

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

THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2013

CONTENTS	PAGE(S)
Condensed Consolidated Statement of Profit or Loss	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5 – 6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8 – 9
Explanatory Notes to the Interim Financial Report:	
Part A: Pursuant to Financial Reporting Standard # 134	10 – 15
Part B: Pursuant to paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any revision thereon	16 – 22



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
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2013

	Note	Third Quarter Ended		Cumulative 9-month Ended	
		31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Revenue	A8	144,763	140,994	403,872	445,920
- Cost of sales		(111,272)	(115,239)	(319,775)	(369,495)
Gross profit		33,491	25,755	84,097	76,425
- Other income		1,437	3,026	5,486	6,856
- Selling and distribution costs		(2,611)	(2,442)	(7,953)	(8,308)
- Administrative expenses		(10,418)	(9,895)	(30,125)	(32,485)
- Finance costs		-	-	-	-
Profit from operations		21,899	16,444	51,505	42,488
- Net gain/(loss) on financial assets and liabilities held for trading		-	-	-	-
Profit before tax	A8	21,899	16,444	51,505	42,488
- Income tax expense	B5	(5,790)	(2,791)	(13,741)	(7,520)
Profit for the year	B13	16,109	13,653	37,764	34,968
Attributable to:					
- Equity holders of the Company		12,329	11,091	30,430	27,999
- Minority interests		3,780	2,562	7,334	6,969
		16,109	13,653	37,764	34,968
Earnings per share (sen) attributable to equity holders of the Company					
- Basic and diluted	B11	9.00	8.10	22.22	20.45



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 THIRD FINANCIAL QUARTER ENDED 31
DECEMBER 2013

	Note	Third Quarter Ended		Cumulative 9-month Ended	
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
		RM'000	RM'000	RM'000	RM'000
Profit for the year	B13	16,109	13,653	37,764	34,968
Other comprehensive income/(expense)					
- Available-for-sale financial assets		273	(157)	(232)	(1,832)
- Exchange differences on translation of foreign subsidiaries		(3,722)	(818)	(14,995)	(4,086)
Total comprehensive income for the year		<u>12,660</u>	<u>12,678</u>	<u>22,537</u>	<u>29,050</u>
Attributable to:					
- Equity holders of the Company		10,265	10,421	20,513	23,496
- Minority interests		2,395	2,257	2,024	5,554
		<u>12,660</u>	<u>12,678</u>	<u>22,537</u>	<u>29,050</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 31 DECEMBER 2013

	Note	Unaudited As of 31.12.2013 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	A9	110,168	105,322
Investment property		3,318	3,318
Biological assets		9,230	9,912
Available-for-sale investments		33,689	33,828
Advances for Plasma PIR-TRANS program		-	133
Advances for KKPA program		7,430	6,220
Deferred tax assets		892	1,036
		306,671	301,713
Current Assets			
Inventories		63,340	54,532
Derivative financial assets		-	161
Trade receivables		45,600	37,716
Other receivables, deposits and prepaid expenses		3,759	4,249
Tax recoverable		5,723	2,491
Fixed deposits, short-term placements, and cash and bank balances		144,362	148,497
		262,784	247,646
TOTAL ASSETS		569,455	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 31 DECEMBER 2013 (cont'd)

	Unaudited As of 31.12.2013 RM'000	Audited As of 31.03.2013 RM'000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	136,934	136,934
Reserves	323,515	309,849
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	460,449	446,783
Minority interests	36,006	35,972
	<hr/>	<hr/>
Total Equity	496,455	482,755
Non-Current Liabilities		
Provision for retirement benefits	7,362	7,945
Deferred tax liabilities	3,428	3,428
	<hr/>	<hr/>
	10,790	11,373
	<hr/>	<hr/>
Current Liabilities		
Trade payables	23,415	25,229
Other payables and accrued expenses	30,558	28,217
Derivative financial liabilities	365	-
Tax liabilities	7,751	1,664
Dividend payable	121	121
	<hr/>	<hr/>
	62,210	55,231
	<hr/>	<hr/>
TOTAL LIABILITIES	73,000	66,604
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	569,455	549,359
	<hr/> <hr/>	<hr/> <hr/>

