

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 2018

SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017
(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 2018
INTERIM FINANCIAL REPORT
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017

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

FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017

	Note	Second Quarter Ended			Cumulative 6-month Ended		
		30.09.2017 RM'000	30.09.2016 RM'000	Changes %	30.09.2017 RM'000	30.09.2016 RM'000	Changes %
Revenue	A8	189,047	161,319	17.2%	367,706	328,081	12.1%
- Cost of Sales		(168,504)	(138,459)	21.7%	(323,426)	(285,902)	13.1%
Gross Profit		20,543	22,860	-10.1%	44,280	42,179	5.0%
- Administrative Expenses		(13,395)	(12,454)	7.6%	(27,542)	(24,342)	13.1%
- Other Income		2,121	2,934	-27.7%	3,104	7,363	-57.8%
Profit from operations		9,269	13,340	-30.5%	19,842	25,200	-21.3%
- Interest expense		(9)	(21)	-57.1%	(21)	(43)	-51.2%
- Share of result of an Associate (net)		176	59	198.3%	301	97	210.3%
Profit before tax	A8	9,436	13,378	-29.5%	20,122	25,254	-20.3%
- Income tax expense	B5	(2,297)	(3,340)	-31.2%	(4,320)	(6,445)	-33.0%
Profit for the period	B13	7,139	10,038	-28.9%	15,802	18,809	-16.0%
Attributable to:							
- Equity holders of the Company		5,735	8,619	-33.5%	13,483	17,716	-23.9%
- Non-controlling interests		1,404	1,419	-1.1%	2,319	1,093	112.2%
		<u>7,139</u>	<u>10,038</u>	<u>-28.9%</u>	<u>15,802</u>	<u>18,809</u>	<u>-16.0%</u>
Earnings per share (sen) attributable to equity holder of the Company							
- Basic and diluted	B11	<u>4.19</u>	<u>6.29</u>	<u>-33.5%</u>	<u>9.85</u>	<u>12.94</u>	<u>-23.9%</u>



SOUTHERN ACIDS (M) BERHAD
(Incorporated in Malaysia)
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FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE
INCOME SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017

	Note	Second Quarter Ended			Cumulative 6-month Ended		
		30.09.2017 RM'000	30.09.2016 RM'000	Changes %	30.09.2017 RM'000	30.09.2016 RM'000	Changes %
Profit for the period	B13	7,139	10,038	-28.9%	15,802	18,809	-16.0%
Other comprehensive income							
Item that may be reclassified subsequently to profit or loss:							
- Available-for-sales financial assets		(2,921)	1,415	-306.4%	(215)	(4,382)	-95.1%
- Exchange differences on translation of foreign subsidiaries		(5,789)	4,819	-220.1%	(9,065)	9,109	-199.5%
Item that will not be reclassified subsequently to profit or loss:							
- Remeasurement of defined benefit obligation		-	-	-	-	-	-
Total comprehensive income for the period		(1,571)	16,272	-109.7%	6,522	23,536	-72.3%
Attributable to:							
- Equity holders of the Company		2,166	13,070	83.4%	10,939	19,069	-42.6%
- Non-controlling interests		(3,737)	3,202	-216.7%	(4,417)	4,467	-198.9%
		(1,571)	16,272	-109.7%	6,522	23,536	-72.3%



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 2017, 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 2018
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Note	Unaudited As at 30.09.2017 RM'000	Audited As at 31.03.2017 RM'000
ASSETS			
Non-Current Assets			
Land held for property development		141,944	141,944
Property, plant and equipment	A9	146,365	143,389
Investment property		3,318	3,318
Biological assets		25,449	25,696
Investment in an associate		2,508	2,207
Available-for-sale investments		42,854	42,991
Advances for KKPA program		7,166	6,731
Deferred tax assets		2,695	2,339
		372,299	368,615
Current Assets			
Inventories		82,027	80,253
Derivative financial assets	B8	1,288	580
Trade receivables	B14	45,017	53,475
Other receivables, deposits and prepaid expenses		15,999	18,232
Amounts owing by an associate company		1,749	373
Tax recoverable		24,643	21,060
Cash and cash equivalents		164,322	164,225
		335,045	338,198
TOTAL ASSETS		707,344	706,813



