

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**

**SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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**  
**SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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**  
**SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013**

|   | Note       | Second Quarter Ended |                      | Cumulative 6-month Ended |                      |
|---|------------|----------------------|----------------------|--------------------------|----------------------|
|   |            | 30.09.2013<br>RM'000 | 30.09.2012<br>RM'000 | 30.09.2013<br>RM'000     | 30.09.2012<br>RM'000 |
| Revenue   | <b>A7</b>  | 128,992              | 156,429              | 259,109                  | 304,926              |
| - Cost of sales   |            | (102,521)            | (132,127)            | (208,503)                | (257,403)            |
| Gross profit  |            | 26,471               | 24,302               | 50,606                   | 47,523               |
| - Other income  |            | 2,575                | (261)                | 4,049                    | 3,830                |
| - Selling and distribution costs  |            | (2,806)              | (1,390)              | (5,342)                  | (2,719)              |
| - Administrative expenses   |            | (10,092)             | (10,956)             | (19,707)                 | (22,590)             |
| - Finance costs   |            | -                    | -                    | -                        | -                    |
| Profit from operations  |            | 16,148               | 11,695               | 29,606                   | 26,044               |
| - Net gain/(loss) on financial assets and liabilities held for trading        |            | -                    | -                    | -                        | -                    |
| Profit before tax   | <b>A7</b>  | 16,148               | 11,695               | 29,606                   | 26,044               |
| - Income tax expense  | <b>B5</b>  | (4,474)              | (2,260)              | (7,951)                  | (4,729)              |
| Profit for the year   | <b>B13</b> | 11,674               | 9,435                | 21,655                   | 21,315               |
| Attributable to:  |            |                      |                      |                          |                      |
| - Equity holders of the Company   |            | 9,773                | 7,471                | 18,101                   | 16,908               |
| - Minority interests  |            | 1,901                | 1,964                | 3,554                    | 4,407                |
|   |            | 11,674               | 9,435                | 21,655                   | 21,315               |
| <b>Earnings per share (sen) attributable to equity holders of the Company</b> |            |                      |                      |                          |                      |
| - Basic and diluted   | <b>B11</b> | 7.14                 | 5.46                 | 13.22                    | 12.35                |



**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 SECOND FINANCIAL QUARTER ENDED**  
**30 SEPTEMBER 2013**

|   | Note       | Second Quarter Ended |              | Cumulative 6-month Ended |               |
|---|------------|----------------------|--------------|--------------------------|---------------|
|   |            | 30.09.2013           | 30.09.2012   | 30.09.2013               | 30.09.2012    |
|   |            | RM'000               | RM'000       | RM'000                   | RM'000        |
| Profit for the year   | <b>B13</b> | 11,674               | 9,435        | 21,655                   | 21,315        |
| Other comprehensive income/(expense)                          |            |                      |              |                          |               |
| - Available-for-sale financial assets                         |            | (1,365)              | (3,690)      | (505)                    | (1,675)       |
| - Exchange differences on translation of foreign subsidiaries |            | (11,905)             | (3,551)      | (11,273)                 | (3,268)       |
| Total comprehensive income for the year                       |            | <u>(1,596)</u>       | <u>2,194</u> | <u>9,877</u>             | <u>16,372</u> |
| Attributable to:  |            |                      |              |                          |               |
| - Equity holders of the Company                               |            | 663                  | 1,262        | 10,248                   | 13,075        |
| - Minority interests  |            | (2,259)              | 932          | (371)                    | 3,297         |
|   |            | <u>(1,596)</u>       | <u>2,194</u> | <u>9,877</u>             | <u>16,372</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 SEPTEMBER 2013**

