

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 2015**

**THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2014**  
(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 2015**  
**INTERIM FINANCIAL REPORT**  
**THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2014**

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

**FINANCIAL YEAR ENDING 31 MARCH 2015**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2014**

	Note	Third Quarter Ended		Cumulative 9-month Ended	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
		RM'000	RM'000	RM'000	RM'000
Revenue	<b>A8</b>	134,818	144,763	434,567	403,872
- Cost of sales		(107,829)	(111,272)	(362,818)	(319,775)
Gross profit		26,989	33,491	71,749	84,097
- Other income		444	1,437	2,297	5,486
- Selling and distribution costs		(2,514)	(2,611)	(8,120)	(7,953)
- Administrative expenses		(10,266)	(10,418)	(33,149)	(30,125)
Profit before tax	<b>A8</b>	14,653	21,899	32,777	51,505
- Income tax expense	<b>B5</b>	(2,719)	(5,790)	(6,627)	(13,741)
Profit for the year	<b>B13</b>	11,934	16,109	26,150	37,764
Attributable to:					
- Equity holders of the Company		9,878	12,329	20,563	30,430
- Non-controlling interests		2,056	3,780	5,587	7,334
		11,934	16,109	26,150	37,764
<b>Earnings per share (sen) attributable to equity holders of the Company</b>					
- Basic and diluted	<b>B11</b>	7.21	9.00	15.02	22.22



**SOUTHERN ACIDS (M) BERHAD**  
(Incorporated in Malaysia)  
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**FINANCIAL YEAR ENDING 31 MARCH 2015**  
**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE**  
**INCOME FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2014**

	Note	Third Quarter Ended		Cumulative 9-month Ended	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
		RM'000	RM'000	RM'000	RM'000
Profit for the year	<b>B13</b>	11,934	16,109	26,150	37,764
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
- Available-for-sale financial assets		(1,399)	273	(1,243)	(232)
- Exchange differences on translation of foreign subsidiaries		4,629	(3,722)	(1,642)	(14,995)
Items that will not reclassified subsequently to profit or loss:					
- Remeasurement of defined benefit obligation		-	-	-	-
Total comprehensive income for the year		<u>15,164</u>	<u>12,660</u>	<u>23,265</u>	<u>22,537</u>
Attributable to:					
- Equity holders of the Company		11,389	10,265	18,161	20,513
- Non-controlling interests		<u>3,775</u>	<u>2,395</u>	<u>5,104</u>	<u>2,024</u>
		<u>15,164</u>	<u>12,660</u>	<u>23,265</u>	<u>22,537</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 2014, 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 2015**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2014**

	Note	Unaudited As of 31.12.2014 RM'000	Audited As of 31.03.2014 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Land held for property development		141,944	141,944
Property, plant and equipment	A9	141,067	115,325
Investment property		3,318	3,318
Biological assets		13,034	10,424
Available-for-sale investments		38,484	35,478
Advances for KKPA program		696	1,478
Deferred tax assets		770	782
		<u>339,313</u>	<u>308,749</u>
<b>Current Assets</b>			
Inventories		56,501	61,412
Derivative financial assets		-	1,188
Trade receivables		42,073	45,747
Other receivables, deposits and prepaid expenses		5,100	7,469
Tax recoverable		13,120	2,328
Fixed deposits, short-term placements, and cash and bank balances		<u>147,053</u>	<u>156,742</u>
		<u>263,847</u>	<u>274,886</u>
<b>TOTAL ASSETS</b>		<u><b>603,160</b></u>	<u><b>583,635</b></u>