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 THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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	(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)
As of 31 December 2012	136,934	34,321	(5,244)	13,011	(322)	258,530	437,230	33,824	471,054
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 period	-	-	-	-	-	30,430	30,430	7,334	37,764
Other comprehensive income/(expense)	-	-	(9,685)	(232)	-	-	(9,917)	(5,310)	(15,227)
Total comprehensive income/(expense)	-	-	(9,685)	(232)	-	30,430	20,513	2,024	22,537
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling shareholders of a subsidiary company	-	-	-	-	-	-	-	(1,990)	(1,990)
As of 31 December 2013	136,934	34,321	(14,750)	13,536	(322)	290,730	460,449	36,006	496,455

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 THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2013

	Cumulative 9-months Ended	
	31.12.2013	31.12.2012
	RM'000	RM'000
Cash Flows From/(Used In) Operating Activities		
Profit before tax	51,505	42,488
Adjustments for:		
- Dividend income	(1,410)	(1,421)
- Interest income	(3,034)	(2,122)
- Unrealised loss/(gain) on foreign exchange	526	(89)
- Depreciation of property, plant and equipment	6,678	6,243
- (Reversal of)/Inventories written down	(80)	333
- Loss/(gain) arising from derivative financial assets	527	(179)
- Provision for retirement benefits	305	445
- Amortisation of biological assets	553	569
- Gain on disposal of property, plant and equipment	(16)	-
- Property, plant and equipment written off	4	1
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	55,558	46,268
(Increase)/decrease in :		
- Inventories	(8,728)	3,877
- Trade receivables	(8,411)	8,292
- Other receivables, deposit and prepaid expenses	397	(166)
Increase/(decrease) in:		
- Trade payables	(1,814)	(1,993)
- Other payables and accrued expenses	1,437	(76)
- Dividend payable	-	(2,073)
	<hr/>	<hr/>
Cash From Operating Activities	38,439	54,129
- Interest received	3,034	2,122
- Income tax paid	(9,979)	(5,801)
- Retirement benefits paid	(346)	(120)
	<hr/>	<hr/>
Net Cash From Operating Activities	31,148	50,330



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 THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2013 (cont'd)

	Cumulative 9-months Ended	
	31.12.2013	31.12.2012
	RM'000	RM'000
Cash Flows From/(Used In) Investing Activities		
- Dividend received	1,410	1,421
- Net conversion for KKPA and Plasma projects	(1,077)	(843)
- Proceeds from disposal of:		
- property, plant and equipment	5	18
- Addition to:		
- property, plant and equipment	(14,466)	(8,467)
- biological assets	(1,052)	(690)
	<u>(15,180)</u>	<u>(8,561)</u>
Net Cash Used In Investing Activities		
	<u>(15,180)</u>	<u>(8,561)</u>
Cash Flows From/(Used In) Financing Activities		
- Dividend paid	(8,837)	(9,196)
	<u>(8,837)</u>	<u>(9,196)</u>
Net Cash Used In Financing Activities		
	<u>(8,837)</u>	<u>(9,196)</u>
Net Increase in Cash and Cash Equivalents	7,131	32,573
Cash and Cash Equivalents at Beginning of Year	148,497	94,858
Effect of Translation Differences	(11,266)	(2,956)
	<u>144,362</u>	<u>124,475</u>
Cash and Cash Equivalents at End of Year		
	<u>144,362</u>	<u>124,475</u>
Composition of Cash and Cash Equivalents:		
- Fixed deposits with licensed banks	573	2,045
- Short-term placements	108,508	87,744
- Cash and bank balances	35,281	34,686
	<u>144,362</u>	<u>124,475</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.



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

FINANCIAL YEAR ENDING 31 MARCH 2014
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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
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
<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. 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 has paid the following 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 final dividends have been approved by the shareholders in an Annual General Meeting held on 26 September 2013 and were paid on 31 October 2013.