|   | Note       | Unaudited<br>As of<br><b>30.09.2013</b><br>RM'000 | Audited<br>As of<br><b>31.03.2013</b><br>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> | 104,975   | 105,322   |
| Investment property   |            | 3,318   | 3,318   |
| Biological assets   |            | 9,000   | 9,912   |
| Available-for-sale investments                                    |            | 33,323  | 33,828  |
| Advances for Plasma PIR-TRANS program                             |            | -   | 133   |
| Advances for KKPA program   |            | 6,880   | 6,220   |
| Deferred tax assets   |            | 921   | 1,036   |
|   |            | 300,361   | 301,713   |
| <b>Current Assets</b>   |            |   |   |
| Inventories   |            | 50,424  | 54,532  |
| Derivative financial assets                                       |            | 100   | 161   |
| Trade receivables   |            | 45,892  | 37,716  |
| Other receivables, deposits and prepaid expenses                  |            | 4,159   | 4,249   |
| Tax recoverable   |            | 991   | 2,491   |
| Fixed deposits, short-term placements, and cash and bank balances |            | 155,232   | 148,497   |
|   |            | 256,798   | 247,646   |
| <b>TOTAL ASSETS</b>   |            | <b>557,159</b>                                    | <b>549,359</b>                                  |



**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 SEPTEMBER 2013 (cont'd)**

|  | <b>Unaudited<br/>As of<br/>30.09.2013<br/>RM'000</b> | <b>Audited<br/>As of<br/>31.03.2013<br/>RM'000</b> |
|--|--|--|
| <b>EQUITY AND LIABILITIES</b>                        |  |  |
| <b>Capital and Reserves</b>                          |  |  |
| Share capital  | 136,934  | 136,934  |
| Reserves   | 320,097  | 309,849  |
| Equity attributable to equity holders of the Company | 457,031  | 446,783  |
| Minority interests                                   | 33,536   | 35,972   |
| <b>Total Equity</b>                                  | <b>490,567</b>                                       | <b>482,755</b>                                     |
| <b>Non-Current Liabilities</b>                       |  |  |
| Provision for retirement benefits                    | 7,423  | 7,945  |
| Deferred tax liabilities                             | 3,428  | 3,428  |
|  | 10,851   | 11,373   |
| <b>Current Liabilities</b>                           |  |  |
| Trade payables                                       | 19,724   | 25,229   |
| Other payables and accrued expenses                  | 30,929   | 28,217   |
| Tax liabilities                                      | 3,460  | 1,664  |
| Dividend payable                                     | 1,628  | 121  |
|  | 55,741   | 55,231   |
| <b>TOTAL LIABILITIES</b>                             | <b>66,592</b>  | <b>66,604</b>                                      |
| <b>TOTAL EQUITY AND LIABILITIES</b>                  | <b>557,159</b>                                       | <b>549,359</b>                                     |

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 SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013**

