,229 |
| Other payables and accrued expenses | 29,355 | 28,217 |
| Derivative financial liabilities | 739 | - |
| Tax liabilities | 2,392 | 1,664 |
| Dividend payable | 121 | 121 |
| | 50,533 | 55,231 |
| TOTAL LIABILITIES | 61,919 | 66,604 |
| TOTAL EQUITY AND LIABILITIES | 556,147 | 549,359 |

The consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2013, 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 2014
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2013

| 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 | | | | | | |
| As of 1 April 2012 | 136,934 | 34,321 | 1,199 | 20,261 | (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) | - | - | 361 | 2,015 | - | - | 2,376 | (78) | 2,298 |
| Total comprehensive income | - | - | 361 | 2,015 | - | 9,437 | 11,813 | 2,365 | 14,178 |
| As of 30 June 2012 | 136,934 | 34,321 | (2,212) | 16,858 | (322) | 246,818 | 432,397 | 32,981 | 465,378 |
| As of 1 April 2013 | 136,934 | 34,321 | (5,065) | 13,768 | (322) | 267,147 | 446,783 | 35,972 | 482,755 |
| Profit for the year | - | - | - | - | - | 8,328 | 8,328 | 1,653 | 9,981 |
| Other comprehensive income | - | - | 397 | 860 | - | - | 1,257 | 235 | 1,492 |
| Total comprehensive income | - | - | 397 | 860 | - | 8,328 | 9,585 | 1,888 | 11,473 |
| As of 30 June 2013 | 136,934 | 34,321 | (4,668) | 14,628 | (322) | 275,475 | 456,368 | 37,860 | 494,228 |

The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2013, 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 2014
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2013

| | First Quarter Ended | |
|--|----------------------------|-------------------|
| | 30.06.2013 | 30.06.2012 |
| | RM'000 | RM'000 |
| Cash Flows From/(Used In) Operating Activities | | |
| Profit before tax | 13,458 | 14,349 |
| Adjustments for: | | |
| - Dividend income | (912) | (813) |
| - Interest income | (1,104) | (710) |
| - Unrealised gain on foreign exchange | (882) | (1,323) |
| - Depreciation of property, plant and equipment | 2,207 | 2,091 |
| - Inventories written down | 185 | 485 |
| - (Gain)/loss arising from derivative financial assets | 900 | (100) |
| - Provision for retirement benefits | 103 | 167 |
| - Amortisation of biological assets | 182 | 194 |
| | <hr/> | <hr/> |
| Operating Profit Before Working Capital Changes | 14,137 | 14,340 |
| Increase/(decrease) in : | | |
| - Inventories | 1,528 | (4,200) |
| - Trade receivables | 543 | (170) |
| - Other receivables, deposit and prepaid expenses | (199) | (658) |
| Increase/(decrease) in: | | |
| - Trade payables | (7,303) | (4,273) |
| - Other payables and accrued expenses | 1,138 | (1,004) |
| - Dividend payable | - | (1,803) |
| | <hr/> | <hr/> |
| Cash From Operating Activities | 9,844 | 2,232 |
| - Interest received | 1,104 | 710 |
| - Income tax paid | (1,897) | (1,484) |
| - Retirement benefits paid | (112) | (60) |
| | <hr/> | <hr/> |
| Net Cash From Operating Activities | 8,939 | 1,398 |



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

FINANCIAL YEAR ENDING 31 MARCH 2014
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2013 (cont'd)

| | First Quarter Ended | |
|---|----------------------------|-------------------|
| | 30.06.2013 | 30.06.2012 |
| | RM'000 | RM'000 |
| Cash Flows From/(Used In) Investing Activities | | |
| - Dividend received | 912 | 813 |
| - Net conversion for KKPA and Plasma projects | (655) | (826) |
| - Addition to: | | |
| - property, plant and equipment | (1,892) | (2,615) |
| - biological assets | (135) | (160) |
| Net Cash Used In Investing Activities | (1,770) | (2,788) |
| Cash Flows From/(Used In) Financing Activities | - | - |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 7,169 | (1,390) |
| Cash and Cash Equivalents at Beginning of Year | 148,497 | 94,858 |
| Effect of Translation Differences | 888 | 326 |
| Cash and Cash Equivalents at End of Year | 156,554 | 93,794 |
| Composition of Cash and Cash Equivalents: | | |
| - Fixed deposits with licensed banks | 500 | 1,541 |
| - Short-term placements | 108,444 | 70,405 |
| - Cash and bank balances | 47,610 | 21,848 |
| | 156,554 | 93,794 |

The consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 March 2013, and the accompanying notes attached to these interim financial statements.