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

**FINANCIAL YEAR ENDING 31 MARCH 2015**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2014 (cont'd)**

	<b>Unaudited As of 31.12.2014 RM'000</b>	<b>Audited As of 31.03.2014 RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share capital	136,934	136,934
Reserves	348,951	337,637
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	485,885	474,571
Non-controlling interests	44,653	40,592
	<hr/>	<hr/>
<b>Total Equity</b>	<b>530,538</b>	<b>515,163</b>
	<hr/>	<hr/>
<b>Non-Current Liabilities</b>		
Provision for retirement benefits	7,925	7,350
Deferred tax liabilities	3,558	3,558
	<hr/>	<hr/>
	11,483	10,908
	<hr/>	<hr/>
<b>Current Liabilities</b>		
Trade payables	17,836	17,393
Other payables and accrued expenses	34,248	37,106
Derivative financial liabilities	4,559	-
Tax liabilities	4,375	2,944
Dividend payable	121	121
	<hr/>	<hr/>
	61,139	57,564
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>72,622</b>	<b>68,472</b>
	<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>603,160</b>	<b>583,635</b>
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The consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2014, 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 2015**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2014**

The Group	Non-distributable Reserves				Fair value reserve RM'000	Distributable reserve - Retained earnings RM'000	Equity attributable to holders of the Company RM'000	Non-controlling interests RM'000	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Other reserve RM'000					
<b>As of 1 April 2013</b>	136,934	34,321	(5,065)	(322)	13,768	267,147	446,783	35,972	482,755
Profit for the year	-	-	-	-	-	30,430	30,430	7,334	37,764
Other comprehensive loss	-	-	(9,685)	-	(232)	-	(9,917)	(5,310)	(15,227)
Total comprehensive income/(loss)	-	-	(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)
<b>As of 31 December 2013</b>	<b>136,934</b>	<b>34,321</b>	<b>(14,750)</b>	<b>(322)</b>	<b>13,536</b>	<b>290,730</b>	<b>460,449</b>	<b>36,006</b>	<b>496,455</b>
<b>As of 1 April 2014</b>	136,934	34,321	(10,790)	(322)	15,324	299,104	474,571	40,592	515,163
Profit for the year	-	-	-	-	-	20,563	20,563	5,587	26,150
Other comprehensive income/(loss)	-	-	(1,159)	-	(1,243)	-	(2,402)	(483)	(2,885)
Total comprehensive income/(loss)	-	-	(1,159)	-	(1,243)	20,563	18,161	5,104	23,265
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling shareholders of a subsidiary company	-	-	-	-	-	-	-	(1,043)	(1,043)
<b>As of 31 December 2014</b>	<b>136,934</b>	<b>34,321</b>	<b>(11,949)</b>	<b>(322)</b>	<b>14,081</b>	<b>312,820</b>	<b>485,885</b>	<b>44,653</b>	<b>530,538</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 2014, and the accompanying notes attached to these interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDING 31 MARCH 2015**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2014**

	<b>Cumulative 9-month Ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From/(Used In) Operating Activities</b>		
Profit before tax	32,777	51,505
Adjustments for:		
- Dividend income	(1,494)	(1,410)
- Interest income	(2,626)	(3,034)
- Unrealised (gain)/loss on foreign exchange	(1,932)	526
- Depreciation of property, plant and equipment	6,894	6,678
- Inventories written down/(reversal)	225	(80)
- Loss arising from derivative financial assets	5,747	527
- Provision for retirement benefits	821	305
- Amortisation of biological assets	547	553
- (Gain)/loss on disposal of property, plant and equipment	(212)	(16)
- Property, plant and equipment written off	5	4
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	40,752	55,558
(Increase)/decrease in :		
- Inventories	4,686	(8,728)
- Trade receivables	5,793	(8,411)
- Other receivables, deposit and prepaid expenses	2,369	397
Increase/(decrease) in:		
- Trade payables	443	(1,814)
- Other payables and accrued expenses	(2,858)	1,437
	<hr/>	<hr/>
<b>Cash Generated From Operating Activities</b>	<b>51,185</b>	<b>38,439</b>
- Income tax paid	(15,673)	(9,979)
- Retirement benefits paid	(199)	(346)
	<hr/>	<hr/>
<b>Net Cash From Operating Activities</b>	<b>35,313</b>	<b>28,114</b>
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**FINANCIAL YEAR ENDING 31 MARCH 2015**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2014 (cont'd)**