| The Group   | Non-distributable Reserves |                         |                                    | Fair value reserve<br>RM'000 | Other reserve<br>RM'000 | Distributable reserve - Retained earnings<br>RM'000 | Equity attributable to equity holders of the Company<br>RM'000 | Minority interests<br>RM'000 | Total Equity<br>RM'000 |
|---|----------------------------|-------------------------|------------------------------------|------------------------------|-------------------------|---|--|------------------------------|------------------------|
|   | Share capital<br>RM'000    | Share premium<br>RM'000 | Foreign exchange reserve<br>RM'000 |                              |                         |   |  |                              |                        |
| <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   | -                          | -                       | -                                  | -                            | -                       | 16,908  | 16,908   | 4,407                        | 21,315                 |
| Other comprehensive income/(expense)                                  | -                          | -                       | (2,158)                            | (1,675)                      | -                       | -   | (3,833)  | (1,110)                      | (4,943)                |
| Dividend paid to non-controlling Shareholders of a subsidiary company | -                          | -                       | -                                  | -                            | -                       | -   | -  | (2,368)                      | (2,368)                |
| Total comprehensive income  | -                          | -                       | (2,158)                            | (1,675)                      | -                       | 16,908  | 13,075   | 929                          | 14,004                 |
| <b>As of 30 September 2012</b>  | <b>136,934</b>             | <b>34,321</b>           | <b>(4,731)</b>                     | <b>13,168</b>                | <b>(322)</b>            | <b>254,289</b>                                      | <b>433,659</b>   | <b>31,545</b>                | <b>465,204</b>         |
| <b>As of 1 April 2013</b>   | 136,934                    | 34,321                  | (5,065)                            | 13,768                       | (322)                   | 267,147   | 446,783  | 35,972                       | 482,755                |
| Profit for the year   | -                          | -                       | -                                  | -                            | -                       | 18,101  | 18,101   | 3,554                        | 21,655                 |
| Other comprehensive income  | -                          | -                       | (7,348)                            | (505)                        | -                       | -   | (7,853)  | (3,925)                      | (11,778)               |
| Dividend paid to non-controlling Shareholders of a subsidiary company | -                          | -                       | -                                  | -                            | -                       | -   | -  | (2,065)                      | (2,065)                |
| Total comprehensive income  | -                          | -                       | (7,348)                            | (505)                        | -                       | 18,101  | 10,248   | (2,436)                      | 7,812                  |
| <b>As of 30 September 2013</b>  | <b>136,934</b>             | <b>34,321</b>           | <b>(12,413)</b>                    | <b>13,263</b>                | <b>(322)</b>            | <b>285,248</b>                                      | <b>457,031</b>   | <b>33,536</b>                | <b>490,567</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 2013, and the accompanying notes attached to these interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
(Incorporated in Malaysia)  
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**FINANCIAL YEAR ENDING 31 MARCH 2014**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013**

|  | <b>Cumulative 6-months Ended</b> |                   |
|--|----------------------------------|-------------------|
|  | <b>30.09.2013</b>                | <b>30.09.2012</b> |
|  | <b>RM'000</b>                    | <b>RM'000</b>     |
| <b>Cash Flows From/(Used In) Operating Activities</b>  |                                  |                   |
| Profit before tax                                      | 29,606                           | 26,044            |
| Adjustments for:                                       |                                  |                   |
| - Dividend income                                      | (1,305)                          | (1,130)           |
| - Interest income                                      | (2,039)                          | (1,434)           |
| - Unrealised (loss)/gain on foreign exchange           | (523)                            | 493               |
| - Depreciation of property, plant and equipment        | 4,465                            | 4,190             |
| - Inventories written down                             | 95                               | 368               |
| - (Gain)/loss arising from derivative financial assets | 61                               | (85)              |
| - Provision for retirement benefits                    | 206                              | 306               |
| - Amortisation of biological assets                    | 359                              | 385               |
| - Property, plant and equipment written off            | 4                                | 2                 |
|  | <hr/>                            | <hr/>             |
| Operating Profit Before Working Capital Changes        | 30,929                           | 29,139            |
| Increase/(decrease) in :                               |                                  |                   |
| - Inventories  | 4,012                            | (3,634)           |
| - Trade receivables                                    | (7,654)                          | 3,229             |
| - Other receivables, deposit and prepaid expenses      | 90                               | (810)             |
| Increase/(decrease) in:                                |                                  |                   |
| - Trade payables                                       | (5,506)                          | 4,613             |
| - Other payables and accrued expenses                  | 2,713                            | (4)               |
| - Dividend payable                                     | 1,507                            | (2,073)           |
|  | <hr/>                            | <hr/>             |
| <b>Cash From Operating Activities</b>                  | <b>26,091</b>                    | <b>30,460</b>     |
| - Interest received                                    | 2,039                            | 1,434             |
| - Income tax paid                                      | (4,621)                          | (3,055)           |
| - Retirement benefits paid                             | (303)                            | (60)              |
|  | <hr/>                            | <hr/>             |
| <b>Net Cash From Operating Activities</b>              | <b>23,206</b>                    | <b>28,779</b>     |