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017 (cont'd)

	Unaudited	Audited
	As at	As at
	30.09.2017	31.03.2017
	RM'000	RM'000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	171,255	171,255
Reserves	403,058	398,966
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	574,313	570,221
Non-controlling interests	51,244	59,417
	<hr/>	<hr/>
Total Equity	625,557	629,638
	<hr/>	<hr/>
Non-Current and Deferred Liabilities		
Hire purchase payable	B7 186	197
Provision for retirement benefits	11,563	10,957
Deferred tax liabilities	568	1,357
	<hr/>	<hr/>
	12,317	12,511
	<hr/>	<hr/>
Current Liabilities		
Trade payables	32,945	32,389
Other payables and accrued expenses	36,111	30,706
Amounts owing to an associate company	-	-
Derivative financial liabilities	B8 112	1,040
Hire purchase payable	B7 181	408
Tax liabilities	-	-
Dividend payable	121	121
	<hr/>	<hr/>
	69,470	64,664
	<hr/>	<hr/>
TOTAL LIABILITIES	81,787	77,175
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	707,344	706,813
	<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 2017, and the accompanying notes attached to these interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 at 1 April 2016	136,934	34,321	(9,042)	(322)	14,238	337,813	513,942	44,576	558,518
Profit for the year	-	-	-	-	-	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 interests of subsidiary company	-	-	-	-	-	-	-	-	-
As at 30 September 2016	136,934	34,321	(3,307)	(322)	9,856	348,682	526,164	49,043	575,207
As at 1 April 2017	171,255	-	980	(322)	18,244	380,064	570,221	59,417	629,638
Profit for the year	-	-	-	-	-	13,483	13,483	2,319	15,802
Other comprehensive income/(loss)	-	-	(2,329)	-	(215)	-	(2,544)	(6,736)	(9,280)
Total comprehensive income/(loss)	-	-	(2,329)	-	(215)	13,483	10,939	(4,417)	6,522
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling interests of subsidiary company	-	-	-	-	-	-	-	(3,756)	(3,756)
As at 30 September 2017	171,255	-	(1,349)	(322)	18,029	386,700	574,313	51,244	625,557

The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017, and the accompanying notes attached to these interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017

	Cumulative 6-month Ended	
	30.09.2017	30.09.2016
	RM'000	RM'000
Cash Flows From/(Used In) Operating Activities		
Profit before tax	20,122	25,254
Adjustments for:		
- Dividend income	(1,761)	(1,715)
- Interest income	(2,137)	(2,259)
- Interest expense	21	43
- Depreciation of property, plants and equipments	7,328	6,818
- Amortisation of biological assets	535	390
- (Gain)/loss on disposal of property, plants and equipments	(2)	95
- Property, plants and equipments write off	191	1
- Share of profit of associate (net)	(301)	(97)
- Inventories written down and write off	331	2
- Provision for doubtful debts	(39)	-
- Bad debt written off	12	-
- Provision for incremental rental	371	-
- Unrealised loss/(gain) on foreign exchange	2,061	(4,473)
- Net revaluation (gain)/loss on derivative	(1,636)	2,477
- Provision for retirement benefits	350	914
Operating Profit Before Working Capital Changes	25,446	27,450
(Increase)/decrease in :		
- Inventories	(1,730)	(14,565)
- Trade receivables	8,364	(1,508)
- Other receivables, deposit and prepaid expenses	(3,153)	(7,524)
- Associate company	(1,330)	(741)
Increase/(decrease) in:		
- Trade payables	(91)	8,530
- Other payables and accrued expenses	210	(1,664)
Cash Generated From Operating Activities	27,716	9,978
- Income tax paid, net	(1,165)	(7,485)
- Retirement benefits paid, net	(1)	(193)
Net Cash From Operating Activities	26,550	2,300



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017 (cont'd)