	<b>Cumulative 9-month Ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From/(Used In) Investing Activities</b>		
- Interest received	2,626	3,034
- Dividend received	1,494	1,410
- Investment in quoted share	(4,250)	-
- Net conversion for KKPA and Plasma projects	782	(1,077)
- Proceeds from disposal of property, plant and equipment	283	5
- Addition to:		
- property, plant and equipment	(33,541)	(14,466)
- biological assets	(3,343)	(1,052)
<b>Net Cash Used In Investing Activities</b>	<b>(35,949)</b>	<b>(12,146)</b>
<b>Cash Flows Used In Financing Activity</b>		
- Dividend paid	(7,890)	(8,837)
<b>Net Cash Used In Financing Activity</b>	<b>(7,890)</b>	<b>(8,837)</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>(8,526)</b>	<b>7,131</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>156,742</b>	<b>148,497</b>
<b>Effect of Translation Differences</b>	<b>(1,163)</b>	<b>(11,266)</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>147,053</b>	<b>144,362</b>
<b>Composition of Cash and Cash Equivalents:</b>		
- Cash and bank balances	58,521	35,281
- Fixed deposits with licensed banks	23,395	41,802
- Short-term placements	65,137	67,279
	<b>147,053</b>	<b>144,362</b>

The consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 March 2014, and the accompanying notes attached to these interim financial statements.



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**FINANCIAL YEAR ENDING 31 MARCH 2015**  
**THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2014**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

This Interim Financial Report has been 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 ó Interim Financial Reporting and other FRS issued by the Malaysian Accounting Standards Board (óMASBó).

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 2014. 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 2014

**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 2014, except for the adoption of the relevant new/revised Standards and IC Interpretations which were in issue but not yet effective and not early adopted by the Group are as listed below:

FRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014) <sup>1</sup>
FRS 15	Revenue from Contracts with Customers <sup>5</sup>
IC Interpretation 21	Levies <sup>2</sup>
Amendments to FRS 10, FRS 12 and FRS 127	Investment Entities <sup>2</sup>
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to FRS 11	Joint Arrangements (Amendments relating to Accounting for Acquisitions of Interests in Joint Operations) <sup>4</sup>
Amendments to FRS 101	Disclosure Initiative <sup>4</sup>



Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to FRS 127	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to FRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions) <sup>3</sup>
Amendments to FRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities) <sup>2</sup>
Amendments to FRS 136	Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets) <sup>2</sup>
Amendments to FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives Continuation of Hedge Accounting) <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017

The adoption of these new/revised Standards and IC Interpretations when they become effective, are not expected to have material financial impacts on the financial statements in the period of initial adoptions, if applicable.

## A1.2. Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (MFRS Framework), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities (TEs).

TEs, being entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate, including its parents, significant investors and venturers were given a transitional period of two years, which allowed these entities an option to continue with the FRS Framework. Following the announcement by the MASB on 7 August 2013, the transitional period for Transitioning Entities has been extended for an additional year.



On 2 September 2013, MASB announced that TEs that have in alternative chosen to apply the FRS Framework shall comply with MFRS for annual periods beginning on or after 1 January 2017.

Accordingly, the Group, being TE, has availed itself of this transitional arrangement and will continue to apply FRSs in their next set of financial statements. Accordingly, the Group will be required to prepare its first set of MFRS financial statements for the year ended 31 March 2018.

**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 Oleochemicals Division which uses palm oils as its main ingredient, and the Plantation & 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 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. Dividends Paid**

The Company had on 23 July 2014 announced the proposed single tier dividend of 5 sen per ordinary share of RM1.00 each amounting to RM6,846,707 in respect of the financial year ended 31 March 2014.