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

FINANCIAL YEAR ENDED 31 MARCH 2013
FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2013
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 2013. 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 2013.

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 2013, 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 2013, as follows:

| <u>New, revision and amendments to FRS</u> | | Effective for annual period on or after: |
|---|---|---|
| FRS 101 | Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income. | 1 July 2012 |
| FRS 7 | Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities. | 1 January 2013 |
| FRS 10 | Consolidated Financial Statements. | 1 January 2013 |
| FRS 10 | Consolidated Financial Statements (Amendments relating to Transition Guidance). | 1 January 2013 |
| FRS 11 | Joint Arrangements. | 1 January 2013 |
| FRS 11 | Joint Arrangements (Amendments relating to Transition Guidance). | 1 January 2013 |



| <u>New, revision and amendments to FRS</u> | | Effective for annual period on or after: |
|---|--|---|
| FRS 12 | Disclosure of Interests in Other Entities. | 1 January 2013 |
| FRS 12 | Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance). | 1 January 2013 |
| FRS 13 | Fair Value Measurement. | 1 January 2013 |
| FRS 116 | Property, Plant and Equipment (Classification of servicing equipment). | 1 January 2013 |
| FRS 119 | Employee Benefits (2011). | 1 January 2013 |
| FRS 127 | Separate Financial Statements. | 1 January 2013 |
| FRS 128 | Investment in Associates and Joint Ventures. | 1 January 2013 |
| FRS 134 | Interim Financial Reporting. | 1 January 2013 |
| <u>IC Interpretations</u> | | |
| IC Int 2 | Members' Shares in Cooperative Entities and Similar Instruments (Tax effect of distribution to holders of equity instruments). | 1 January 2013 |
| IC Int 20 | Stripping Costs in the Production Phase of a Surface Mine. | 1 January 2013 |
| | Amendments to FRSs contained in the document entitled Annual Improvements 2009-2011 cycle. | 1 January 2013 |

Under the amendments to FRS 101, the “income statement” and “statement of comprehensive income” are now renamed to “statement of profit or loss” and “statement of profit or loss and other comprehensive income” respectively.

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 period under review.

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

| <u>New, revision and amendments to FRS</u> | | Effective for annual period on or after: |
|---|--|---|
| FRS 132 | Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities) | 1 January 2014 |
| FRS 7 | Financial Instruments: Disclosure (Consequential amendments resulting from amendments to FRS 9) | 1 January 2015 |
| FRS 9 | Financial Instruments – IFRS 9 issued by IASB in November 2009 | 1 January 2015 |
| FRS 9 | Financial Instruments – IFRS 9 issued by IASB in October 2010 | 1 January 2015 |



A1. Basis of Preparation (cont'd)

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 three (3) years, i.e. annual period beginning on or after 1 January 2015 and in the case of the Group and the Company, their financial year commencing on 1 April 2015.

The Group and the Company, being Transitioning Entities, have availed themselves of this transitional arrangement and has continued to apply FRSs in the current financial year ending 31 March 2014.

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

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

A7. Segmental Information

| | First Quarter Ended 30.06.2013 | | First Quarter Ended 30.06.2012 | |
|--|---|--|---|--|
| | Revenue RM'000 | Profit/(loss) before tax RM'000 | Revenue RM'000 | Profit/(loss) before tax RM'000 |
| Manufacture and sales of oleochemical products | 84,730 | 7,445 | 102,526 | 4,340 |
| Sales of oil palm fruit and crude palm oil | 24,106 | 5,779 | 24,640 | 8,859 |
| Private hospital operations | 18,290 | 566 | 18,577 | 1,125 |
| Warehouse and bulk conveyor operations | 1,588 | 553 | 1,448 | 210 |
| Others | 1,403 | (885) | 1,306 | (185) |
| | <u>130,117</u> | <u>13,458</u> | <u>148,497</u> | <u>14,349</u> |

The warehouse and bulk conveyor operations are now operating based on a short-term land lease at Northport of Pelabuhan Klang. A proposal for relocation of operations had been submitted and is pending approval.

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 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 2013.

Detailed litigation proceedings of the contingent material litigation are disclosed in Note B9 to this Interim Financial Report.