	Cumulative 6-month Ended	
	30.09.2017	30.09.2016
	RM'000	RM'000
Cash Flows From/(Used In) Investing Activities		
- Interest received	2,137	2,259
- Dividend received	1,761	1,715
- Investment in quoted share	(77)	(68)
- Interest expenses	(21)	(43)
- Net conversion for KKPA and Plasma projects	(27)	(938)
- Proceeds from disposal of property, plant and equipment	179	10
- Addition to property, plant and equipment (net)	(14,569)	(4,889)
- Addition to biological assets	(1,700)	(2,041)
Net Cash Used In Investing Activities	(12,317)	(3,995)
Cash Flows Used In Financing Activity		
- Repayment of finance lease	(239)	(108)
- Dividend paid by:		
- The Company	(6,847)	(6,847)
- Subsidiary company to non-controlling interests	(3,756)	-
Net Cash Used In Financing Activity	(10,842)	(6,955)
Net Increase in Cash and Cash Equivalents	3,391	(8,650)
Cash and Cash Equivalents at Beginning of Financial Period	164,225	164,026
Effect of Translation Differences	(3,294)	3,211
Cash and Cash Equivalents at End of Financial Period	164,322	158,587
Composition of Cash and Cash Equivalents:		
- Cash and bank balances	85,325	62,150
- Fixed deposits with licensed banks	24,073	11,759
- Short-term placements	54,924	84,678
	164,322	158,587

The consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017, and the accompanying notes attached to these interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2018
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 2017. 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 2017.

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 2017. 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:

Amendments to FRSs	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) ¹
FRS 140	Amendments relating to Transfers of Investment Property ¹
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to FRS2	Classification and Measurement of Share-based Payment Transactions ¹



FRS 10 and FRS 128	Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
FRS 16	Lease ⁴
IC Interpretation 23	Uncertainty over Income Tax Payments ⁴

- 1 Effective for annual periods beginning on or after 1 January 2018, 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 a date to be determined.
- 4 Effective for annual periods beginning on or after 1 January 2019.

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") 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 the MFRS Framework until such time as mandated by the MASB. On 2 September 2014, with the issuance of MFRS 15 Revenue from Contracts with Customers and Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants, the MASB announced that TEs which have chosen to continue with the FRS Framework is now required to adopt the MFRS Framework latest by 1 January 2017.

On 8 September 2015, the MASB confirmed that the effective date of MFRS 15 will be deferred to annual periods beginning on or after 1 January 2018. However, early application of MFRS 15 is still permitted.

The Group and the Company fall within the scope definition of TEs and have availed themselves of this transitional arrangement and will continue to apply FRSs in the preparation of their financial statements. Accordingly, the Group and the Company will be required to apply MFRS 1 First-time Adoption of MFRS in their financial statements for the financial year ending 31 March 2019, being the first set of financial statements prepared in accordance with the 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 Milling & Estate Segment is affected by seasonal crop production, seasonal external supply of fresh fruits bunch and fluctuating commodity prices whereas the Group's Oleochemical Segment 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 was 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 following dividend was paid during the current and previous corresponding financial period ended.

	30 Sep 2017	30 Sep 2016
Final Dividend		
For the financial year ended	31 March 2017	31 March 2016
Approved and declared on	28 July 2017	29 July 2016
Payment date	29 September 2017	30 September 2016
No of outstanding shares ('000)	136,934	136,934
Dividend per share (single tier)	5.0 sen	5.0 sen
Net dividend paid (RM'000)	6,847	6,847



A8. Segmental Information

(a) Results for the Quarter

	Oleochemical			Milling & Estate			Healthcare			Investment & Services			Consolidated		
	30.09.17 RM'000	30.09.16 RM'000	Changes %	30.09.17 RM'000	30.09.16 RM'000	Changes %	30.09.17 RM'000	30.09.16 RM'000	Changes %	30.09.17 RM'000	30.09.16 RM'000	Changes %	30.09.17 RM'000	30.09.16 RM'000	Changes %
Revenue															
Total Revenue	95,229	79,332	20.0%	68,634	60,173	14.1%	21,509	19,935	7.9%	5,267	3,235	62.8%	190,639	162,675	17.2%
Less:															
Inter-segment sales	-	-	-	-	-	-	(645)	(645)	0.0%	(947)	(711)	33.2%	(1,592)	(1,356)	17.4%
External Sales	95,229	79,332	20.0%	68,634	60,173	14.1%	20,864	19,290	8.2%	4,320	2,524	71.2%	189,047	161,319	17.2%
Results															
Segment results	(481)	3,551	-113.5%	4,179	6,175	-32.3%	4,942	3,734	32.3%	629	(120)	624.2%	9,269	13,340	-30.5%
Finance Cost	-	-	-	(9)	(21)	-57.1%	-	-	-	-	-	-	(9)	(21)	-57.1%
Share of result of an Associate (net)	-	-	-	-	-	-	-	-	-	176	59	198.3%	176	59	198.3%
Profit before tax	(481)	3,551	-113.5%	4,170	6,154	-32.2%	4,942	3,734	32.3%	805	(61)	1,419.7%	9,436	13,378	-29.5%