The proposed dividends were approved by shareholders in the Annual General Meeting held on 25 September 2014 and the dividends were paid on 31 October 2014.

**A8. Segmental Information**

	Cumulative 9-month Ended 31.12.2014		Cumulative 9-month Ended 31.12.2013	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Manufacture and sales of oleochemical products	273,619	4,530	255,435	24,129
Sales of oil palm fruit and crude palm oil	84,748	19,015	84,092	25,104
Private hospital operations	65,665	8,137	55,759	2,693
Warehouse and bulk conveyor operations	6,946	3,067	5,118	1,952
Others	3,589	(1,972)	3,468	(2,373)
	<u>434,567</u>	<u>32,777</u>	<u>403,872</u>	<u>51,505</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 2014 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, 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.



## A12. Changes in Contingencies

There were no change in the contingent liabilities or contingent assets since the last audited financial statements for the financial year ended 31 March 2014 save for the following:

Particularly referring to Note 33 (a) and (b) of the Contingencies of the last financial year ended 31 March 2014, the Board had on its meeting held on 28 May 2014 mandated the Chairman of Governance & Audit Committee and the Chief Financial Officer/Executive Director to take necessary steps to resolve both contingencies which have been long outstanding .

- On Note 33 (a) of the Contingency, the Company had on 28 May 2014 wrote to Southern Realty (Malaya) Sdn. Berhad. seeking cooperation to access all relevant information on the questionable transactions allegedly committed by the four former senior officials of the Company. This is because the alleged questionable transactions occurred between the periods from 1989 to 2002 and are inter-related involving at least thirteen other private companies which are not within Southern Acids (M) Berhad's (SAB) control. In addition, all SAB's key personnel involved during the said periods are no longer with the SAB & its subsidiaries. As at the date of this report, the Company has not received any reply yet.

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

- On Note 33 (b) of the Contingency, the Company had on 10 July 2014 appointed Messrs David Lai & Tan to contact the counterparty's solicitors as soon as possible to get the latest status and to seek solution to the alleged claim. To the best knowledge of the Board, none of the seven other defendants have filed their defence as at to date.

Subsequently on 19 August 2014 , our solicitors had received a letter dated 15 August 2014 from the Plaintiff's lawyer proposing a withdrawal of the suit with no order as to costs. In response, the Company had on 21 August 2014 instructed our solicitors to accept the proposed withdrawal. Our official acceptance letter dated 22 August 2014 was acknowledged by the Plaintiff's lawyer on even date. With that, the suit is now deemed settled.

## A13. Capital Commitments

Capital commitments not recognized in the interim financial statements as at 31 December 2014 is as follows :

Capital expenditure :

Contracted but not provided for	<b>RM'000</b> <u>11,750</u>
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**A14. 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 9-month Ended 31.12.2014 RM'000</b>	<b>Cumulative 9-month Ended 31.12.2013 RM'000</b>
Sales of goods	671	921
Purchase of goods	2,576	1,442
Provision of administrative services	2,204	2,166



**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 decreased by 6.9% to RM134.8 million compared to the preceding corresponding quarter's revenue of RM144.8 million.

The Group's profit before taxation (PBT) decreased by 33.1% to RM14.7 million compared to the preceding corresponding PBT of RM21.9 million. The decrease in PBT of RM7.2 million was mainly due to lower contribution from Plantations & Milling Division and Oleochemicals Division. This is in spite of higher contribution by Healthcare Division.

**1. Oleochemicals Division**

Oleochemicals Division registered a decrease of 8.5% in revenue to RM81.7 million and a decrease of 59.3% in PBT to RM3.4 million in the current quarter. The decrease in PBT of RM5.0 million was mainly due to the following:-

- Lower PBT of RM2.7 million from operation; and
- Lower other income of RM2.3 million.

The decrease in PBT from operation was due to lower sales margin and higher operating costs. The decrease in other income was mainly due to unrealised forward forex contract of RM3.4 million as well as net realised and unrealised forex gain of RM1.1 million.

