

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

THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2017

CONTENTS	PAGE(S)
Condensed Consolidated Statement of Profit or Loss	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5 – 6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8 – 9
Explanatory Notes to the Interim Financial Report:	
Part A: Pursuant to Financial Reporting Standard # 134	10 – 15
Part B: Pursuant to paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any revision thereon	16 - 30



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 THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2017

	Note	Third Quarter Ended			Cumulative 9-month Ended		
		31.12.2017 RM'000	31.12.2016 RM'000	Changes %	31.12.2017 RM'000	31.12.2016 RM'000	Changes %
Revenue	A8	198,762	191,902	3.6%	566,468	519,983	8.9%
- Cost of Sales		(168,929)	(158,599)	6.5%	(492,355)	(444,501)	10.8%
Gross Profit		29,833	33,303	-10.4%	74,113	75,482	-1.8%
- Administrative Expenses		(13,407)	(12,163)	10.2%	(40,949)	(36,505)	12.2%
- Other Income		1,405	3,030	-53.6%	4,509	10,393	-56.6%
Profit from operations		17,831	24,170	-26.2%	37,673	49,370	-23.7%
- Interest expense		(18)	(19)	-5.3%	(39)	(62)	-37.1%
- Share of result of an Associate (net)		(49)	(1,129)	-95.7%	252	(1,032)	-124.4%
Profit before tax	A8	17,764	23,022	-22.8%	37,886	48,276	-21.5%
- Income tax expense	B5	(4,017)	(5,216)	-23.0%	(8,337)	(11,661)	-28.5%
Profit for the period	B13	13,747	17,806	-22.8%	29,549	36,615	-19.3%
Attributable to:							
- Equity holders of the Company		10,806	14,126	-23.5%	24,289	31,842	-23.7%
- Non-controlling interests		2,941	3,680	-20.1%	5,260	4,773	10.2%
		13,747	17,806	-22.8%	29,549	36,615	-19.3%
Earnings per share (sen) attributable to equity holder of the Company							
- Basic and diluted	B11	7.89	10.32	-23.5%	17.74	23.25	-23.7%



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

FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE
INCOME THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2017

	Note	Third Quarter Ended			Cumulative 9-month Ended		
		31.12.2017 RM'000	31.12.2016 RM'000	Changes %	31.12.2017 RM'000	31.12.2016 RM'000	Changes %
Profit for the period	B13	13,747	17,806	-22.8%	29,549	36,615	-19.3%
Other comprehensive income							
Item that may be reclassified subsequently to profit or loss:							
- Available-for-sales financial assets		1,772	263	573.8%	1,558	(4,119)	-137.8%
- Exchange differences on translation of foreign subsidiaries		(7,450)	6,933	-207.5%	(16,515)	16,042	-202.9%
Item that will not be reclassified subsequently to profit or loss:							
- Remeasurement of defined benefit obligation		-	-	-	-	-	-
Total comprehensive income for the period		8,069	25,002	-67.7%	14,592	48,538	-69.9%
Attributable to:							
- Equity holders of the Company		4,323	18,756	-77.0%	15,262	37,825	-59.7%
- Non-controlling interests		3,746	6,246	-40.0%	(670)	10,713	-106.3%
		8,069	25,002	-67.7%	14,592	48,538	-69.9%

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)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Unaudited As at 31.12.2017 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	143,054	143,389
Investment property		3,318	3,318
Biological assets		24,757	25,696
Investment in an associate		2,460	2,207
Available-for-sale investments		44,712	42,991
Advances for KKPA program		7,282	6,731
Deferred tax assets		2,571	2,339
		370,098	368,615
Current Assets			
Inventories		78,577	80,253
Derivative financial assets	B8	1,947	580
Trade receivables	B14	48,360	53,475
Other receivables, deposits and prepaid expenses		23,953	18,232
Amounts owing by an associate company		1,707	373
Tax recoverable		24,385	21,060
Cash and cash equivalents		157,882	164,225
		336,811	338,198
TOTAL ASSETS		706,909	706,813



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

FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (cont'd)