**A8. Segmental Information** (cont'd)**(b) Results for Year-To-Date**

	Oleochemical			Milling & Estate			Healthcare			Investment & Services			Consolidated		
	30.09.17 RM'000	30.09.16 RM'000	Changes %	30.09.17 RM'000	30.09.16 RM'000	Changes %	30.09.17 RM'000	30.09.16 RM'000	Changes %	30.09.17 RM'000	30.09.16 RM'000	Changes %	30.09.17 RM'000	30.09.16 RM'000	Changes %
Revenue															
Total Revenue	192,405	156,141	23.2%	124,497	126,953	-1.9%	43,358	40,179	7.9%	10,643	7,756	37.2%	370,903	331,029	12.0%
Less:															
Inter-segment	-	-	-	-	-	-	(1,290)	(1,290)	-	(1,907)	(1,658)	15.0%	(3,197)	(2,948)	8.4%
External Sales	192,405	156,141	23.2%	124,497	126,953	-1.9%	42,068	38,889	8.2%	8,736	6,098	43.3%	367,706	328,081	12.1%
Results															
Segment results	1,559	9,583	-83.7%	6,734	6,301	6.9%	9,888	8,526	16.0%	1,661	790	110.3%	19,842	25,200	-21.3%
Finance Cost	-	-	-	(21)	(43)	-51.2%	-	-	-	-	-	-	(21)	(43)	-51.2%
Share of result of an Associate (net)	-	-	-	-	-	-	-	-	-	301	97	210.3%	301	97	210.3%
Profit before tax	1,559	9,583	-83.7%	6,713	6,258	7.3%	9,888	8,526	16.0%	1,962	887	121.2%	20,122	25,254	-20.3%
Assets															
Segment assets	188,305	182,230	3.3%	341,757	316,624	7.9%	98,565	80,211	22.9%	78,717	73,180	7.6%	707,344	652,245	8.4%
Liabilities															
Segment liabilities	30,162	33,861	-10.90%	29,583	24,633	20.1%	17,875	15,094	18.4%	4,167	3,450	20.8%	81,787	77,038	6.2%

Exchange Rate**Financial Position – Closing Rate****Profit or Loss – Average Rate**

	30.09.17	30.09.16	Changes	30.09.17	30.09.16	Changes
USD : RM	4.2220	4.1355	2.1%	4.2968	4.0188	6.9%
IDR : RM	0.0003130	0.0003170	-1.3%	0.0003226	0.0003055	5.6%
HKD : RM	0.5405	0.5334	1.3%	0.5508	0.5183	6.3%



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 2017 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 was 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 2017.

A13. Capital Commitments

The capital commitments not recognized in the interim financial statements as at 30 September 2017 amounting to RM13.1 million.

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 6-month Ended 30.09.2017 RM'000	Cumulative 6-month Ended 30.09.2016 RM'000
Sales of goods	933	711
Purchase of goods	1,103	5,837
Provision of administrative services	2,833	2,117



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

	Second Quarter Ended			
	30.09.2017	30.09.2016	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	189,047	161,319	27,728	17.2%
Operation profit	9,269	13,340	(4,071)	(30.5%)
Profit before interest and tax	9,445	13,399	(3,954)	(29.5%)
Profit before tax	9,436	13,378	(3,942)	(29.5%)
Profit after tax	7,139	10,038	(2,899)	(28.9%)
Profit attributable to equity holders of the Company	5,735	8,619	(2,884)	(33.5%)

In the current quarter under review, the Group's revenue increased by 17.2% to RM189.0 million compared to the preceding corresponding quarter's revenue of RM161.3 million. Despite the increase in revenue, the Group's profit before taxation ("PBT") decreased by 29.5% to RM9.4 million compared to the preceding corresponding PBT of RM13.4 million. The decrease in PBT was mainly due to lower contribution from Oleochemical Division. However the lower PBT was moderated by better performance by Healthcare Segment and Investment & Services Segment.



