

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 ENDED 31 MARCH 2017

FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2017
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)



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

FINANCIAL YEAR ENDED 31 MARCH 2017
INTERIM FINANCIAL REPORT
FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2017

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

FINANCIAL YEAR ENDED 31 MARCH 2017
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2017

| | Note | Fourth Quarter Ended | | Cumulative 12-month Ended | |
|---|------------|----------------------|------------|---------------------------|------------|
| | | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | A8 | 220,108 | 126,285 | 740,091 | 503,414 |
| - Cost of sales | | (186,321) | (111,126) | (630,822) | (428,497) |
| Gross profit | | 33,787 | 15,159 | 109,269 | 74,917 |
| - Administrative expenses | | (11,757) | (11,257) | (48,262) | (50,097) |
| - Other income | | 3,646 | 1,872 | 14,039 | 11,801 |
| Profit from operations | | 25,676 | 5,774 | 75,046 | 36,621 |
| - Interest expense | | (19) | (69) | (81) | (69) |
| - Share of results of an associate (net) | | (102) | 690 | (1,134) | 364 |
| Profit before tax | A8 | 25,555 | 6,395 | 73,831 | 36,916 |
| - Income tax expense | B5 | (4,826) | (2,362) | (16,487) | (10,952) |
| Profit for the year | B13 | 20,729 | 4,033 | 57,344 | 25,964 |
| Attributable to: | | | | | |
| - Equity holders of the Company | | 16,812 | 4,883 | 48,654 | 24,869 |
| - Non-controlling interests | | 3,917 | (850) | 8,690 | 1,095 |
| | | 20,729 | 4,033 | 57,344 | 25,964 |
| Earnings per share (sen) attributable to equity holders of the Company | | | | | |
| - Basic and diluted | B11 | 12.28 | 3.57 | 35.53 | 18.16 |



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

FINANCIAL YEAR ENDED 31 MARCH 2017
CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE
INCOME FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2017

| | Note | Fourth Quarter Ended | | Cumulative 12-month Ended | |
|---------------------------------|------------|----------------------|----------------|---------------------------|---------------|
| | | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the year | B13 | 20,729 | 4,033 | 57,344 | 25,964 |
| Other comprehensive income | | | | | |
| Items that may be reclassified | | | | | |
| subsequently to profit or loss: | | | | | |
| - Available-for-sale financial | | | | | |
| assets | | 8,125 | (1,334) | 4,006 | (331) |
| - Exchange differences on | | | | | |
| translation of foreign | | | | | |
| subsidiaries | | (58) | (6,930) | 15,984 | 5,144 |
| Items that will not be | | | | | |
| reclassified | | | | | |
| subsequently to profit or loss: | | | | | |
| - Remeasurement of defined | | | | | |
| benefit obligation | | 634 | 116 | 634 | 116 |
| Total comprehensive income | | | | | |
| for the period | | <u>29,430</u> | <u>(4,115)</u> | <u>77,968</u> | <u>30,893</u> |
| Attributable to: | | | | | |
| - Equity holders of the | | 25,299 | (727) | 63,124 | 27,282 |
| Company | | | | | |
| - Non-controlling interests | | <u>4,131</u> | <u>(3,388)</u> | <u>14,844</u> | <u>3,611</u> |
| | | <u>29,430</u> | <u>(4,115)</u> | <u>77,968</u> | <u>30,893</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)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDED 31 MARCH 2017
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2017

| | Note | Unaudited As of 31.03.2017 RM'000 | Audited As of 31.03.2016 RM'000 |
|--|------|--|--|
| ASSETS | | | |
| Non-Current Assets | | | |
| Land held for property development | | 141,944 | 141,944 |
| Property, plant and equipment | A9 | 143,389 | 132,200 |
| Investment property | | 3,318 | 3,318 |
| Biological assets | | 25,696 | 19,428 |
| Investment in an associate | | 2,207 | 3,341 |
| Available-for-sale investments | | 42,991 | 38,780 |
| Advances for KKPA program | | 6,731 | 4,431 |
| Deferred tax assets | | 2,339 | 1,574 |
| | | 368,615 | 345,016 |
| Current Assets | | | |
| Inventories | | 80,253 | 61,952 |
| Derivative financial assets | B8 | 580 | 2,359 |
| Trade receivables | | 53,465 | 27,704 |
| Other receivables, deposits and prepaid expenses | | 18,239 | 9,156 |
| Amounts owing by an associate company | | 373 | 123 |
| Tax recoverable | | 21,060 | 16,036 |
| Cash and cash equivalents | | 164,225 | 164,026 |
| | | 338,195 | 281,356 |
| TOTAL ASSETS | | 706,810 | 626,372 |