	Unaudited	Audited
	As at	As at
	31.12.2017	31.03.2017
	RM'000	RM'000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	171,255	171,255
Reserves	407,381	398,966
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	578,636	570,221
Non-controlling interests	54,991	59,417
	<hr/>	<hr/>
Total Equity	633,627	629,638
	<hr/>	<hr/>
Non-Current and Deferred Liabilities		
Hire purchase payable	B7 329	197
Provision for retirement benefits	11,786	10,957
Deferred tax liabilities	568	1,357
	<hr/>	<hr/>
	12,683	12,511
	<hr/>	<hr/>
Current Liabilities		
Trade payables	25,083	32,389
Other payables and accrued expenses	35,207	30,706
Amounts owing to an associate company	-	-
Derivative financial liabilities	B8 69	1,040
Hire purchase payable	B7 119	408
Tax liabilities	-	-
Dividend payable	121	121
	<hr/>	<hr/>
	60,599	64,664
	<hr/>	<hr/>
TOTAL LIABILITIES	73,282	77,175
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	706,909	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
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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	-	-	-	-	-	31,842	31,842	4,773	36,615
Other comprehensive income/(loss)	-	-	10,102	-	(4,119)	-	5,983	5,940	11,923
Total comprehensive income/(loss)	-	-	10,102	-	(4,119)	31,842	37,825	10,713	48,538
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling interests of subsidiary company	-	-	-	-	-	-	-	-	-
As at 31 December 2016	136,934	34,321	1,060	(322)	10,119	362,808	544,920	55,289	600,209
As at 1 April 2017	171,255	-	980	(322)	18,244	380,064	570,221	59,417	629,638
Profit for the year	-	-	-	-	-	24,289	24,289	5,260	29,549
Other comprehensive income/(loss)	-	-	(10,585)	-	1,558	-	(9,027)	(5,930)	(14,957)
Total comprehensive income/(loss)	-	-	(10,585)	-	1,558	24,289	15,262	(670)	14,592
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling interests of subsidiary company	-	-	-	-	-	-	-	(3,756)	(3,756)
As at 31 December 2017	171,255	-	(9,605)	(322)	19,802	397,506	578,636	54,991	633,627

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
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2017

	Cumulative 9-month Ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	37,886	48,276
Adjustments for:		
- Dividend income	(1,931)	(1,856)
- Interest income	(3,004)	(3,484)
- Interest expense	39	62
- Depreciation of property, plants and equipment	11,006	10,418
- Amortisation of biological assets	790	599
- Loss on disposal of property, plants and equipment	19	117
- Property, plants and equipment write off	191	1
- Share of (profit)/loss of associate (net)	(252)	1,032
- Inventories written down and write off	53	213
- Provision for doubtful debts	(39)	-
- Bad debt written off	12	-
- Reversal of provision for incremental rental	(1,976)	-
- Unrealised loss/(gain) on foreign exchange	3,256	(7,632)
- Net revaluation (gain)/loss on derivative	(3,230)	5,186
- Provision for retirement benefits	368	1,395
Operating Profit Before Working Capital Changes	43,188	54,327
(Increase)/decrease in :		
- Inventories	2,270	(30,392)
- Trade receivables	8,323	(17,575)
- Other receivables, deposit and prepaid expenses	(14,852)	(9,743)
- Associate company	(1,334)	(2,139)
Increase/(decrease) in:		
- Trade payables	(6,215)	12,408
- Other payables and accrued expenses	1,058	(2,889)
Cash Generated From Operating Activities	32,438	3,997
- Income tax paid, net	(16)	(10,196)
- Retirement benefits paid, net	(3)	(360)
Net Cash From/(Used In) Operating Activities	32,419	(6,559)



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

FINANCIAL YEAR ENDING 31 MARCH 2018
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2017 (cont'd)