Oleochemical Segment

	Second Quarter Ended			
	30.09.2017	30.09.2016	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	95,229	79,332	15,897	20.0%
Operation (loss)/Profit	(481)	3,551	(4,032)	(113.5%)
(Loss)/Profit before interest and tax	(481)	3,551	(4,032)	(113.5%)
(Loss)/Profit before tax	(481)	3,551	(4,032)	(113.5%)
(B) Non-Financial Highlights:				
Production Capacity (MT)	25,000	25,000	-	-
Production Utilisation (%)	98.3%	91.0%	7.3%	8.0%
Quantity Sold (MT)	24,158	21,967	2,191	10.0%
Gross Profit Margin (%)	0.1%	5.2%	(5.1%)	(98.1%)

Despite 20.0% increase in revenue to RM95.2 million, Oleochemical Segment registered a substantial decrease of 113.5% in PBT to a Loss Before Tax (“LBT”) of RM0.5 million compared to the preceding corresponding quarter.

The increase in revenue by RM15.9 million was due to higher sales volume and better average selling price (“ASP”) by 10.0% and 9.1% respectively. The production capacity was also higher from 91.0% to 98.3%.

However due to the higher production cost, the gross profit margin was substantially lower from 5.2% to 0.1%.

In the current quarter, the LBT of RM0.5 million comprised of core LBT of RM1.1 million and non-core PBT of RM0.6 million.



Milling & Estate Segment

	Second Quarter Ended			
	30.09.2017	30.09.2016	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	68,634	60,173	8,461	14.1%
Operation profit	4,179	6,175	(1,996)	(32.3%)
Profit before interest and tax	4,179	6,175	(1,996)	(32.3%)
Profit before tax	4,170	6,154	(1,984)	(32.2%)
(B) Non-Financial Highlights:				
FFB Processed (MT)	115,097	111,948	(3,149)	2.8%
FFB Production – Indonesia (MT)	17,795	18,717	(922)	(4.9%)
CPO Sale Volume (MT)	22,278	19,786	2,492	12.6%
PK Sales Volume (MT)	6,167	4,740	1,427	30.1%
Average CPO Selling Price per MT (RM)	2,526	2,392	134	5.6%
Average PK Selling Price Per MT (RM)	2,008	2,218	(210)	(9.5%)

Despite 14.1% increase in revenue to RM68.6 million, Milling & Estate Segment registered a decrease of 32.2% in PBT to RM4.2 million compared to the preceding corresponding quarter.

The increase in revenue by RM8.5 million was mainly contributed by higher sales value of CPO and PK which was increased by 18.9% and 17.8% respectively. The increase in sales value of CPO was contributed by higher sales volume and average selling price per MT by 12.6% and 5.6% respectively whereas the increase in sales value of PK was contributed by higher sales volume by 30.1% despite a lower average selling price per MT by 9.5%.

However due to the higher production cost, the gross profit margin was lower from 10.2% to 7.6%.

The current quarter PBT of RM4.2 million comprised of core PBT of RM3.4 million and non-core PBT of RM0.8 million.



Healthcare Segment

	Second Quarter Ended			
	30.09.2017 RM'000	30.09.2016 RM'000	Changes RM'000	Changes %
(A) Financial Data:				
Revenue	20,864	19,290	1,574	8.2%
Operation profit	4,942	3,734	1,208	32.3%
Profit before interest and tax	4,942	3,734	1,208	32.3%
Profit before tax	4,942	3,734	1,208	32.3%
(B) Statistics:				
Bed Occupancy Rate (%)	56.0%	59.0%	-3.0%	(5.1%)
Number of patients				
a. Outpatient	20,371	19,459	912	4.7%
b. Inpatient	3,114	3,357	(243)	(7.2%)
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	174	175	(1)	-0.6%
b. Inpatient	5,309	4,500	809	18.0%

Healthcare Segment registered an increase in revenue and PBT by 8.2% and 32.3% to RM20.9 million and RM4.9 million respectively compared to the preceding corresponding quarter.