**2. Plantations & Milling Division**

Plantations & Milling Division registered a decrease of 16.5% in revenue to RM28.2 million and a decrease of 43.3% in PBT to RM7.5 million compared to the preceding corresponding quarter. The decrease in revenue was mainly due to 13.9% decrease in sales volume and 1.6% marginal decrease in average selling price.

The decrease in PBT was due to the following:-

- Lower PBT of RM6.4 million from operation; and
- Higher other income of RM0.7 million.

The decrease in PBT from operation was due to lower revenue, 12.8% lower in gross sales margin which was due to higher production costs.





### 3. Healthcare Division

Healthcare Division registered an increase of 13.2% in revenue to RM21.7 million and an increase of 296.6% in PBT to RM4.0 million compared to the preceding corresponding quarter.

The PBT of RM4.0 million was made up of the following :-

- Operation profit of RM1.9 million; and
- Reversal of provisions no longer required of RM2.1 million.

### 4. Warehousing & Conveying Division

Warehousing & Conveying Division registered an increase of 46.1% in revenue to RM2.5 million and an increase of 14.2% in PBT to RM0.8 million compared to the preceding corresponding quarter.

Both higher revenue and PBT were contributed by an increase of 46.1% in sales value out of which 57.0% was contributed by conveyor handling and the balance by warehousing income.

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

In the financial year-to-date under review, the Group's revenue increased by 7.6% to RM434.6 million compared to the last year corresponding period revenue of RM403.9 million. Despite the increase in revenue, the Group's PBT decreased by 36.4% to RM32.8 million. The decrease in PBT was due to lower contribution by Oleochemicals Division and Plantations & Milling Division. This is despite of higher contribution by Healthcare Division.

#### 1. Oleochemicals Division

Oleochemicals Division registered an increase of 7.1% in revenue to RM273.6 million. Despite the higher revenue, the PBT decreased by 81.2% to RM4.5 million compared to the preceding corresponding period.

The increase in revenue was mainly due to an increase of 9.1% in average selling price despite a marginal decrease in sales volume of fatty acids.

The decrease in PBT of RM19.6 million was mainly due to the following: -

- Lower PBT of RM14.1 million from operation; and
- Lower other income of RM5.5 million.

The decrease in PBT from operation was due to lower sales margin and higher operating costs. The decrease in other income was mainly due to the following:-

- Net of lower realised forex gain and higher unrealised forex gain of RM0.4 million; and
- Unrealised forward currency contract loss of RM5.7 million.



## **2. Plantations & Milling Division**

Plantations & Milling Division registered an increase of 0.8% in revenue to RM84.7 million. Despite the marginal increase in revenue, the PBT decreased by 24.3% to RM19.0 million compared to the preceding corresponding period.

The increase in revenue was due to an increase of 7.7% in average selling price despite of 1.9% decrease in sales volume and 4.5% translation losses from IDR/MYR exchange rate.

The lower PBT of RM6.1 million was make up of the following:-

- Decrease in operation PBT of RM7.4 million; and
- Increase in other income of RM1.3 million.

The decrease in PBT from operation was due 7.3% lower in gross sales margin which was due to higher production costs and 50.0% increase in administrative costs in the current financial year-to-date results.

## **3. Healthcare Division**

Healthcare Division registered an increase of 17.8% in revenue to RM65.7 million and an increase of 202.2% in PBT to RM8.1 million compared to the preceding corresponding period.

The PBT of RM8.1 million was made up of the following :-

- Operation profit of RM6.0 million; and
- Reversal of provisions no longer required of RM2.1 million.

The increase in revenue and PBT was contributed by the increase in bed occupancy rate and number of patients.

## **4. Warehousing & Conveying Division**

Warehousing & Conveying Division registered 35.7% increase in revenue to RM6.9 million and 57.1% increase in PBT to RM3.1 million compared to the preceding corresponding period.