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

FINANCIAL YEAR ENDED 31 MARCH 2017
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2017 (cont'd)

| | Unaudited | Audited |
|--|-------------------|-------------------|
| | As of | As of |
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| EQUITY AND LIABILITIES | | |
| Capital and Reserves | | |
| Share capital | 171,255 | 136,934 |
| Reserves | 398,964 | 377,008 |
| | <hr/> | <hr/> |
| Equity attributable to equity holders of the Company | 570,219 | 513,942 |
| Non-controlling interests | 59,420 | 44,576 |
| | <hr/> | <hr/> |
| Total Equity | 629,639 | 558,518 |
| | <hr/> | <hr/> |
| Non-Current and Deferred Liabilities | | |
| Hire purchase payable | B7 197 | 481 |
| Provision for retirement benefits | 10,957 | 10,019 |
| Deferred tax liabilities | 1,357 | 1,422 |
| | <hr/> | <hr/> |
| | 12,511 | 11,922 |
| | <hr/> | <hr/> |
| Current Liabilities | | |
| Trade payables | 32,389 | 21,698 |
| Other payables and accrued expenses | 30,702 | 33,606 |
| Amounts owing to an associate company | - | 33 |
| Derivative financial liabilities | B8 1,040 | - |
| Hire purchase payable | B7 408 | 327 |
| Tax liabilities | - | 147 |
| Dividend payable | 121 | 121 |
| | <hr/> | <hr/> |
| | 64,660 | 55,932 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | 77,171 | 67,854 |
| | <hr/> | <hr/> |
| TOTAL EQUITY AND LIABILITIES | 706,810 | 626,372 |
| | <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 2016, and the accompanying notes attached to these interim financial statements.



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

FINANCIAL YEAR ENDED 31 MARCH 2017
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2017

| 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 | | | | | |
| As of 1 April 2015 | 136,934 | 34,321 | (11,705) | (322) | 14,569 | 319,595 | 493,392 | 45,683 | 539,075 |
| Profit for the year | - | - | - | - | - | 24,869 | 24,869 | 1,095 | 25,964 |
| Other comprehensive income/(loss) | - | - | 2,663 | - | (331) | 8 | 2,413 | 2,516 | 4,929 |
| Total comprehensive income/(loss) | - | - | 2,663 | - | (331) | 24,950 | 27,282 | 3,611 | 30,893 |
| Acquisition of non-controlling interests | - | - | - | - | - | 15 | 115 | (1,140) | (1,025) |
| Disposal of a subsidiary | - | - | - | - | - | - | - | (1,765) | (1,765) |
| Dividend paid | - | - | - | - | - | (6,847) | (6,847) | - | (6,847) |
| Dividend paid to non-controlling shareholders of a subsidiary company | - | - | - | - | - | - | - | (1,813) | (1,813) |
| As of 31 March 2016 | 136,934 | 34,321 | (9,042) | (322) | 14,238 | 337,813 | 513,942 | 44,576 | 558,518 |
| As of 1 April 2016 | 136,934 | 34,321 | (9,042) | (322) | 14,238 | 337,813 | 513,942 | 44,576 | 558,518 |
| Profit for the year | - | - | - | - | - | 48,654 | 48,654 | 8,690 | 57,344 |
| Other comprehensive income/(loss) | - | - | 10,020 | - | 4,006 | 44 | 14,470 | 6,154 | 20,624 |
| Total comprehensive income/(loss) | - | - | 10,020 | - | 4,006 | 49,098 | 63,124 | 14,844 | 77,968 |
| Transfer of share premium to share capital | 34,321 | (34,321) | - | - | - | (6,847) | (6,847) | - | (6,847) |
| Dividend paid | - | - | - | - | - | - | - | - | - |
| As of 31 March 2017 | 171,255 | - | 978 | (322) | 18,244 | 380,064 | 570,219 | 59,420 | 629,639 |