	Cumulative 9-month Ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Cash Flows From/(Used In) Investing Activities		
- Interest received	3,004	3,484
- Dividend received	1,931	1,856
- Investment in quoted share	(163)	(205)
- Interest expenses	(39)	(62)
- Net conversion for KKPA and Plasma projects	(881)	(1,565)
- Proceeds from disposal of property, plant and equipment	158	12
- Addition to property, plant and equipment (net)	(17,833)	(12,458)
- Addition to biological assets	(2,269)	(3,130)
Net Cash Used In Investing Activities	(16,092)	(12,068)
Cash Flows Used In Financing Activity		
- Repayment of finance lease	(157)	(274)
- Dividend paid by:		
- The Company	(6,847)	(6,847)
- Subsidiary company to non-controlling interests	(3,809)	-
Net Cash Used In Financing Activity	(10,813)	(7,121)
Net Increase in Cash and Cash Equivalents	5,514	(25,748)
Cash and Cash Equivalents		
at Beginning of Financial Period	164,225	164,026
Effect of Translation Differences	(11,857)	6,300
Cash and Cash Equivalents at End of Financial Period	157,882	144,578
Composition of Cash and Cash Equivalents:		
- Cash and bank balances	62,340	61,513
- Fixed deposits with licensed banks	50,276	12,350
- Short-term placements	45,266	70,715
	157,882	144,578

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
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDING 31 MARCH 2018
SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 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:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014) ¹
MFRS 15	Revenue from Contracts with Customers (and the related clarifications) ¹
MFRS 16	Lease ³
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (<i>Annual Improvements to FRS Standards 2014-2016 Cycle</i>) ^{1&2}
Amendments to MFRS 2	Share-based Payment – Classification and Measurement of Share based Payment Transactions ¹
Amendments to MFRS 4	Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts ¹
Amendments to MFRS 128	Investments in Associates and Joint Ventures (<i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>) ¹
Amendments to MFRS 140	Investment Property – Transfers of Investment Property ¹



- 1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- 2 Comprise amendments to three MFRSs (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 2019.

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group in the period of initial application, except for application MFRS 16 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 effect of MFRS 16 until the Group performs a detailed review.

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.

	31 December 2017	31 December 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		
	31.12.17 RM'000	31.12.16 RM'000	Changes %	31.12.17 RM'000	31.12.16 RM'000	Changes %	31.12.17 RM'000	31.12.16 RM'000	Changes %	31.12.17 RM'000	31.12.16 RM'000	Changes %	31.12.17 RM'000	31.12.16 RM'000	Changes %
Revenue															
Total Revenue	95,942	96,653	-0.7%	78,758	72,480	8.7%	20,575	19,944	3.2%	5,480	4,923	11.3%	200,755	194,000	3.5%
Less:															
Inter-segment sales	-	-	-	(31)	-	-	(645)	(645)	0.0%	(1,317)	(1,453)	9.4%	(1,993)	(2,098)	-5.0%
External Sales	95,942	96,653	-0.7%	78,727	72,480	8.6%	19,930	19,299	3.3%	4,163	3,470	20.0%	198,762	191,902	3.6%
Results															
Segment results	4,603	6,219	-26.0%	8,518	13,734	-38.0%	4,894	4,514	8.4%	(184)	(297)	-38.0%	17,831	24,170	-26.2%
Finance Cost	-	-	-	(18)	(19)	-5.3%	-	-	-	-	-	-	(18)	(19)	-5.3%
Share of result of an Associate (net)	-	-	-	-	-	-	-	-	-	(49)	(1,129)	-95.7%	(49)	(1,129)	-95.7%
Profit before tax	4,603	6,219	-26.0%	8,500	13,715	-38.0%	4,894	4,514	8.4%	(233)	(1,426)	-83.7%	17,764	23,022	-22.8%

