

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 2017**

**SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016**  
(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 2017**  
**INTERIM FINANCIAL REPORT**  
**SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016**

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

**FINANCIAL YEAR ENDING 31 MARCH 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016**

	Note	Second Quarter Ended 30.09.2016 RM'000	30.09.2015 RM'000	Cumulative 6-month Ended 30.09.2016 RM'000	30.09.2015 RM'000
Revenue	<b>A8</b>	161,319	130,916	328,081	252,659
- Cost of sales		(138,459)	(111,889)	(285,902)	(210,024)
Gross profit		22,860	19,027	42,179	42,635
- Administrative expenses		(12,454)	(14,524)	(24,342)	(26,465)
- Other income		2,934	805	7,363	4,129
Profit from operations		13,340	5,308	25,200	20,299
- Interest expense		(21)	-	(43)	-
- Share of results of an associate (net)		59	23	97	23
Profit before tax	<b>A8</b>	13,378	5,331	25,254	20,322
- Income tax expense	<b>B5</b>	(3,340)	(1,845)	(6,445)	(5,282)
Profit for the period	<b>B13</b>	10,038	3,486	18,809	15,040
Attributable to:					
- Equity holders of the Company		8,619	2,890	17,716	13,471
- Non-controlling interests		1,419	596	1,093	1,569
		10,038	3,486	18,809	15,040
<b>Earnings per share (sen) attributable to equity holders of the Company</b>					
- Basic and diluted	<b>B11</b>	6.29	2.11	12.94	9.84



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

**FINANCIAL YEAR ENDING 31 MARCH 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE**  
**INCOME FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016**

	Note	Second Quarter Ended		Cumulative 6-month Ended	
		30.09.2016	30.09.2015	30.09.2016	30.09.2015
		RM'000	RM'000	RM'000	RM'000
Profit for the period	<b>B13</b>	10,038	3,486	18,809	15,040
Other comprehensive income					
Items that may be reclassified					
subsequently to profit or loss:					
- Available-for-sale financial					
assets		1,415	(7,396)	(4,382)	920
- Exchange differences on					
translation of foreign					
subsidiaries		4,819	6,745	9,109	6,747
Items that will not be					
reclassified					
subsequently to profit or loss:					
- Remeasurement of defined					
benefit obligation		-	-	-	-
Total comprehensive income					
for the period		<u>16,272</u>	<u>2,835</u>	<u>23,536</u>	<u>22,707</u>
Attributable to:					
- Equity holders of the					
Company		13,070	(259)	19,069	18,637
- Non-controlling interests		<u>3,202</u>	<u>3,094</u>	<u>4,467</u>	<u>4,070</u>
		<u>16,272</u>	<u>2,835</u>	<u>23,536</u>	<u>22,707</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 2016, 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 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 SEPTEMBER 2016**

	Note	Unaudited As of <b>30.09.2016</b> RM'000	Audited As of <b>31.03.2016</b> RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Land held for property development		141,944	141,944
Property, plant and equipment	<b>A9</b>	135,036	132,200
Investment property		3,318	3,318
Biological assets		22,552	19,428
Investment in an associate		3,438	3,341
Available-for-sale investments		34,465	38,780
Advances for KKPA program		5,368	4,431
Deferred tax assets		1,689	1,574
		<hr/>	<hr/>
		347,810	345,016
		<hr/>	<hr/>
<b>Current Assets</b>			
Inventories		76,515	61,952
Derivative financial assets	<b>B8</b>	-	2,359
Trade receivables		32,509	27,704
Other receivables, deposits and prepaid expenses		13,079	9,156
Amounts owing by an associate company		831	123
Tax recoverable		22,914	16,036
Cash and cash equivalents		158,587	164,026
		<hr/>	<hr/>
		304,435	281,356
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>652,245</b>	<b>626,372</b>