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
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDED 31 MARCH 2017
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2017

| | Cumulative 12-month Ended | |
|--|----------------------------------|-------------------|
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| Cash Flows From/(Used In) Operating Activities | | |
| Profit before tax | 73,831 | 36,916 |
| Adjustments for: | | |
| - Dividend income | (1,874) | (1,618) |
| - Interest income | (4,443) | (5,259) |
| - Interest expense | 81 | 69 |
| - Unrealised gain on foreign exchange | (5,397) | 3,957 |
| - Depreciation of property, plant and equipment | 13,714 | 11,940 |
| - Inventories written down and write off | 468 | 448 |
| - Loss/(gain) arising from derivative financial assets | 2,176 | (5,087) |
| - Loss arising from commodity future contracts | 643 | - |
| - Provision for retirement benefits | 1,832 | 1,348 |
| - Remeasurement of retirement benefits | (1,009) | - |
| - Reversal of provision for doubtful debts | (1,576) | - |
| - Bad debt written off | 658 | - |
| - Amortisation of biological assets | 577 | 720 |
| - Net loss from acquisition and disposal of shares in subsidiaries | - | 393 |
| - Share of results of an associate (net) | 1,134 | (364) |
| - Reversal for loss on Plasma PIR-TRANS program | - | (334) |
| - Property, plant and equipment written off | 38 | - |
| - Loss/(gain) on disposal of property, plant and equipment | 89 | (9) |
| Operating Profit Before Working Capital Changes | 80,942 | 43,120 |
| (Increase)/decrease in : | | |
| - Inventories | (18,768) | (9,350) |
| - Trade receivables | (21,867) | 14,419 |
| - Other receivables, deposit and prepaid expenses | (9,083) | (5,291) |
| - Associate company | (283) | (90) |
| Increase/(decrease) in: | | |
| - Trade payables | 11,114 | 9,393 |
| - Other payables and accrued expenses | (2,904) | (4,044) |
| Cash Generated From Operating Activities | 39,151 | 48,157 |
| - Income tax paid, net | (20,462) | (19,152) |
| - Retirement benefits paid, net | (407) | (96) |
| Net Cash From Operating Activities | 18,282 | 28,909 |



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDED 31 MARCH 2017
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2017 (cont'd)

| | Cumulative 12-month Ended | |
|---|----------------------------------|-------------------|
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| Cash Flows From/(Used In) Investing Activities | | |
| - Interest received | 4,443 | 5,259 |
| - Dividend received | 1,874 | 1,618 |
| - Investment in quoted share | (205) | (18) |
| - Interest expenses | (81) | (69) |
| - Net conversion for KKPA and Plasma projects | (2,301) | (960) |
| - Acquisition of non-controlling interest | - | (903) |
| - Disposal of subsidiary | - | (1,697) |
| - Proceeds from disposal of property, plant and equipment | 257 | 9 |
| - Addition to: | | |
| - property, plant and equipment (net) | (17,029) | (11,348) |
| - biological assets | (4,538) | (6,229) |
| Net Cash Used In Investing Activities | (17,580) | (14,338) |
| Cash Flows Used In Financing Activity | | |
| - Repayment of finance lease | (377) | (233) |
| - Dividend paid | (6,847) | (8,660) |
| Net Cash Used In Financing Activity | (7,224) | (8,893) |
| Net Increase in Cash and Cash Equivalents | (6,522) | 5,678 |
| Cash and Cash Equivalents | | |
| at Beginning of Financial Period | 164,026 | 154,425 |
| Effect of Translation Differences | 6,721 | 3,923 |
| Cash and Cash Equivalents at End of Financial Period | 164,225 | 164,026 |
| Composition of Cash and Cash Equivalents: | | |
| - Cash and bank balances | 83,194 | 70,067 |
| - Fixed deposits with licensed banks | 25,593 | 19,729 |
| - Short-term placements | 55,438 | 74,230 |
| | 164,225 | 164,026 |