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

	Oleochemical			Milling & Estate			Healthcare			Investment & Services			Consolidated		
	31.12.17 RM'000	31.12.16 RM'000	Changes %	31.12.17 RM'000	31.12.16 RM'000	Changes %	31.12.17 RM'000	31.12.16 RM'000	Changes %	31.12.17 RM'000	31.12.16 RM'000	Changes %	31.12.17 RM'000	31.12.16 RM'000	Changes %
Revenue															
Total Revenue	288,347	252,794	14.1%	203,255	199,433	1.9%	63,933	60,123	6.3%	16,123	12,679	27.2%	571,658	525,029	8.9%
Less:															
Inter-segment	-	-	-	(31)	-	-	(1,935)	(1,935)	0.0%	(3,224)	(3,111)	3.6%	(5,190)	(5,046)	2.9%
External Sales	288,347	252,794	14.1%	203,224	199,433	1.9%	61,998	58,188	6.5%	12,899	9,568	34.8%	566,468	519,983	8.9%
Results															
Segment results	6,162	15,802	-61.0%	15,252	20,035	-23.9%	14,782	13,040	13.4%	1,477	493	199.6%	37,673	49,370	-23.7%
Finance Cost	-	-	-	(39)	(62)	37.1%	-	-	-	-	-	-	(39)	(62)	-37.1%
Share of result of an Associate (net)	-	-	-	-	-	-	-	-	-	252	(1,032)	-124.4%	252	(1,032)	124.4%
Profit before tax	6,162	15,802	-61.0%	15,213	19,973	-23.8%	14,782	13,040	13.4%	1,729	(539)	-420.8%	37,886	48,276	-21.5%
Assets															
Segment assets	183,514	190,156	-3.5%	341,969	336,050	1.8%	100,731	82,801	21.7%	80,695	72,946	10.6%	706,909	681,953	3.7%
Liabilities															
Segment liabilities	21,872	37,279	-41.3%	30,974	26,663	16.2%	16,286	14,325	13.7%	4,150	3,477	19.4%	73,282	81,744	-10.4%

Exchange Rate

	Financial Position – Closing Rate			Profit or Loss – Average Rate		
	31.12.17	31.12.16	Changes	31.12.17	31.12.16	Changes
USD : RM	4.0475	4.4860	-9.8%	4.2507	4.1274	3.0%
IDR : RM	0.0002980	0.0003330	-10.5%	0.0003174	0.0003119	1.8%
HKD : RM	0.5180	0.5785	-10.5%	0.5447	0.5320	2.4%



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 31 December 2017 amounting to RM4.45 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 9-month Ended 31.12.2017 RM'000	Cumulative 9-month Ended 31.12.2016 RM'000
Sales of goods	1,260	1,130
Purchase of goods	2,503	6,082
Provision of administrative services	4,250	3,804



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

	Third Quarter Ended			
	31.12.2017	31.12.2016	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	198,762	191,902	6,860	3.6%
Operation profit	17,831	24,170	(6,339)	(26.2%)
Profit before interest and tax	17,782	23,041	(5,259)	(22.8%)
Profit before tax	17,764	23,022	(5,258)	(22.8%)
Profit after tax	13,747	17,806	(4,059)	(22.8%)
Profit attributable to equity holders of the Company	10,806	14,126	(3,320)	(23.5%)

In the current quarter under review, the Group's revenue increased marginally by 3.6% to RM198.8 million compared to the preceding corresponding quarter's revenue of RM191.9 million. Despite the marginal increase in revenue, the Group's profit before taxation ("PBT") decreased by 22.8% to RM17.8 million compared to the preceding corresponding PBT of RM23.0 million. The decrease in PBT was due to lower contribution from Oleochemical Division and Milling & Estate Segment. However, the lower PBT was moderated by better performance by Healthcare Segment.



Oleochemical Segment

	Third Quarter Ended			
	31.12.2017	31.12.2016	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	95,942	96,653	(711)	(0.7%)
Operation Profit	4,603	6,219	(1,616)	(26.0%)
Profit before interest and tax	4,603	6,219	(1,616)	(26.0%)
Profit before tax	4,603	6,219	(1,616)	(26.0%)
(B) Non-Financial Highlights:				
Production Capacity (MT)	25,000	25,000	-	-
Production Utilisation (%)	94.5%	98.2%	(3.7%)	(3.8%)
Quantity Sold (MT)	23,888	24,515	(627)	(2.6%)
Gross Profit Margin (%)	6.7%	7.2%	(0.5%)	(7.5%)

Oleochemical Segment registered a lower PBT of 26.0% to RM4.6 million on the back of a marginal decrease of 0.7% in revenue to RM95.9 million.

The decrease in revenue by RM0.7 million was due to a 2.6% lower in sales volume despite a marginal 1.8% increase in ASP. The production utilisation was also lower from 98.2% to 94.5%.

In the current quarter, the PBT of RM4.6 million comprised of core PBT of RM5.2 million and non-core Loss Before Tax ("LBT") of RM0.6 million.