**SOUTHERN ACIDS (M) BERHAD**  
(Incorporated in Malaysia)  
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**FINANCIAL YEAR ENDING 31 MARCH 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 SEPTEMBER 2016 (cont'd)**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As of</b>	<b>As of</b>
	<b>30.09.2016</b>	<b>31.03.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share capital	136,934	136,934
Reserves	389,230	377,008
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	526,164	513,942
Non-controlling interests	49,043	44,576
	<hr/>	<hr/>
<b>Total Equity</b>	<b>575,207</b>	<b>558,518</b>
	<hr/>	<hr/>
<b>Non-Current and Deferred Liabilities</b>		
Hire purchase payable	327	481
Provision for retirement benefits	11,021	10,019
Deferred tax liabilities	1,422	1,422
	<hr/>	<hr/>
	12,770	11,922
	<hr/>	<hr/>
<b>Current Liabilities</b>		
Trade payables	30,228	21,698
Other payables and accrued expenses	31,940	33,606
Amounts owing to an associate company	-	33
Derivative financial liabilities	118	-
Hire purchase payable	374	327
Tax liabilities	1,487	147
Dividend payable	121	121
	<hr/>	<hr/>
	64,268	55,932
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>77,038</b>	<b>67,854</b>
	<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>652,245</b>	<b>626,372</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 2016, and the accompanying notes attached to these interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDING 31 MARCH 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016**

The Group	Non-distributable Reserves				Fair value reserve RM'000	Distributable reserve - Retained earnings RM'000	Equity attributable to equity 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 2015</b>	136,934	34,321	(11,705)	(322)	14,569	319,595	493,392	45,683	539,075
Profit for the period	-	-	-	-	-	13,471	13,471	1,569	15,040
Other comprehensive income/(loss)	-	-	4,246	-	920	-	5,166	2,501	7,667
Total comprehensive income/(loss)	-	-	4,246	-	920	13,471	18,637	4,070	22,707
Acquisition of non-controlling interests	-	-	-	-	-	115	115	(1,140)	(1,025)
Disposal of a subsidiary	-	-	-	-	-	-	-	(1,766)	(1,766)
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling shareholders of a subsidiary company	-	-	-	-	-	-	-	-	-
<b>As of 30 September 2015</b>	<b>136,934</b>	<b>34,321</b>	<b>(7,459)</b>	<b>(322)</b>	<b>15,489</b>	<b>326,334</b>	<b>505,297</b>	<b>46,847</b>	<b>552,144</b>
<b>As of 1 April 2016</b>	136,934	34,321	(9,042)	(322)	14,238	337,813	513,942	44,576	558,518
Profit for the period	-	-	-	-	-	17,716	17,716	1,093	18,809
Other comprehensive income/(loss)	-	-	5,735	-	(4,382)	-	1,353	3,374	4,727
Total comprehensive income/(loss)	-	-	5,735	-	(4,382)	17,716	19,069	4,467	23,536
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling shareholders of a subsidiary company	-	-	-	-	-	-	-	-	-
<b>As of 30 September 2016</b>	<b>136,934</b>	<b>34,321</b>	<b>(3,307)</b>	<b>(322)</b>	<b>9,856</b>	<b>348,682</b>	<b>526,164</b>	<b>49,043</b>	<b>575,207</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 2016, and the accompanying notes attached to these interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDING 31 MARCH 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016**

	<b>Cumulative 6-month Ended</b>	
	<b>30.09.2016</b>	<b>30.09.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From/(Used In) Operating Activities</b>		
Profit before tax	25,254	20,322
Adjustments for:		
- Dividend income	(1,715)	(1,513)
- Interest income	(2,259)	(2,758)
- Interest expense	43	-
- Unrealised gain on foreign exchange	(4,473)	(3,053)
- Depreciation of property, plant and equipment	6,818	5,111
- Inventories written down and write off	2	73
- Loss arising from derivative financial assets	2,477	2,893
- Provision for retirement benefits	914	862
- Amortisation of biological assets	390	373
- Net loss from acquisition and disposal of shares in subsidiaries	-	392
- Share of results of an associate (net)	(97)	(23)
- Property, plant and equipment written off	1	-
- Loss/(gain) on disposal of property, plant and equipment	95	(6)
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	27,450	22,673
(Increase)/decrease in :		
- Inventories	(14,565)	(1,004)
- Trade receivables	(1,508)	3,639
- Other receivables, deposit and prepaid expenses	(7,524)	(3,153)
- Associate company	(741)	-
Increase/(decrease) in:		
- Trade payables	8,530	9,135
- Other payables and accrued expenses	(1,664)	957
	<hr/>	<hr/>
<b>Cash Generated From Operating Activities</b>	<b>9,978</b>	<b>32,247</b>
- Income tax paid, net	(7,485)	(7,571)
- Retirement benefits paid, net	(193)	(31)
	<hr/>	<hr/>
<b>Net Cash From Operating Activities</b>	<b>2,300</b>	<b>24,645</b>
	<hr/>	<hr/>