The increase in revenue and PBT by RM1.6 million and RM1.2 million were contributed by higher revenue by both inpatient and outpatient. This is in spite lower bed occupancy rate recorded from 59.0% to 56.0%.

The increase in revenue of outpatient was due to 4.7% higher in number of outpatients whereas its ARPP was marginally lower by 0.6%. As for the revenue from inpatient, despite 7.2% lower in number of inpatients the revenue was higher due to higher ARPP by 18.0%, which driven by higher complex surgeries cases from orthopaedic, ENT, fascia maxillary and cardiac thoracic.

The PBT of RM4.9 million comprised of core PBT of RM4.3 million and non-core PBT of RM0.6 million.



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

	Cumulative 6-month Ended			
	30.09.2017 RM'000	30.09.2016 RM'000	Changes RM'000	Changes %
Revenue	367,706	328,081	39,625	12.1%
Operation profit	19,842	25,200	(5,358)	(21.3%)
Profit before interest and tax	20,143	25,297	(5,154)	(20.4%)
Profit before tax	20,122	25,254	(5,132)	(20.3%)
Profit after tax	15,802	18,809	(3,007)	(16.0%)
Profit attributable to equity holders of the Company	13,483	17,716	(4,233)	(23.9%)

In the current financial period under review, the Group's revenue increased by 12.1% to RM367.7 million compared to the preceding corresponding period's revenue of RM328.1 million. Despite the increase in revenue, the Group's profit before taxation ("PBT") decreased by 20.3% to RM20.1 million compared to the preceding corresponding period's PBT of RM25.2 million. The decrease in PBT was solely due to the substantial lower contribution from Oleochemical Segment but moderated by better performance by all other segments.



Oleochemical Segment

	Cumulative 6-month Ended			
	30.09.2017 RM'000	30.09.2016 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	192,405	156,141	36,264	23.2%
Operation profit	1,559	9,582	(8,023)	(83.7%)
Profit before interest and tax	1,559	9,582	(8,023)	(83.7%)
Profit before tax	1,559	9,582	(8,023)	(83.7%)
(B) Non-Financial Highlights:				
Production Capacity (MT)	50,000	50,000	-	0.0%
Production Utilisation (%)	94.7%	88.4%	6.3%	7.1%
Quantity Sold (MT)	46,593	43,631	2,962	6.8%
Gross Profit Margin (%)	1.8%	6.1%	4.3%	(70.1%)

Despite 23.2% increase in revenue to RM192.4 million Oleochemical Segment registered a substantial decrease of 83.7% in PBT to RM1.6 million compared to PBT of RM9.6 million in the preceding corresponding period.

The increase in revenue by RM36.3 million was due to higher sales volume and better ASP by 6.8% and 15.4% respectively. The production capacity was also higher from 88.4% to 94.7%.

However due to the higher production cost, the gross profit margin was substantially lower from 6.1% to 1.8%.

In the current period, the PBT of RM1.6 million comprised of core PBT of RM1.0 million and non-core PBT of RM0.6 million.



Milling & Estate Segment

	Cumulative 6-month Ended			
	30.09.2017 RM'000	30.09.2016 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	124,497	126,953	(2,456)	(1.9%)
Operation profit	6,734	6,301	433	6.9%
Profit before interest and tax	6,734	6,301	433	6.9%
Profit before tax	6,713	6,258	455	7.3%
(B) Non-Financial Highlights:				
FFB Processed (MT)	206,788	227,696	(20,908)	9.2%
FFB Production – Indonesia (MT)	32,230	32,076	154	0.5%
CPO Sales Volume (MT)	40,790	42,628	(1,838)	(4.3%)
PK Sales Volume (MT)	10,242	10,186	56	0.5%
Average CPO Selling Price Per MT	2,545	2,446	99	4.0%
Average PK Selling Price Per MT	1,929	2,157	(228)	(10.6%)

In spite of 1.9% decrease in revenue to RM124.5 million, Milling & Estate Segment registered an increase of 7.3% in PBT to RM6.7 million compared to the preceding corresponding period.