A11. Property, Plant and Equipment

There is no revaluation on property, plant and equipment since the financial year ended 31 March 2013 and the status of the Group's properties as of 30 June 2013 is as follow:

- (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 2013: 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 2013: RM1.6 million) is located on a parcel of freehold land belonging to a related party.
- (c) As of 30 June 2013, the strata title in respect of a freehold office premises with carrying value of RM3.4 million (31 March 2013: RM3.4 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 2013 but SRM has agreed to extend the said rental agreement to 30 April 2014. Pursuant to the tenancy agreement, SA Industries intends to extend the lease tenure upon its expiry in April 2014. 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 2013, the title of a piece of long-term leasehold land of SAB Bio-Fuel Sdn. Bhd. located in the Palm Oil Industrial Cluster at Lahad Datu, Sabah has not been registered in the name of SAB Bio-Fuel Sdn. Bhd. pending full 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 2013 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:

| | First Quarter Ended 30.06.2013 RM'000 | First Quarter Ended 30.06.2012 RM'000 |
|--------------------------------------|--|--|
| Sales of goods | 393 | 257 |
| Provision of administrative services | 432 | 426 |
| Purchase of raw materials | 3 | 8 |

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 total revenue and pre-tax profit of RM130.1 million and RM13.5 million respectively in the first financial quarter ended 30 June 2013. These results, when compared to last year, was lower by 12% and 6% respectively.

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 delivered total revenue of RM84.7 million, which was 17% lower than last year, due mainly to lower selling price of fatty acids and glycerin as a result of decline in prices of feedstock. Despite the lower revenues, the pre-tax profit for the current financial quarter of RM7.4 million was 72% higher against last year's RM4.3 million due mainly to increase in sales volume (and therefore an increase in selling and distribution costs) and effectiveness in management of production cost.
- (b) Plantation & Milling Division recorded total revenue and pre-tax profit of RM24.1 million and RM5.8 million respectively. These were 2% and 35% lower when compared to last year. The lower revenue was attributed to a lower average selling price of CPO. The adverse impact of lower CPO price on revenue has been cushioned by higher production and sales volume. The sharper decline in pre-tax profit was due mainly to lower profit margin caused by the lower CPO price.
- (c) Healthcare Division registered total revenue and pre-tax profit of RM18.3 million and RM0.6 million respectively. The marginal decline in revenue was due mainly to lower patient census. The pre-tax profit, when compared to last year, was lower by 50% due mainly to the drop in profit margin and higher manpower-related costs and utilities expenses.
- (d) Warehousing and Conveying Division reported total revenue and pre-tax profit of RM1.6 million and RM0.5 million respectively. These were 10% and 163% higher when compared to last year due mainly to increase in volume of goods handled.

The Group's other income for the current financial quarter was 64% lower against last year due mainly to the decrease in income from sales of plantation and palm oil mill's scraps and residues, and drop in gain on foreign exchange on oleochemical's trade receivables.



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

| | First Quarter 2014 Ended 30.06.2013 | | Fourth Quarter 2013 Ended 31.03.2013 | |
|---------------------------------------|--|---------------------------------------|---|---------------------------------------|
| | Revenue RM'000 | Profit/(loss) before tax RM'000 | Revenue RM'000 | Profit/(loss) before tax RM'000 |
| Oleochemical division | 84,730 | 7,445 | 80,737 | 7,216 |
| Plantation and milling division | 24,106 | 5,779 | 32,560 | 6,347 |
| Healthcare division | 18,290 | 566 | 18,872 | 1,273 |
| Warehousing and conveying division | 1,588 | 553 | 1,744 | 330 |
| Others | 1,403 | (885) | 1,399 | (844) |
| | 130,117 | 13,458 | 135,312 | 14,322 |

The Group's pre-tax profit for the current quarter of RM13.5 million was 6% lower when compared to the preceding quarter. This was due to the lower contributions from the Plantation & Milling Division and the Healthcare Division.

The Plantation & Milling Division's pre-tax profit was 9% lower against the preceding financial quarter. This was due mainly to the sharp decrease in revenue, which in turn was due to lower volume of CPO produced and sold during the traditionally low-crop season. The impact of the lower revenue on pre-tax profit was cushioned by an increase in profit margin as a result of higher selling price of CPO.

Oleochemical Division's pre-tax profit was 3% higher than the preceding financial quarter due mainly to higher sales volume and revenue, against the backdrop of a stable raw material price market.

The pre-tax profit of the Healthcare Division were 56% lower against preceding financial quarter increase in costs of operations. The 3% drop in revenue was due to lower patient registration.

The pre-tax profit of the Warehousing and Conveying Division, when compared to the preceding financial quarter, rose by 68% to RM0.5 million due mainly to lower expenses incurred on machinery maintenance. The 9% drop in revenue was due to lower volume of goods received and handled.