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**FINANCIAL YEAR ENDING 31 MARCH 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016 (cont'd)**

	<b>Cumulative 6-month Ended</b>	
	<b>30.09.2016</b>	<b>30.09.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From/(Used In) Investing Activities</b>		
- Interest received	2,259	2,758
- Dividend received	1,715	1,513
- Investment in quoted share	(68)	-
- Interest expenses	(43)	-
- Net conversion for KKPA and Plasma projects	(938)	(1,095)
- Proceeds from disposal of shares in a subsidiary	-	2,462
- Cash outflow arising from acquisition of shares in subsidiaries	-	(903)
- Investment in an associate	-	(2,977)
- Proceeds from disposal of property, plant and equipment	10	7
- Addition to:		
- property, plant and equipment (net)	(4,889)	(7,384)
- biological assets	(2,041)	(2,708)
<b>Net Cash Used In Investing Activities</b>	<b>(3,995)</b>	<b>(8,327)</b>
<b>Cash Flows Used In Financing Activity</b>		
- Repayment of finance lease	(108)	-
- Dividend paid	(6,847)	(6,847)
<b>Net Cash Used In Financing Activity</b>	<b>(6,955)</b>	<b>(6,847)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(8,650)</b>	<b>9,471</b>
<b>Cash and Cash Equivalents at Beginning of Financial Period</b>	<b>164,026</b>	<b>154,425</b>
<b>Effect of Translation Differences</b>	<b>3,211</b>	<b>3,438</b>
<b>Cash and Cash Equivalents at End of Financial Period</b>	<b>158,587</b>	<b>167,334</b>
<b>Composition of Cash and Cash Equivalents:</b>		
- Cash and bank balances	62,150	73,011
- Fixed deposits with licensed banks	11,759	23,232
- Short-term placements	84,678	71,091
	<b>158,587</b>	<b>167,334</b>

The consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 March 2016, 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 2017**  
**SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016**  
**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 – 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 2016. 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 2016.

**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 2016. 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 107	Statement of Cash Flows (Amendments relating to Disclosure Initiative) <sup>1</sup>
FRS 112	Income Taxes (Amendments relating to Recognition of Deferred Tax Assets for Unrealised Losses) <sup>1</sup>
FRS 9	Financial Instruments (IFRS 9 as issued by IASB in November 2009) <sup>2</sup>
FRS 9	Financial Instruments (IFRS 9 as issued by IASB in October 2010) <sup>2</sup>
FRS 9	Financial Instruments (Hedging Accounting and amendments to FRS 9, FRS 7 and FRS 139) <sup>2</sup>
FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014) <sup>2</sup>
FRS 9 and FRS 7	Mandatory Effective Date of FRS9 (IFRS 9 as issued by IASB in November 2009 and October 2010) and Transition Disclosures <sup>2</sup>
FRS 10 and FRS 128	Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>



- 1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- 2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- 3 Effective date deferred to a date to be determined and announced, with earlier application permitted.

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, except for the application of FRS 9 in the future may have a material impact on the amounts reported and disclosures made in the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of FRS 9 until the Group performs a detailed review.

## **A1.2. Malaysian Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") has 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 allowed to defer the adoption of MFRS Framework until such time as mandated by the MASB. On 2 September 2014, with the issuance of MFRS 15 Revenue from Contracts with Customer and Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plans, the MASB announced that TEs which have chosen to continue with the FRS framework is not required to adopt the MFRS Framework latest by 1 January 2017.

Accordingly, the Group, being TEs, has availed themselves of this transitional arrangement and will continue to apply FRSs in their next set of financial statements. Accordingly, the Group will be required to apply MFRS 1 First-time adoption of Malaysian Financial Reporting Standards in their financial statements for the financial year ending 31 March 2018, being the first set of financial statements prepared in accordance with new MFRS Framework.



**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 & 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 financial period under review.

**A5. Material Changes in Estimates**

There were no material changes in the estimates of amounts reported during the financial period under review.

**A6. Debt and Equity Securities**

There were no issuance, cancellation, repurchases, resale and/or repayment of debt and equity securities during the financial period under review.

**A7. Dividends Paid**

The Company had on 24 August 2016 obtained its shareholders' approval at the Annual General Meeting of the Company on the proposed Single Tier Final Dividend of 5 sen per ordinary share of RM1.00 each which amounting to RM6,846,707 for FY2016. The dividends were subsequently paid on 30 September 2016.