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

|   | <b>First Quarter Ended</b> |                   |
|---|----------------------------|-------------------|
|   | <b>30.09.2013</b>          | <b>30.09.2012</b> |
|   | <b>RM'000</b>              | <b>RM'000</b>     |
| <b>Cash Flows From/(Used In) Investing Activities</b>       |                            |                   |
| - Dividend received   | 1,305                      | 1,130             |
| - Net conversion for KKPA and Plasma projects               | (526)                      | (854)             |
| - Proceeds from disposal of:                                |                            |                   |
| - property, plant and equipment                             | -                          | 18                |
| - Addition to:  |                            |                   |
| - property, plant and equipment                             | (6,597)                    | (4,687)           |
| - biological assets   | (573)                      | (345)             |
|   | <u>(6,391)</u>             | <u>(4,738)</u>    |
| <b>Net Cash Used In Investing Activities</b>                |                            |                   |
|   | <u>(6,391)</u>             | <u>(4,738)</u>    |
| <b>Cash Flows From/(Used In) Financing Activities</b>       |                            |                   |
| - Dividend paid   | (2,065)                    | (2,368)           |
|   | <u>(2,065)</u>             | <u>(2,368)</u>    |
| <b>Net Cash Used In Financing Activities</b>                |                            |                   |
|   | <u>(2,065)</u>             | <u>(2,368)</u>    |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b> | <b>14,750</b>              | <b>21,673</b>     |
| <b>Cash and Cash Equivalents at Beginning of Year</b>       | 148,497                    | 94,858            |
| <b>Effect of Translation Differences</b>                    | (8,015)                    | (2,109)           |
|   | <u>(8,015)</u>             | <u>(2,109)</u>    |
| <b>Cash and Cash Equivalents at End of Year</b>             | <b>155,232</b>             | <b>114,422</b>    |
|   | <u>155,232</u>             | <u>114,422</u>    |
| <b>Composition of Cash and Cash Equivalents:</b>            |                            |                   |
| - Fixed deposits with licensed banks                        | 1,069                      | 2,045             |
| - Short-term placements                                     | 102,561                    | 79,216            |
| - Cash and bank balances                                    | 51,602                     | 33,161            |
|   | <u>155,232</u>             | <u>114,422</u>    |
|   | <u>155,232</u>             | <u>114,422</u>    |

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.



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**FINANCIAL YEAR ENDING 31 MARCH 2014**  
**SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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:

| <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 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                                  |



| <b><u>New, revision and amendments to FRS</u></b> |  | <b>Effective for<br/>annual period<br/>on or after:</b> |
|---|--|---|
| 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  |
| FRS127  | Separate Financial Statements.   | 1 January 2013  |
| FRS 128   | Investment in Associates and Joint Ventures.   | 1 January 2013  |
| FRS134  | Interim Financial Reporting.   | 1 January 2013  |
| <b><u>IC Interpretations</u></b>                  |  |   |
| 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. 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 2018.

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

## **A2. Qualification Of Audit Report Of The Preceding Annual Financial Statements**

There was no qualification of audit report for the preceding annual financial statements.

## **A3. 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.

## **A4. Unusual Items**

There were no items of an unusual items affecting nature, size or incidence which materially affect the assets, liabilities, equity, net income or cash flow during the current quarter under review and financial year-to-date.

## **A5. Material Changes in Estimates**

There were no changes in the estimates of amounts reported in the prior interim periods of the current financial year-to-date or changes in estimates of amounts reported in prior financial years.

## **A6. Debt and Equity Securities**

There were no issuance, cancellation, repurchases, resale and/or repayment of debt and equity securities during the current quarter under review and financial year-to-date.



#### A7. Dividend Paid

The Company had on 25 July 2013 announced the following proposed final dividends 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 above mentioned proposed final dividends were approved by the shareholders in an Annual General Meeting held on 26 September 2013 and the dividends were paid on 31 October 2013.