The decrease in revenue by RM2.5 million was mainly due to 10.1% lower in sales value of PK whereas the sales value of CPO was marginally lower by 0.4%. The decrease in sales value of PK was due to 10.6% lower in the ASP per MT whereas the sales volume was marginally lower by 0.5%.

However due to the lower production cost, the gross profit margin was higher from 4.7% to 7.5%.

The current quarter PBT of RM6.7 million comprised of core PBT of RM5.7 million and non-core PBT of RM1.0 million.



Healthcare Segment

	Cumulative 6-month Ended			
	30.09.2017 RM'000	30.09.2016 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	42,068	38,889	3,179	8.2%
Operation profit	9,888	8,526	1,362	16.0%
Profit before interest and tax	9,888	8,526	1,362	16.0%
Profit before tax	9,888	8,526	1,362	16.0%
(B) Non-Financial Highlights:				
Bed Occupancy Rate (%)	59.0%	59.0%	0.0%	0.0%
Number of Patients				
a. Outpatient	40,452	39,281	1,171	3.0%
b. Inpatient	6,471	6,594	(123)	(1.9%)
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	178	176	2	0.1%
b. Inpatient	5,138	4,597	541	11.8%

Healthcare Segment registered an increase in revenue and PBT by 8.2% and 16.0% to RM42.1 million and RM9.9 million respectively compared to the preceding corresponding period.

The increase in revenue and PBT by RM3.2 million and RM1.4 million were contributed by higher revenue from inpatient and outpatient. The bed occupancy rate remains unchanged at 59.0%.

The increase in revenue from outpatient was due to 3.0% higher in number of outpatients whereas its ARPP was marginally higher by 0.8%. In term of revenue from inpatient, in spite 1.9% lower in number of inpatients the revenue was higher due to higher ARPP by 11.8%, which driven by higher complex surgeries cases from orthopaedic, ENT, fascia maxillary and cardiac thoracic.

The PBT of RM9.9 million comprised of core PBT of RM8.8 million and non-core PBT of RM1.1 million.



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

	Individual Quarter Ended			
	30.09.2017 RM'000	30.06.2017 RM'000	Changes RM'000	Changes %
Revenue	189,047	178,659	10,388	5.8%
Operation profit	9,269	10,573	(1,304)	(12.3%)
Profit before interest and tax	9,445	10,698	(1,253)	(11.7%)
Profit before tax	9,436	10,686	(1,250)	(11.7%)
Profit after tax	7,139	8,663	(1,524)	(17.6%)
Profit attributable to equity holders of the Company	5,735	7,748	(2,013)	(26.0%)

In the current quarter under review, despite 5.8% increase in revenue to RM189.0 million the Group registered a decrease of 11.7% in PBT to RM9.4 million compared to the immediate preceding quarter. The lower PBT was due mainly to lower PBT contributed by Oleochemical Segment. Both Investment & Services Segment and Healthcare Segment too reported lower PBT but moderated by better performance from Milling & Estate Segment.

B3. Prospect of the Group

Oleochemical Segment

The unexpected weak financial results for the first half of the financial year ending 2018 (“FY2018”) has changed the positive outlook for this Segment to less optimistic. The main challenge is to manage its production cost that has been increasing since the beginning of FY2018. This is despite improvement to the production capacity which currently at 94.7%.

Milling & Estate Segment

For the remaining second half of FY2018, the production of CPO is expected to increase due to the availability of FFB. The expected recovery from El Nino effect will boost the FFB production. In addition, the market is foreseeing a sustainable prevailing high CPO prices. However, the recent hike in import duty to 30% from 15% previously by the Indian government, the world largest importer of edible oils, could affect the CPO price.



Healthcare Segment

The continuous improvement to the ARPP of inpatient has boosted the performance of this segment. In addition, this segment 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. Despite the competition from the new players, this segment is expected its moderate growth to continue in FY2018.