#### A8. Segmental Information

	Cumulative 6-month Ended 30.09.2016		Cumulative 6-month Ended 30.09.2015	
	Revenue RM'000	Profit/(loss) before tax RM'000	Revenue RM'000	Profit/(loss) before tax RM'000
Manufacture and sales of oleochemical products	156,141	9,583	150,917	8,462
Sales of oil palm fruit and crude palm oil	126,953	6,258	59,821	7,817
Private hospital operations	38,889	8,526	33,940	5,529
Others	6,098	790	7,981	(1,509)
	<u>328,081</u>	<u>25,157</u>	<u>252,659</u>	<u>20,299</u>
Share of profits of an associate (net)	-	97	-	23
	<u>328,081</u>	<u>25,254</u>	<u>252,659</u>	<u>20,322</u>

#### 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 2016 to the current quarter under review.

#### 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 2016.

### A13. Capital Commitments

Capital commitments not recognized in the interim financial statements as at 30 September 2016 is as follows :

Capital expenditure :

	<b>RM'000</b>
Contracted but not provided for	<u>12,961</u>

### 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 6-month Ended 30.09.2016 RM'000</b>	<b>Cumulative 6-month Ended 30.09.2015 RM'000</b>
Sales of goods	711	533
Purchase of goods	5,837	1,165
Provision of administrative services	<u>2,117</u>	<u>2,136</u>



**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 23.2% to RM 161.3 million compared to the preceding corresponding quarter's revenue of RM 130.9 million, and the Group's profit before taxation ("PBT") increased by 151.3% to RM 13.4 million compared to the preceding corresponding PBT of RM 5.3 million. The increase in PBT of RM 8.0 million was contributed by all divisions.

**1. Oleochemical Division**

Oleochemical Division registered an increase of 9.2% in revenue to RM79.3 million and an increase of 517.7% in PBT to RM3.6 million compared to the preceding corresponding quarter.

The increase in revenue of RM6.7 million was mainly due to increase in average selling price ("ASP") by 9.5%.

The increase in PBT of RM3.0 million was mainly due to the following:-

- Higher operational profit of RM1.3 million, and
- Higher other operating income of RM1.7 million which was mainly due to unrealised foreign currency translation gain.

**2. Plantation & Milling Division**

Plantation & Milling Division registered an increase of 60.5% in revenue to RM60.2 million, and increased of 38.2% in PBT to RM6.2 million compared to the preceding corresponding quarter.

The increase in revenue was mainly due to increase in sales volume and ASP by 13.8% and 59.1% respectively. The substantial increase in revenue was contributed by the new 60MT palm oil mill.

The increase in PBT of RM1.7 million was mainly contributed from higher operational profit.



### **3. Healthcare Division**

Healthcare Division registered an increase of 15.9% in revenue to RM19.3 million and an increase of 35.0% in PBT to RM3.7 million compared to the preceding corresponding quarter.

The increase in revenue was mainly due to higher bed occupancy rate, higher average revenue per patient and increase in number of patients.

The increase in PBT was mainly contributed by higher operational profit.

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

In the financial year-to-date under review, the Group's revenue decreased by 29.9% to RM328.1 million compared to the preceding corresponding period revenue of RM 252.7 million. The Group's PBT increased by 24.3% to RM 25.3 million. The increase in PBT was due to higher contribution by Oleochemical Division and Healthcare Division despite lower contribution from Plantation & Milling Division.

#### **1. Oleochemical Division**

Oleochemical Division registered an increase in revenue by 3.5% to RM156.1 million and increase of 13.2% in PBT to RM9.6 million compared to the preceding corresponding period.

The increase in revenue was mainly due to 4.1% increase in ASP despite 3.9% decrease in sales volume.

The increase in PBT of RM1.1 million was mainly due to the following: -

- Lower operational profit of RM0.4 million; and
- Higher other income mainly from net unrealised foreign currency translation gain of RM1.5 million.

#### **2. Plantation & Milling Division**

Plantation & Milling Division registered an increase of 112.2% in revenue to RM127.0 million. However, PBT decreased by 19.9% to RM6.3 million compared to the preceding corresponding period.

The increase in revenue was mainly due to 60.3% increase in sales volume and 44.9% increase in ASP. The increase in revenue was mainly contributed by the new 60MT palm oil mill.