#### A8. Segmental Information

|  | Cumulative 6-month<br>Ended 30.09.2013 |                                       | Cumulative 6-month<br>Ended 30.09.2012 |                                       |
|--|--|---------------------------------------|--|---------------------------------------|
|  | Revenue<br>RM'000                      | Profit/(loss)<br>before tax<br>RM'000 | Revenue<br>RM'000                      | Profit/(loss)<br>before tax<br>RM'000 |
| Manufacture and sales<br>of oleochemical<br>products | 166,125                                | 15,634                                | 207,003                                | 9,628                                 |
| Sales of oil palm fruit<br>and crude palm oil        | 50,297                                 | 11,846                                | 56,743                                 | 15,875                                |
| Private hospital<br>operations                       | 36,560                                 | 1,683                                 | 35,957                                 | 1,588                                 |
| Warehouse and bulk<br>conveyor operations            | 3,381                                  | 1,289                                 | 3,076                                  | 595                                   |
| Others   | 2,746                                  | (846)                                 | 2,147                                  | (1,642)                               |
|  | <u>259,109</u>                         | <u>29,606</u>                         | <u>304,926</u>                         | <u>26,044</u>                         |

The warehouse and bulk conveyor operations are now operating based on a short-term land lease at Northport of Pelabuhan Klang.

#### A9. Carrying Amount of Revalued Assets

There were no changes to the valuation of property, plant and equipment valuation brought forward from the previous audited financial statements for the financial year ended 31 March 2013 to the current quarter under review and financial year-to-date.



#### **A10. Material Event Subsequent to the End of the Interim Financial Period**

There were no material events subsequent to be disclosed as at the date of this report.

#### **A11. Changes in Composition of the Group**

There were no change in the composition of the Group during the current quarter under review and financial year-to-date.

#### **A12. Changes in Contingencies**

There were no changes in the contingencies liabilities or contingencies assets since the last audited financial statements for the financial year ended 31 March 2013.

#### **A13. Capital Commitments**

Capital commitments not recognized in the interim financial statements as at 30 September 2013 is as follows :

Capital expenditure :

|                                 |               |
|---------------------------------|---------------|
|                                 | <b>RM'000</b> |
| Contracted but not provided for | <u>5,175</u>  |

#### **A14. Additional Information on 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 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 September 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 September 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.

#### A15. Related Party Transactions

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

|                                      | <b>Cumulative<br/>6-month Ended<br/>30.09.2013<br/>RM'000</b> | <b>Cumulative<br/>6-month Ended<br/>30.09.2012<br/>RM'000</b> |
|--------------------------------------|---|---|
| Sales of goods                       | 675   | 515   |
| Provision of administrative services | 1,195   | 1,142   |
| Purchase of raw materials            | 915   | 3,097   |
|                                      | <hr/>   | <hr/>   |



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

### **B1. Detailed Analysis Of The Performance Of The Group's Operating Segments**

#### **Current Quarter vs Preceding Correspondence Quarter**

In the current quarter under review, the Group's revenue slipped 17.5% to RM129.0 million as compared to the preceding correspondence quarter revenue of RM156.4 million. Despite of the lower revenue, the Group's profit before taxation registered a 38.1% higher at RM16.2 million.

- **Oleochemicals Division**

Oleochemicals Division registered a revenue of RM81.4 million and a profit before taxation of RM8.2 million which is approximately 22.1% lower in revenue and 54.9% higher in profit before taxation as compared to the preceding correspondence quarter. The lower revenue was due to 3.6% lower in sales volume (MT) and 22.6% lower in average selling price per MT. However the higher profit before taxation was mainly contributed by RM1.7 million realised forex exchange gain and the lower in the cost of sales.

- **Plantations and Milling Division**

Plantations and Milling Division registered a revenue of RM26.2 million and a profit before taxation of RM6.1 million which is approximately 18.4% lower in revenue and 13.5% lower in profit before taxation as compared to the preceding correspondence quarter. The lower in both revenue and profit before taxation were due to 11.5% lower in sales volume and 4.4% lower in average selling price of CPO.