A8. Segmental Information

	Cumulative 9-month Ended 31.12.2013		Cumulative 9-month Ended 31.12.2012	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Manufacture and sales of oleochemical products	255,435	24,129	294,518	15,946
Sales of oil palm fruit and crude palm oil	84,092	25,104	88,960	25,226
Private hospital operations	55,759	2,693	53,999	2,556
Warehouse and bulk conveyor operations	5,118	1,952	5,152	1,508
Others	3,468	(2,373)	3,291	(2,748)
	<u>403,872</u>	<u>51,505</u>	<u>445,920</u>	<u>42,488</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 31 December 2013 is as follows :

Capital expenditure :

	RM'000
Contracted but not provided for	<u>29,362</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:

	Cumulative 9-month Ended 31.12.2013 RM'000	Cumulative 9-month Ended 31.12.2012 RM'000
Sales of goods	921	682
Provision of administrative services	1,733	1,683
Purchase of raw materials	1,442	3,109
	<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 Corresponding Quarter

In the current quarter under review, the Group's revenue increased by 2.7% to RM144.8 million compared to the preceding corresponding quarter revenue of RM141.0 million. Despite a marginal increase in revenue, the Group's profit before taxation ("PBT") registered a 33.2% increase to RM21.9 million compared to a PBT of RM16.4 million. The increase in PBT of RM5.5 million was mainly contributed by Plantations and Milling Division and the balance by Oleochemicals Division.

• Oleochemicals Division

Oleochemicals Division registered a revenue of RM89.3 million and a PBT of RM8.5 million which is an increase of 2.1% and 34.4% respectively compared to the preceding corresponding quarter.

The net increase in PBT of RM2.2 million was due to the following: -

1. Increase of revenue due to increase of sales of 2.1% (or 9.0% increase of in MT); and
2. Decrease of cost of production by 2.1%.

Both factors contributed to an additional RM3.6 million in PBT.

However in the same quarter, the said amount is impacted by the following: -

1. Decrease of Other Income of RM1.2 million (mainly due to no insurance claim); and
2. Increase of Administrative Expenses by RM0.2 million.

• Plantations and Milling Division

Plantations and Milling Division registered a 4.9% increase in revenue of RM33.8 million and a 41.8% increase in PBT of RM13.3 million compared to the preceding corresponding quarter. The increase in revenue was mainly attributed to the increase of average selling price ("ASP") of CPO (16.2%) and PK (45.2%) despite a drop of 12.9% in sales volume.

The increase in PBT was due to the following: -

1. Increase of revenue;
2. Decrease plant repair & maintenance costs and fertilizer costs.

• Healthcare Division

Healthcare Division registered revenue of RM19.2 million and PBT of RM1.0 million which is an increase of 6.4% and 4.4% respectively compared to the preceding corresponding quarter. Both increase in revenue and PBT were mainly due to the 7.2% increase in average revenue per patient.



- **Warehousing And Conveying Division**

Warehousing and Conveying Division registered a decrease of 16.3% in revenue of RM1.7 million and 27.4% decrease in PBT of RM0.7 million compared to the preceding corresponding quarter. The decrease in both revenue and PBT were due to 50.5% decrease in revenue from Warehousing which is dependent on shipping and/or loading schedule.

Current Financial Year-To-Date vs Preceding Corresponding Financial Year-To-Date

In the financial year-to-date under review, the Group's revenue slipped 9.4% to RM403.9 million compared to the last year corresponding period revenue of RM445.9 million. Despite the decrease in revenue, the Group's profit before taxation was 21.2% increase to RM51.5 million.

- **Oleochemicals Division**

Despite the decrease in revenue recorded in the financial year-to-date, Oleochemicals Division registered a 51.3% increase in PBT by RM8.2 million compared to the preceding corresponding quarter.

The 13.3% decrease in revenue due to decrease of ASP for both CPO and PK even though there was an increase of 3.6% in sales volume.