B3. Prospect of the Group

The performance of the Group in the first financial quarter was affected by a lower CPO selling price, which adversely impacted the Group's revenue from its Oleochemical Division and the revenue and pre-tax profit from its Plantation & Milling Division in Malaysia.

The Board of Directors however remain cautious on the movement in CPO price in the remaining months of the current financial year, which will affect the revenue and profit contributions from two of the core business divisions namely Oleochemical and Plantation & Milling. The market in which the Healthcare Division operates is expected to remain challenging, both in terms of level of competition and costs of operations. In the event the Warehousing & Conveying Division is able to extend its land lease and operates at its existing location in Northport for the entire financial year, the division is expected to perform better in the current financial year in the absence of machinery breakdown, which had adversely affected the performance of this division last year.

Overall, the Board of Directors is cautiously optimistic on the performance of the Group for the current financial year.

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

| | First Quarter Ended | |
|---|----------------------------|-------------------|
| | 30.06.2013 | 30.06.2012 |
| | RM'000 | RM'000 |
| Estimated tax payable | | |
| - Malaysian tax expense | 2,000 | 155 |
| - Overseas tax expense | 1,477 | 2,314 |
| | 3,477 | 2,469 |
| - Provision/(Reversal) of deferred tax assets | - | - |
| Total | 3,477 | 2,469 |

B6. Corporate Proposals

There is no pending corporate proposal as of 22 August 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 30 June 2013, 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.

As of 22 August 2013, being a date not earlier than seven days from the date of this Interim Financial Report, the Group has a total outstanding forward foreign exchange contracts worth USD9.3 million at an average conversion rate of USD1.00 : RM3.26, and with effective dates of execution up to October 2013.

(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 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 RM1.1 million, with effective dates of execution up to October 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 certain former directors and employees of SMSB and other defendants in relation to loans extended by SPI to two (2) companies which those former directors and 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 currently still pending in court.

The directors are unable to ascertain at this juncture whether there will be any material financial impact on the Group arising from the above claim.

Except as disclosed above, the Group does not have other material litigation proceeding as at 21 May 2013, being a date not earlier than seven days from the date of this Interim Financial Report.

B10. Dividends

The Company had on 25 July 2013 announced the following proposed final dividends for the for the financial year ended 31 March 2013:

- (a) 3 sen per ordinary share of RM1.00 each, less 25% tax, amounting to RM3,081,018; and
- (b) 2.75 sen per ordinary share of RM1.00 each, single tier, amounting to RM3,765,689.

The proposed dividends are subject to 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 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 2014.

The directors did not propose any dividend for the interim financial period under review.

B11. Earnings per Share

| | First Quarter Ended | |
|---|----------------------------|-------------------|
| | 30.06.2013 | 30.06.2012 |
| Profit/(loss) attributable to equity holders of the Company (in RM'000) | 8,328 | 9,437 |
| Weighted average number of ordinary shares in issue (in '000) | 136,934 | 136,934 |
| Basic earnings/(loss) per share (in Sen) | 6.08 | 6.89 |

**B12. Realised and Unrealised Retained Profits**

| | Unaudited As of 30.06.2013 RM'000 | Audited As of 31.03.2013 RM'000 |
|-------------------------------------|--|--|
| Total retained profits of the Group | | |
| - Realised | 288,575 | 280,989 |
| - Unrealised | (1,505) | (1,803) |
| | <u>287,070</u> | <u>279,186</u> |
| Less: Consolidation adjustments | (11,595) | (12,039) |
| Total Group retained profits | <u>275,475</u> | <u>267,147</u> |

B13. Detailed Income and Expenses for the Year

| | First Quarter Ended | |
|---|------------------------------|------------------------------|
| | 30.06.2013 RM'000 | 30.06.2012 RM'000 |
| - Interest income | 1,104 | 710 |
| - Other income including investment income | 1,620 | 2,580 |
| - Depreciation and amortization | (2,389) | (2,285) |
| - Inventories written down | (185) | (485) |
| - Realised gain on foreign exchange | 77 | 1,751 |
| - Unrealised gain/(loss) on derivatives financial assets | (900) | 100 |

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 2013 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 management of the Company is presently assessing various approaches to verify 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 certain former directors and employees of SMSB and other defendants in relation to loans extended by SPI in prior years to two (2) companies in which those former directors and 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 the action. The case is currently still pending in court.

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 quarter of financial year ending 31 March 2014, was authorised for issuance by the Board of Directors of the Company during its meeting on 28 August 2013.