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)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDED 31 MARCH 2017
FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2017
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) ¹ |
| FRS 112 | Income Taxes (Amendments relating to Recognition of Deferred Tax Assets for Unrealised Losses) ¹ |
| FRS 1, FRS 12 and FRS 128 | Annual Improvements to FRSs 2014 – 2016 Cycle ^{1&2} (a) FRS 1 First-time adoption of Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters (b) FRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard* (c) FRS 128 Investments in Associates and Joint Ventures – Measuring an associate or joint venture at fair value |
| FRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014) ³ |
| FRS 140 | Amendments relating to Transfers of Investment Property ³ |



| | |
|----------------------|---|
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration ³ |
| FRS 10 and FRS 128 | Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |

- 1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- 2 Comprise amendments to three FRSs (individual amendments can be early adopted without the need to early adopt all the other amendments)
- 3 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
- 4 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 financial performance of the Group's Plantation & Milling Division is affected by seasonal crop production, seasonal external supply of fresh fruits bunch and fluctuating commodity prices whereas the Group's Oleochemical Division is mainly affected by its fluctuating feedstock prices.

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 amounted to RM6,846,707 for FY2016. The dividends was subsequently paid on 30 September 2016.



A8. Segmental Information

| | Cumulative 12-month Ended 31.03.2017 | | Cumulative 12-month Ended 31.03.2016 | |
|--|---|---------------------------------------|---|---------------------------------------|
| | Revenue RM'000 | Profit/(loss) before tax RM'000 | Revenue RM'000 | Profit/(loss) before tax RM'000 |
| Manufacture and sales of oleochemical products | 365,158 | 21,410 | 284,020 | 16,269 |
| Sales of oil palm fruit and crude palm oil | 283,092 | 33,639 | 135,010 | 9,101 |
| Private hospital operations | 80,097 | 19,448 | 71,257 | 13,529 |
| Others | 11,744 | 468 | 13,127 | (2,347) |
| | <u>740,091</u> | <u>74,965</u> | <u>503,414</u> | <u>36,552</u> |
| Share of profits of an associate (net) | - | (1,134) | - | 364 |
| | <u>740,091</u> | <u>73,831</u> | <u>503,414</u> | <u>36,916</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 31 March 2017 is as follows :

Capital expenditure :

| | |
|---------------------------------|---------------|
| | RM'000 |
| Contracted but not provided for | <u>17,754</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:

| | Cumulative 12-month Ended 31.03.2017 RM'000 | Cumulative 12-month Ended 31.03.2016 RM'000 |
|--------------------------------------|--|--|
| Sales of goods | 1,617 | 953 |
| Purchase of goods | 9,011 | 3,506 |
| Provision of administrative services | <u>5,189</u> | <u>4,731</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 74.3% to RM220.1 million compared to the preceding corresponding quarter's revenue of RM126.3 million and the Group's profit before taxation ("PBT") increased by 299.5% to RM25.6 million compared to the preceding corresponding PBT of RM6.4 million. The increase in PBT of RM19.2 million was contributed by all three core divisions.

1. Oleochemical Division

Oleochemical Division registered an increase of 74.6% in revenue to RM112.4 million and an increase of 201.5% in PBT to RM5.6 million compared to the preceding corresponding quarter.

The increase in revenue of RM48.0 million was mainly due to increase in sales volume and average selling price ("ASP") by 33.8% and 28.2% respectively.

The increase in PBT of RM3.7 million was mainly due to the following:-

- Higher operational profit by RM4.3 million; and
- Decrease in other operating income by RM0.6 million.

2. Plantation & Milling Division

Plantation & Milling Division registered an increase of 111.2% in revenue to RM83.7 million and an increase of 1,630.1% in PBT to RM13.7 million compared to the preceding corresponding quarter.

The increase in revenue was mainly due to increase in sales volume and ASP by 31.3% and 60.8% respectively.

The increase in PBT of RM14.6 million was mainly due to the following:-

- Higher operational profit by RM13.0 million; and
- Increase in other operating income by RM1.6 million.



3. Healthcare Division

Healthcare Division registered an increase of 8.5% in revenue to RM21.9 million and an increase of 19.4% in PBT to RM6.4 million compared to the preceding corresponding quarter.