The decrease in PBT of RM1.6 million was mainly due to the following:-

- Lower operational profit of RM2.9 million; and
- Higher other income of RM1.3 million mainly contributed by palm kernel shell and scrap sales.

### **3. Healthcare Division**

Healthcare Division registered an increase in revenue by 14.6% to RM38.9 million and increase of 54.2% in PBT to RM8.5 million compared to the preceding corresponding period.

The increase in revenue was mainly due to higher bed occupancy rate, higher average revenue per patient and increase in number of inpatients.

The increase in PBT was mainly contributed by higher operational profit.

### **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 of 12.6% in PBT to RM13.4 million compared to the immediate preceding quarter. The higher PBT of RM1.5 million was contributed by Plantation & Milling Division whereas all other divisions reported lower PBT.

### **B3. Prospect of the Group**

The Group's performance is very much subjected to the following critical uncontrollable factors:-

- post El Nino impact on FFB production and its quality;
- stiff competition from competitors in international market;
- uncertainty and volatility in currency exchange rate namely USD/MYR and MYR/IDR;
- uncertainty and volatility in CPO prices;
- unpredictable weather conditions; and
- frequent changes in relevant government regulations or policies for the biodiesel mandate, rising minimum wages and export tariff.

In view of the above factors, the Board is of the opinion that the Group's performance for FY2017 will remain challenging and as such will take necessary steps to maintain good financial performance.



#### B4. Profit Forecast

There were no profit forecast and profit guarantee issued during the financial period under review.

#### B5. Income Tax Expense

	Second Quarter Ended		Cumulative 6-month Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Malaysian tax expense	1,921	922	4,607	3,522
- Overseas tax expense	1,419	923	1,838	1,760
	<hr/>	<hr/>	<hr/>	<hr/>
	3,340	1,845	6,445	5,282
- Provision of deferred tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,340	1,845	6,445	5,282
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 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

The Group's borrowing as at 30 September 2016:-

	Unaudited As of 30.09.2016 RM'000	Audited As of 30.03.2016 RM'000
Short term (Secured)		
- Hire purchase payable		
Denominated in IDR (IDR1,178 million)	<hr/> 374	<hr/> 327
Long term (Secured)		
- Hire purchase payable		
Denominated in IDR (IDR1,030 million)	<hr/> 327	<hr/> 481



## 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 2016 was as follows :

	<b>Contract Value RM'000</b>	<b>Fair Value RM'000</b>	<b>Derivative Assets/(Liabilities) RM'000</b>
<b>Based Currency</b>	<b>&lt; 1 year</b>	<b>&lt; 1 year</b>	<b>&lt; 1 year</b>
USD	52,403	52,521	(118)

### (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 2016, total net outstanding commodity future contracts of the Group amounted to RM2.2 million, with effective dates of execution up to Mar 2017.

## 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 2016.

**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**

	<b>Second Quarter Ended</b>		<b>Cumulative 6-month Ended</b>	
	<b>30.09.2016</b>	<b>30.09.2015</b>	<b>30.09.2016</b>	<b>30.09.2015</b>
Profit attributable to equity holders of the Company (in RM'000)	8,619	2,890	17,716	13,471
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	6.29	2.11	12.94	9.84

**B12. Realised and Unrealised Retained Earnings**

	<b>Unaudited As of 30.09.2016 RM'000</b>	<b>Audited As of 30.03.2016 RM'000</b>
Total retained earnings of the Group		
- Realised	356,452	345,380
- Unrealised	341	461
	356,793	345,841
Total retained earnings of the Associate		
Less: Consolidation adjustments	(8,111)	(8,028)
Total Group retained earnings	348,682	337,813

**B13. Profit for the period**

	<b>Cumulative 6-month Ended</b>	
	<b>30.09.2016</b>	<b>30.09.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the period is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	2,259	2,758
- Interest expense	(43)	-
- Other income	2,412	903
- Depreciation and amortization	(7,208)	(5,484)
- Inventories written down, net	(2)	(73)
- Net loss from acquisition and disposal of shares in subsidiaries	-	(392)
- (Loss)/gain on foreign exchange:		
Realised	696	700
Unrealised	4,473	3,053
- Unrealised gain/(loss) on derivatives financial asstes/liabilities	(2,477)	(2,893)

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 2016 was not subject to any qualifications.

This Interim Financial Report of Southern Acids (M) Berhad for the second quarter of FY2017, was authorised for issuance by the Board of Directors of the Company on 29 November 2016.