The increase in PBT was due to the following factors: -

1. Increase of Other Income of RM3.7 million mainly from foreign exchange gain and interest income; and
2. Increase of gross margin which was mainly due to decrease of cost of sales.

- **Plantations And Milling Division**

Plantations And Milling Division registered a 5.5% decrease in revenue of RM84.1 million and 0.5% decrease in PBT of RM25.1 million compared to the preceding corresponding quarter.

The decrease in revenue and PBT were due to translation losses from conversion of IDR to MYR exchange rate where IDR depreciated by 8.9% compared to the preceding corresponding quarter. Excluding the foreign exchange losses, this division would have been reported a better profit.

- **Healthcare Division**

Healthcare Division registered a 3.3% increase in revenue of RM55.8 million and a 5.4% increase in PBT of RM2.7 million compared to the preceding corresponding quarter. This is despite drop of 5.8% in the number of patients, the average revenue per patient increased by 9.0%.

- **Warehousing And Conveying Division**

Warehousing And Conveying Division registered a marginal 0.7% decrease in revenue of RM5.1 million and a 29.4% increase in PBT of RM2.0 million compared to the preceding corresponding quarter. The decrease of revenue was due to 14.7% decrease in revenue from warehousing whereas the increase of PBT was due to decrease of machineries maintenance cost compared to the preceding corresponding quarter.



B2. Material Changes in Financial Results compared to that of the Immediate Preceding Quarter

In the current quarter under review, the Group registered a 35.6% increase in PBT of RM21.9 million compared to the immediate preceding quarter's PBT of RM16.1 million. The increase in PBT was mainly contributed by the Plantations And Milling Division.

The substantial increase in Plantations And Milling Division's PBT was due to the following factors:-

- 29.0% increase in revenue due to higher sales volume; and
- higher ASP in CPO (6.0%) and PK (15.0%) after taking into account of the depreciation IDR.

B3. Prospect of the Group

The Group's performance for the remaining period of the end of financial year will continue greatly influenced by the movement of the foreign exchange rates and the fluctuation in CPO price. On a positive note, the Group's performance for the financial year ending 31 March 2014 is expected to be better than last financial year ended 31 March 2013 as for the current financial year-to-date the Group's PBT has already achieved 90.5% of last financial year PBT.

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

	Third Quarter Ended		Cumulative 9-month Ended	
	31.12.2012	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Malaysian tax expense	2,280	235	6,533	656
- Overseas tax expense	3,510	2,556	7,208	6,864
- Provision/(Reversal) of deferred tax assets	5,790	2,791	13,741	7,520
Total	5,790	2,791	13,741	7,520



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 31 December 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 31 December 2013 was as follows :

	Contract Value RM'000	Fair Value RM'000	Derivative Assets/(Liabilities) RM'000
Based Currency	< 1 year	< 1 year	< 1 year
USD	74,435	74,800	(365)

(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 31 December 2013, total outstanding commodity future contract of the group amounted to RM1.5 million, with effective dates of execution up to 31 Mar 2014.



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

	Third Quarter Ended		Cumulative 9-month Ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit attributable to equity holders of the Company (in RM'000)	12,329	11,091	30,430	27,999
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	9.00	8.10	22.22	20.45

**B12. Realised and Unrealised Retained Profits**

	Unaudited As of 31.12.2013 RM'000	Audited As of 31.03.2013 RM'000
Total retained profits of the Group		
- Realised	306,888	280,989
- Unrealised	(3,428)	(1,803)
	<u>303,460</u>	<u>279,186</u>
Less: Consolidation adjustments	(12,730)	(12,039)
Total Group retained profits	<u>290,730</u>	<u>267,147</u>

B13. Detailed Income and Expenses for the Year

	Cumulative 9-month Ended 31.12.2013 RM'000	31.12.2012 RM'000
- Interest income	3,034	2,122
- Other income including investment income	1,452	4,118
- Depreciation and amortization	(7,231)	(6,812)
- Inventories written down	80	(333)
- Realised gain on foreign exchange	1,527	437
- Unrealised (loss)/gain on derivatives financial assets	(527)	179

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 27 February 2013.