The increase in revenue and PBT were mainly due to higher average revenue per patient (“ARPP”) despite marginal drop in number of patients and bed occupancy rate.

The increase in PBT of RM1.0 million was mainly due to the following:-

- Higher operational profit by RM0.9 million; and
- Marginal increase in other operating income by RM0.1 million,

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 47.0% to RM740.1 million compared to the preceding corresponding year revenue of RM503.4 million. In line with the increase in revenue, the Group’s PBT also increased by 100.0% to RM73.8 million. The increase in PBT was contributed by all three core divisions.

1. Oleochemical Division

Oleochemical Division registered an increase in revenue by 28.6% to RM365.2 million and increase of 31.6% in PBT to RM21.4 million compared to the preceding corresponding year.

The increase in revenue and PBT were mainly due to the increase in ASP and sales volume by 13.0% and 9.4% respectively.

The increase in PBT of RM5.1million was mainly due to the following: -

- Higher operational profit by RM7.3 million; and
- Lower other income by RM2.2 million which mainly due to lower net foreign currency gain and lower other income.



2. Plantation & Milling Division

Plantation & Milling Division registered an increase of 109.7% in revenue to RM283.1 million and 269.6% in PBT to RM33.6 million compared to the preceding corresponding year.

The increase in revenue was mainly due to 39.9% increase in sales volume and 50.0% increase in ASP. The increase in revenue was mainly contributed by the new 60MT palm oil mill.

The increase in PBT of RM24.5 million was mainly contributed by the following:-

- Higher operational profit by RM21.5 million; and
- Higher other income by RM3.0 million which was mainly contributed by palm kernel shell and scrap sales.

3. Healthcare Division

Healthcare Division registered an increase in revenue by 12.4% to RM80.1 million and increase of 43.8% in PBT to RM19.4 million compared to the preceding corresponding year.

The increase in revenue was mainly due to higher ARPP despite marginal decrease in bed occupancy rate.

The increase in PBT of RM5.9 million was mainly contributed by the following:-

- Higher operational profit by RM5.5 million; and
- Higher other income by RM0.4 million.

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 11.0% in PBT to RM25.6 million compared to the immediate preceding quarter. The higher PBT of RM2.5 million was mainly contributed by Healthcare Division and better results from an associate company. The better performance by Healthcare Division was due to higher ARPP and number of patients by 8.0% and 7.9% respectively.



B3. Prospect of the Group

Plantation & Milling Division

For the FY2018, this Division is expected to be challenging due to the bearish CPO prices for 2017 and possibly in 2018 as a result of the following factors :-

- The El Nino impact has faded. The production of palm oil is expected to continue to increase in the next financial year ending 31 March 2018 (“FY2018). At the same time, there will be ample supply of soyoil due to record planted acreages in United States and record soy harvest in Brazil.
- The narrowing trend of palm oil’s discount to soyoil has reached an attractive level for importers to consider switching to soyoil. On regulatory fronts, the action taken by European Parliament and the potential changes in Indonesian government’s policy i.e. reference price for exports taxes and export levy may put pressure on CPO prices.

Oleochemical Division

The prospect of this Division for FY2018 will remain challenging and subject to the same uncontrollable factors as follows:-

- keener competition from competitors especially from Indonesia who has better cost advantage;
- the impact from the anti palm oil campaign by the European countries;
- the volatility in currency exchange rate namely USD/MYR;
- the fluctuating prices of feedstock; and
- government’s policies on minimum wages, foreign workers and public utilities prices.

Healthcare Division

This Division is expected to continue to enjoy stable growth supported by growing awareness in healthcare prevention, rising medical insurance coverage, the rise in the middle income group and an ageing population.

In view of the entry of a new players, this Division is expected to deliver moderate growth.

Overall

FY2017 was an exceptional year and the Group achieved a record set of results. Due to the factors mentioned above, it will be very challenging for the Group in FY2018 to sustain its FY2017 performance, the Board will take necessary steps to achieve the best result for the Group.