- **Healthcare Division**

Healthcare Division registered a higher revenue of RM18.3 million and a profit before taxation of RM1.1 million which is approximately 5.1% and 141.3% higher in revenue and profit before taxation respectively as compared to the preceding corresponding quarter. The higher revenue per patient of 13.7% contributed to both higher in revenue and profit before taxation.

- **Warehousing and Conveying Division**

Warehousing and Conveying Division registered a higher revenue of RM1.8 million and a profit before taxation of RM0.7 million which is approximately 10.1% increased in revenue and 91.3% increased in profit before taxation as compared to the preceding correspondence quarter. The higher revenue was contributed by 22.0% higher revenue from warehousing whereas the higher profit before taxation in the previous correspondence quarter was due to lower machineries maintenance cost.





### **Current Financial Year-To-Date vs Preceding Correspondence Financial Year-To-Date**

In the financial year-to-date under review, the Group's revenue slipped 15.0% to RM259.1 million as compared to the last year correspondence period revenue of RM304.9 million. Despite of the lower revenue, the Group's profit before taxation was 13.7% higher at RM29.6 million.

- **Oleochemicals Division**

Oleochemicals Division registered a revenue of RM166.1 million and a profit before taxation of RM15.6 million which is approximately 19.8% lower in revenue and 62.4% higher in profit before taxation as compared to the preceding correspondence quarter. The lower revenue was due to 22.6% lower in average selling price per MT. However the higher profit before taxation was mainly contributed by the lower in the production cost and forex exchange gain.

- **Plantations And Milling Division**

Plantations and Milling Division registered a revenue of RM50.3 million and a profit before taxation of RM11.8 which is approximately 11.4% in revenue and 25.4% in profit before taxation as compared to the preceding correspondence quarter. The lower in both revenue and profit before taxation were due to 10.7% and 12.6% lower in average selling price of CPO and PK respectively.

- **Healthcare Division**

Healthcare Division registered a marginal increase in both revenue of RM36.6 million and a profit before taxation of RM1.7 million which is approximately 1.7% and 6.0% higher in revenue and profit before taxation respectively as compared to the preceding corresponding quarter. Despite a drop of 5.4% in no of patients, the average revenue per patient recorded a 10.0% higher which contributed to the marginal increase in both revenue and profit before taxation.

- **Warehousing And Conveying Division**

Warehousing and Conveying Division registered a higher revenue of RM3.4 million and a profit before taxation of RM1.3 million which is approximately 9.9% increased in revenue and 116.6% increased in profit before taxation as compared to the preceding correspondence quarter. The higher revenue was contributed by 23.1% higher revenue from warehousing whereas the higher profit before taxation in the previous correspondence quarter was due to lower machineries maintenance cost.



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

In the current quarter under review, the Group registered a higher profit before taxation of RM16.1 million which is approximately 19.3% higher as compared to the immediate preceding quarter profit before taxation of RM13.5 million. The increase of RM2.6 million was contributed from the four divisions with Oleochemicals Division being the largest contributor.

## B3. Prospect of the Group

Despite the volatility in the foreign exchange rate and the fluctuation in CPO price, the Group is still able to achieve a satisfactory performance for the financial year-to-date.

Moving forward, the financial performance of the Group will continue to be impacted by the movement of foreign exchange rate and CPO price. Nevertheless, the Board of Directors expects the Group continue to perform satisfactorily for the remaining period of the current financial year ending 31 March 2014.

## B4. Profit Forecast

There were no profits forecast and profit guarantee issued during the current quarter under review and financial year-to-date.