Both higher revenue and PBT were contributed by 35.7% increase in sales value out of which 60.5% was contributed by conveyor handling and the balance by warehousing income.



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

In the current quarter under review, the Group registered an increase 151.8% in PBT to RM14.7 million compared to the immediate preceding quarter's PBT. The higher PBT of RM8.8 million was mainly due to the following:-

- higher contribution of RM5.8 million by Oleochemicals Division which was due to higher margin and lower operating costs; and
- higher contribution of RM2.4 million by Healthcare Division which was mainly due to reversal of provisions no longer required.

**B3. Prospect of the Group**

For the current financial year ending 31 March 2015 (øFY2015ö), the Company may not achieve the same strong financial results of last financial year ended 31 March 2014. Nevertheless the Company will continue to strive in improving the operation efficiency and productivity besides exploring effective ways of cost optimization as measures to mitigate the financial impact from the following factors in the FY2015: -

- Uncertainty and volatility in currency exchange rate of USD/MYR and MYR/IDR;
- Uncertainty and volatility in CPO prices;
- Respective relevant government regulations and policies for biodiesel mandate and export tariff; and
- Unpredictable weather conditions.

In summary, whilst the year-to-date financial performance is lower than the preceding corresponding period, the Board is of the opinion that the Group's performance for FY2015 would be satisfactory.

**B4. Profit Forecast**

There were no profit 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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Estimated tax payable				
- Malaysian tax expense	988	2,280	1,884	6,533
- Overseas tax expense	1,731	3,510	4,743	7,208
	<hr/>	<hr/>	<hr/>	<hr/>
	2,719	5,790	6,627	13,741
- Provision of deferred tax assets	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Total	<hr/>	<hr/>	<hr/>	<hr/>
	2,719	5,790	6,627	13,741

**B6. Corporate Proposals**

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

**B7. Group Borrowings and Debt Securities**

There were no outstanding borrowing and debt securities as at 31 December 2014.

**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 2014 was as follows :

	Contract Value RM'000	Fair Value RM'000	Derivative Assets/(Liabilities) RM'000
<b>Based Currency</b>	<b>&lt; 1 year</b>	<b>&lt; 1 year</b>	<b>&lt; 1 year</b>
USD	88,098	92,657	(4,559)



**(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 2014, total outstanding commodity future contracts of the Group amounted to RM963,000, with effective dates of execution up to Mar 2015.

**B9. Material Litigation**

As at the date of this report, there were no material litigation since the last audited financial statements for the financial year ended 31 March 2014.

**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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Profit attributable to equity holders of the Company (in RM'000)	9,878	12,329	20,563	30,430
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	7.21	9.00	15.02	22.22

**B12. Realised and Unrealised Retained Earnings**

	<b>Unaudited As of 31.12.2014 RM'000</b>	<b>Audited As of 31.03.2014 RM'000</b>
Total retained earnings of the Group		
- Realised	317,653	306,182
- Unrealised	5,609	2,044
	<u>323,262</u>	<u>308,226</u>
Less: Consolidation adjustments	(10,442)	(9,122)
Total Group retained earnings	<u>312,820</u>	<u>299,104</u>

**B13. Profit for the Year**

	<b>Cumulative 9-month Ended 31.12.2014 RM'000</b>	<b>31.12.2013 RM'000</b>
Profit for the year is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	2,626	3,034
- Other income	2,526	1,452
- Depreciation and amortization	(7,441)	(7,231)
- Inventories written down	(225)	80
- Gain on foreign exchange:		
Realised	960	2,053
Unrealised	1,932	(526)
- Unrealised loss on derivatives financial assets	(5,747)	(527)

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 audit report for the financial year ended 31 March 2014 was not subject to any qualifications.

This Interim Financial Report of Southern Acids (M) Berhad for the third quarter of FY2015, was authorised for issuance by the Board of Directors of the Company during its meeting held on 26 February 2015.