B4. Profit Forecast

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

B5. Income Tax Expense

| | Fourth Quarter Ended | | Cumulative 12-month Ended | |
|-----------------------------|----------------------|----------------------|---------------------------|----------------------|
| | 31.03.2017 RM'000 | 31.03.2016 RM'000 | 31.03.2017 RM'000 | 31.03.2016 RM'000 |
| Estimated tax payable | | | | |
| - Malaysian tax expense | 1,136 | (652) | 8,306 | 5,830 |
| - Overseas tax expense | 2,769 | 2,301 | 7,260 | 4,409 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 3,905 | 1,649 | 15,566 | 10,239 |
| - Provision of deferred tax | 921 | 713 | 921 | 713 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 4,826 | 2,362 | 16,487 | 10,952 |
| | <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 31 March 2017:-

| | Unaudited As of 31.03.2017 RM'000 | Audited As of 31.03.2016 RM'000 |
|--|--|--|
| Short term (Secured) | | |
| - Hire purchase payable Denominated in IDR (IDR1,229 million) | <hr/> | <hr/> |
| | 408 | 327 |
| Long term (Secured) | | |
| - Hire purchase payable Denominated in IDR (IDR595 million) | <hr/> | <hr/> |
| | 197 | 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 31 March 2017 was as follows :

| | Contract Value RM'000 | Fair Value attributed to price changes at period closing Assets/(Liabilities) RM'000 |
|-----------------------|----------------------------------|---|
| Based Currency | < 1 year | < 1 year |
| USD | 54,370 | 183 |

(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 March 2017, the outstanding Commodity future contracts with effective dates of execution up to September 2017 were as follows :

| | Contract Value RM'000 | Fair Value attributed to price changes at period closing Assets/(Liabilities) RM'000 |
|------------------|----------------------------------|---|
| Commodity | < 1 year | < 1 year |
| Sell | (6,859) | 397 |
| Buy | 13,868 | (1,040) |



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

A proposed single tier final dividend of 5.00 sen per ordinary share, for the financial year ended 31 March 2017 has been recommended by the directors.

The proposed final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on a date to be announced.

B11. Earnings per Share

| | Fourth Quarter Ended | | Cumulative 12-month Ended | |
|--|-----------------------------|-------------------|----------------------------------|-------------------|
| | 31.03.2017 | 31.03.2016 | 31.03.2017 | 31.03.2016 |
| Profit attributable to equity holders of the Company (in RM'000) | 16,812 | 4,883 | 48,654 | 24,869 |
| Weighted average number of ordinary shares in issue (in '000) | 136,934 | 136,934 | 136,934 | 136,934 |
| Basic earnings per share (in Sen) | 12.28 | 3.57 | 35.53 | 18.16 |

B12. Realised and Unrealised Retained Earnings

| | Unaudited As of 31.03.2017 RM'000 | Audited As of 31.03.2016 RM'000 |
|--------------------------------------|--|--|
| Total retained earnings of the Group | | |
| - Realised | 390,808 | 345,380 |
| - Unrealised | 83 | 461 |
| | 390,891 | 345,841 |
| Less: Consolidation adjustments | (10,827) | (8,028) |
| Total Group retained earnings | 380,064 | 337,813 |

**B13. Profit for the year**

| | Cumulative 12-month Ended | |
|---|----------------------------------|-------------------|
| | 31.03.2017 | 31.03.2016 |
| | RM'000 | RM'000 |
| Profit for the year is arrived at after crediting /(debiting) the following income/(expenses): | | |
| - Interest income | 4,443 | 5,259 |
| - Interest expense | (81) | (69) |
| - Other income | 5,208 | 2,685 |
| - Depreciation and amortization | (14,291) | (12,660) |
| - Inventories written down and write off | (468) | 448 |
| - Reversal of provision for doubtful debts | 1,576 | - |
| - Bad debt written off | (658) | - |
| - Net loss from acquisition and disposal of shares in subsidiaries | - | (393) |
| - (Loss)/gain on foreign exchange: | | |
| Realised | 1,701 | 2,727 |
| Unrealised | 5,397 | (3,957) |
| - Unrealised gain/(loss) on derivatives financial asstes/liabilities | (2,176) | 5,087 |
| - Unrealised loss on commodity future contract | (643) | - |

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 fourth quarter of FY2017, was authorised for issuance by the Board of Directors of the Company on 30 May 2017.