Milling & Estate Segment

	Third Quarter Ended			
	31.12.2017	31.12.2016	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	78,727	72,480	6,247	8.6%
Operation profit	8,518	13,734	(5,216)	(38.0%)
Profit before interest and tax	8,518	13,734	(5,216)	(38.0%)
Profit before tax	8,500	13,715	(5,215)	(38.0%)
(B) Non-Financial Highlights:				
FFB Processed (MT)	742	842	(100)	(11.9%)
FFB Production – Indonesia (MT)	21,158	24,752	(3,594)	(14.5%)
CPO Sale Volume (MT)	25,038	22,001	3,037	13.8%
PK Sales Volume (MT)	6,376	5,372	1,004	18.7%
Average CPO Selling Price per MT (RM)	2,563	2,541	22	0.9%
Average PK Selling Price Per MT (RM)	2,523	2,327	196	8.4%

Despite 8.6% increase in revenue to RM78.7 million, Milling & Estate Segment registered a 38.0% decrease in PBT to RM8.5 million compared to the preceding corresponding quarter.

The increase in revenue by RM6.2 million was mainly contributed by higher sales value of CPO and PK by 13.8% and 18.7% respectively. The increase in sales value of CPO was contributed by higher sales volume and ASP by 13.8% and 0.9% respectively whereas the increase in sales value of PK was contributed by higher sales volume and ASP by 18.7% and 8.4% respectively.

The current quarter PBT of RM8.5 million comprised of core PBT of RM7.2 million and non-core PBT of RM1.3 million.



Healthcare Segment

	Third Quarter Ended			
	31.12.2017 RM'000	31.12.2016 RM'000	Changes RM'000	Changes %
(A) Financial Data:				
Revenue	19,930	19,299	631	3.3%
Operation profit	4,894	4,514	380	8.4%
Profit before interest and tax	4,894	4,514	380	8.4%
Profit before tax	4,894	4,514	380	8.4%
(B) Statistics:				
Bed Occupancy Rate (%)	52.6%	51.2%	1.4%	2.7%
Number of patients				
a. Outpatient	19,539	18,369	1,170	6.4%
b. Inpatient	2,971	2,987	(16)	(0.5%)
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	145	193	(48)	(24.9%)
b. Inpatient	5,505	5,017	488	9.7%

Healthcare Segment registered an increase in revenue and PBT by 3.3% and 8.4% to RM19.9 million and RM4.9 million respectively compared to the preceding corresponding quarter.

The inpatient revenue was higher due to 9.7% higher in Average Revenue Per Person ("ARPP") which was driven by more complex surgeries cases. This was despite a marginal 0.5% lower in number of inpatient recorded. As for the outpatient, despite 6.4% increase in number of outpatient, the revenue was lower due to 24.9% lower in ARPP.

The bed occupancy rate recorded a marginal 1.4% increase from 51.2% to 52.6%.

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 9-month Ended			
	31.12.2017 RM'000	31.12.2016 RM'000	Changes RM'000	Changes %
Revenue	566,468	519,983	46,485	8.9%
Operation profit	37,673	49,370	(11,697)	(23.7%)
Profit before interest and tax	37,925	48,338	(10,413)	(21.5%)
Profit before tax	37,886	48,276	(10,390)	(21.5%)
Profit after tax	29,549	36,615	(7,066)	(19.3%)
Profit attributable to equity holders of the Company	24,289	31,842	(7,553)	(23.7%)

In the current financial period under review, the Group's revenue increased by 8.9% to RM566.5 million compared to the preceding corresponding period's revenue of RM520.0 million. Despite the increase in revenue, the Group's profit before taxation ("PBT") decreased by 21.5% to RM37.9 million compared to the preceding corresponding period's PBT of RM48.3 million. The decrease in PBT was mainly due to lower contribution from Oleochemical and Milling & Estate Segments.