## B5. Income Tax Expense

|   | Second Quarter Ended |            | Cumulative 6-month Ended |            |
|---|----------------------|------------|--------------------------|------------|
|   | 30.09.2012           | 30.09.2012 | 30.09.2013               | 30.09.2012 |
|   | RM'000               | RM'000     | RM'000                   | RM'000     |
| Estimated tax payable                         |                      |            |                          |            |
| - Malaysian tax expense                       | 2,253                | 266        | 4,253                    | 421        |
| - Overseas tax expense                        | 2,221                | 1,994      | 3,698                    | 4,308      |
|   | 4,474                | 2,260      | 7,951                    | 4,729      |
| - Provision/(Reversal) of deferred tax assets | -                    | -          | -                        | -          |
| Total   | 4,474                | 2,260      | 7,951                    | 4,729      |

## B6. Corporate Proposals

There were no outstanding corporate proposals announced but not completed as the date of this report.



## B7. Group Borrowings and Debt Securities

There were no outstanding borrowing and debt securities as at 30 September 2013.

## 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.

The outstanding foreign currency exchange contracts as at 30 September 2013 are as follows :

|                       | <b>Contract Value<br/>RM'000</b> | <b>Fair Value<br/>RM'000</b> | <b>Derivative<br/>Assets/(Liabilities)<br/>RM'000</b> |
|-----------------------|----------------------------------|------------------------------|---|
| <b>Based Currency</b> | <b>&lt; 1 year</b>               | <b>&lt; 1 year</b>           | <b>&lt; 1 year</b>                                    |
| USD                   | 3,306                            | 3,237                        | 69  |
| USD                   | 3,289                            | 3,258                        | 31  |
|                       |                                  |                              | <b>100</b>  |

### (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 at 30 September 2013, there was no contract outstanding.



## 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 19 November 2013, being a date not earlier than seven days from the date of this Interim Financial Report.

## B10. Dividends

There was no interim dividend declared or recommended in the current quarter under review and financial year-to-date.

## B11. Earnings per Share

|   | Second Quarter Ended |            | Cumulative 6-month Ended |            |
|---|----------------------|------------|--------------------------|------------|
|   | 30.09.2013           | 30.09.2012 | 30.09.2013               | 30.09.2012 |
| Profit/(loss) attributable to equity holders of the Company (in RM'000) | 9,773                | 7,471      | 18,101                   | 16,908     |
| Weighted average number of ordinary shares in issue (in '000)           | 136,934              | 136,934    | 136,934                  | 136,934    |
| Basic earnings/(loss) per share (in Sen)                                | 7.14                 | 5.46       | 13.22                    | 12.35      |

**B12. Realised and Unrealised Retained Profits**

|                                     | <b>Unaudited<br/>As of<br/>30.09.2013<br/>RM'000</b> | <b>Audited<br/>As of<br/>31.03.2013<br/>RM'000</b> |
|-------------------------------------|--|--|
| Total retained profits of the Group |  |  |
| - Realised                          | 299,079  | 280,989  |
| - Unrealised                        | (1,883)  | (1,803)  |
|                                     | <u>297,196</u>                                       | <u>279,186</u>                                     |
| Less: Consolidation adjustments     | (11,948)   | (12,039)   |
| Total Group retained profits        | <u><u>285,248</u></u>                                | <u><u>267,147</u></u>                              |

**B13. Detailed Income and Expenses for the Year**

|   | <b>Cumulative 6-month Ended<br/>30.09.2013<br/>RM'000</b> | <b>30.09.2012<br/>RM'000</b> |
|---|---|------------------------------|
| - Interest income   | 2,039   | 1,434                        |
| - Other income including investment income                  | 2,010   | 2,904                        |
| - Depreciation and amortization                             | (4,824)   | (4,575)                      |
| - Inventories written down                                  | (95)  | (368)                        |
| - Realised gain on foreign exchange                         | 1,751   | 247                          |
| - Unrealised gain/(loss) on derivatives<br>financial assets | (61)  | 85                           |

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 second quarter of financial year ending 31 March 2014, was authorised for issuance by the Board of Directors of the Company during its meeting on 25 November 2013.