Overall

With the mixed outlook from the respective segments as mentioned above, it will be very challenging for the Group in FY2018 to sustain its financial year ended 2017 performance. The Board will take necessary steps to achieve the best results 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

	Second Quarter Ended		Cumulative 6-month Ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Malaysian tax expense	1,034	1,921	2,577	4,607
- Overseas tax expense	1,263	1,419	1,743	1,838
	2,297	3,340	4,320	6,445
- Provision of deferred tax	-	-	-	-
Total	2,297	3,340	4,320	6,445

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 borrowing as at 30 September 2017:-

	Unaudited as at		Audited as at	
	30.09.2017 Foreign Currency IDR million	30.09.2017 RM Equivalent RM'000	31.03.2017 Foreign Currency IDR million	31.03.2017 RM Equivalent RM'000
Short term (Secured)				
- Hire purchase payable Denominated in IDR	579	181	1,229	408
Long term (Secured)				
- Hire purchase payable Denominated in IDR	595	186	595	197
Effective interest rate		9% to 15%		9% to 15%

All the Group borrowing are secured and denominated in foreign currency IDR.

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 2017 was as follows :

	Contract Value RM'000	Fair Value attributed to price changes at period closing Asset/(Liabilities) RM'000
Based Currency	< 1 year	< 1 year
USD	47,433	990



(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 2017, the outstanding Commodity future contracts with effective dates of execution up to May 2018 were as follows :

	Contract Value RM'000	Fair Value attributed to price changes at period closing Asset/(Liabilities) RM'000
Commodity	< 1 year	< 1 year
Sell	3,506	(112)
Buy	7,951	298

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 2017.

B10. Dividends

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

**B11. Earnings per Share**

	Second Quarter Ended		Cumulative 6-month Ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Profit attributable to equity holders of the Company (in RM'000)	5,735	8,619	13,483	17,716
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	4.19	6.29	9.85	12.94

B12. Realized and Unrealized Retained Earnings

	Unaudited As at 30.09.2017 RM'000	Audited As of 31.03.2017 RM'000
Total retained earnings of the Group		
- Realized	399,303	396,810
- Unrealized	(1,835)	(5,919)
	397,468	390,891
Less: Consolidation adjustments	(10,768)	(10,827)
Total Group retained earnings	386,700	380,064

**B13. Profit for the year**

	Cumulative 6-month Ended	
	30.09.2017	30.09.2016
	RM'000	RM'000
Profit for the year is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	2,137	2,259
- Interest expense	(21)	(43)
- Other income	1,975	2,389
- Depreciation and amortization	(7,863)	(7,208)
- Inventories written down and write off	(331)	(2)
- Reversal on provision for doubtful debt	39	
- Bad debt written off	(12)	-
- Gain/(loss) on foreign exchange:		
Realised	(583)	719
Unrealised	(2,061)	4,473
- Net revaluation gain/(loss) on derivatives financial assets/liabilities	1,636	(2,477)

Other items of disclosure pursuant to Appendix 9B, Part A, paragraphs 16 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable for disclosure.

B14. Trade Receivables

	Unaudited	Audited
	As at	As of
	30.09.2017	31.03.2017
	RM'000	RM'000
Third parties	44,409	53,480
Related parties	1,178	784
Trade receivable	45,587	54,264
Less: allowance for doubtful debts	(570)	(789)
Trade receivable, net	45,017	53,475

The credit period granted on sales of goods and services rendered ranges from 30 to 90 days (2017: 30 to 90 days).



An allowance of RM570,000 (2017: RM789,000) for the Group has been made for estimated irrecoverable amounts from the sale of goods and services rendered. This allowance has been determined based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

The aging analysis of trade receivables is as follows:-

	Unaudited As at 30.09.2017 RM'000	Audited As of 31.03.2017 RM'000
Neither past due nor impaired	35,560	48,196
Past due but not impaired		
31 – 60 days	6,987	4,209
61 – 90 days	1,397	1,059
91 – 120 days	413	11
121 – 150 days	660	
	<u>9,457</u>	<u>5,279</u>
Past due and impaired	570	789
Trade receivable	<u>45,587</u>	<u>54,264</u>

B15. Auditors' Report on Preceding Annual Financial Statements

The audit report for the financial year ended 31 March 2017 was not subject to any qualifications.

This Interim Financial Report of Southern Acids (M) Berhad for the second quarter of FY2018 was authorised for issuance by the Board of Directors of the Company on 29 November 2017.