Oleochemical Segment

	Cumulative 9-month Ended			
	31.12.2017 RM'000	31.12.2016 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	288,347	252,794	35,553	14.1%
Operation profit	6,162	15,802	(9,640)	(61.0%)
Profit before interest and tax	6,162	15,802	(9,640)	(61.0%)
Profit before tax	6,162	15,802	(9,640)	(61.0%)
(B) Non-Financial Highlights:				
Production Capacity (MT)	75,000	75,000	-	0.0%
Production Utilisation (%)	94.6%	91.7%	2.9%	3.2%
Quantity Sold (MT)	70,481	68,146	2,335	3.4%
Gross Profit Margin (%)	3.4%	6.5%	(3.1%)	(47.7%)

Despite 14.1% increase in revenue to RM288.3 million Oleochemical Segment registered a substantial decrease of 61.0% in PBT to RM6.2 million compared to PBT of RM15.8 million in the preceding corresponding period.

The increase in revenue by RM35.6 million was due to higher sales volume and better ASP by 3.4% and 10.3% respectively. The production utilisation was also higher from 91.7% to 94.6%.

However due to the higher production cost, the gross profit margin was substantially lower from 6.5% to 3.4%.

In the current period, the PBT of RM6.2 million comprised of mainly core PBT.



Milling & Estate Segment

	Cumulative 9-month Ended			
	31.12.2017 RM'000	31.12.2016 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	203,224	199,433	3,791	1.9%
Operation profit	15,252	20,035	(4,783)	(23.9%)
Profit before interest and tax	15,252	20,035	(4,783)	(23.9%)
Profit before tax	15,213	19,973	(4,760)	(23.8%)
(B) Non-Financial Highlights:				
FFB Processed (MT)	2,917	2,488	429	17.2%
FFB Production – Indonesia (MT)	53,389	56,828	(3,439)	(6.1%)
CPO Sales Volume (MT)	65,828	64,628	1,200	1.9%
PK Sales Volume (MT)	16,618	15,558	1,060	6.8%
Average CPO Selling Price Per MT	2,527	2,512	15	0.6%
Average PK Selling Price Per MT	2,138	2,246	(108)	(4.8%)

Despite 1.9% increase in revenue to RM203.2 million, Milling & Estate Segment registered a 23.9% lower in PBT to RM15.2 million compared to the preceding corresponding period.

The marginal increase in revenue by RM3.8 million was contributed by higher sales value of CPO and PK by 1.9% and 6.8% respectively. The higher sales value of CPO was contributed by higher sales volume and ASP by 1.9% and 0.6% respectively. The higher sales value of PK was driven by 6.8% higher in the sales volume despite 4.8% lower in ASP.

The current period PBT of RM15.2 million comprised of core PBT of RM12.9 million and non-core PBT of RM2.3 million.



Healthcare Segment

	Cumulative 9-month Ended			
	31.12.2017 RM'000	31.12.2016 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	61,998	58,188	3,810	6.5%
Operation profit	14,782	13,040	1,742	13.4%
Profit before interest and tax	14,782	13,040	1,742	13.4%
Profit before tax	14,782	13,040	1,742	13.4%
(B) Non-Financial Highlights:				
Bed Occupancy Rate (%)	56.9%	56.4%	0.5%	0.9%
Number of Patients				
a. Outpatient	59,991	57,650	2,341	4.1%
b. Inpatient	9,442	9,581	(139)	(1.5%)
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	156	187	(31)	(16.6%)
b. Inpatient	5,322	4,694	628	13.4%

In line with 6.5% increase in revenue to RM62.0 million, Healthcare Segment registered a 13.4% improvement in PBT to RM14.8 million compared to the preceding corresponding period.

The inpatient revenue was higher due to 13.4% higher in ARPP which was driven by more complex surgeries cases. This was despite a marginal 1.5% lower in number of inpatient recorded. As for the outpatient, despite 4.1% increase in number of outpatient, the revenue was lower due to 16.6% lower in ARPP.

The bed occupancy rate recorded a marginal 0.5% increase from 56.4% to 56.9%.

The PBT of RM14.1 million comprised of core PBT of RM12.4 million and non-core PBT of RM1.7 million.



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

	Individual Quarter Ended			
	31.12.2017 RM'000	30.09.2017 RM'000	Changes RM'000	Changes %
Revenue	198,762	189,047	9,715	5.1%
Operation profit	17,831	9,269	8,562	92.4%
Profit before interest and tax	17,782	9,445	8,337	88.3%
Profit before tax	17,764	9,436	8,328	88.3%
Profit after tax	13,747	7,139	6,608	92.6%
Profit attributable to equity holders of the Company	10,806	5,735	5,071	88.4%

In the current quarter under review, the Group reported an increase in revenue and PBT by 5.1% and 88.3% to RM198.8 million and RM17.8 million respectively compared to the immediately preceding quarter. The substantial increase in PBT was due mainly contributed by Oleochemical Segment and Milling & Estate Segment whereas Healthcare Segment reported a marginal 1.0% decrease in PBT.

B3. Prospect of the Group

Oleochemical Segment

The Oleochemical Segment remain very challenging. Besides the current high production costs and thin gross margin, the continuing weakening of USD since beginning of the financial year ending 2018 (“FY2018”) has impacted the bottom line as well.

Milling & Estate Segment

While we expect to see improvement in CPO production output in the remaining quarter of FY2018, the uncertainty of CPO prices which already are at the low level since beginning of FY2018 remain the main concern. The inventories level of CPO, the impact from the potential European Union palm oil ban and the potential for third duty hike in India may continue to affects the sentiment.

Healthcare Segment

The continuous trend of 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 new players, this segment is expecting 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 performance in financial year ended 2017. 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

	Third Quarter Ended		Cumulative 9-month Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Malaysian tax expense	1,866	2,563	4,443	7,170
- Overseas tax expense	2,151	2,653	3,894	4,491
	4,017	5,216	8,337	11,661
- Provision of deferred tax	-	-	-	-
Total	4,017	5,216	8,337	11,661

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 31 December 2017:-

	Unaudited as at		Audited as at	
	31.12.2017 Foreign Currency IDR million	31.12.2017 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	401	119	1,229	408
Long term (Secured)				
- Hire purchase payable Denominated in IDR	1,103	329	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 31 December 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	35,511	33,594



(b) Commodity future contracts

Commodity future contracts were entered into to manage exposure to adverse movements in crude palm oil prices. These contracts were entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's usage requirements.

Gains or losses arising from these contracts are deferred and included in the measurement of the purchase or sale transactions only upon the recognition of the anticipated transactions.

As at 31 December 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	2,361	(69)
Buy	7,106	30

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 is no interim dividend declared or recommended in the current quarter under review.

**B11. Earnings per Share**

	Third Quarter Ended		Cumulative 9-month Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Profit attributable to equity holders of the Company (in RM'000)	10,806	14,126	24,289	31,842
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	7.89	10.32	17.74	23.25

B12. Realized and Unrealized Retained Earnings

	Unaudited As at 31.12.2017 RM'000	Audited As of 31.03.2017 RM'000
Total retained earnings of the Group		
- Realized	409,659	396,810
- Unrealized	(1,229)	(5,919)
	408,430	390,891
Less: Consolidation adjustments	(10,924)	(10,827)
Total Group retained earnings	397,506	380,064

**B13. Profit for the year**

	Cumulative 9-month Ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Profit for the year is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	3,004	3,484
- Interest expense	(39)	(62)
- Other income	2,623	3,313
- Depreciation and amortization	(11,796)	(11,017)
- Inventories written down and write off	(53)	(213)
- Reversal on provision for doubtful debt	39	-
- Bad debt written off	(12)	-
- Gain/(loss) on foreign exchange:		
Realised	1,149	1,150
Unrealised	(3,256)	7,632
- Net revaluation gain/(loss) on derivatives financial assets/liabilities	3,230	(5,186)

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
	31.12.2017	31.03.2017
	RM'000	RM'000
Third parties	47,930	53,480
Related parties	1,000	784
Trade receivable	48,930	54,264
Less: allowance for doubtful debts	(570)	(789)
Trade receivable, net	48,360	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 31.12.2017 RM'000	Audited As of 31.03.2017 RM'000
Neither past due nor impaired	41,456	48,196
Past due but not impaired		
31 – 60 days	4,397	4,209
61 – 90 days	975	1,059
91 – 120 days	405	11
121 – 150 days	1,127	-
	<u>6,904</u>	<u>5,279</u>
Past due and impaired	570	789
Trade receivable	<u>48,930</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 third quarter of FY2018 was authorised for issuance by the Board of Directors of the Company on 27 February 2018.