

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 2018**

**FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2018**  
(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 2018**  
**INTERIM FINANCIAL REPORT**  
**FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2018**

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

**FINANCIAL YEAR ENDED 31 MARCH 2018**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2018**

	Note	Fourth Quarter Ended			Cumulative 12-month Ended		
		31.03.2018 RM'000	31.03.2017 RM'000	Changes %	31.03.2018 RM'000	31.03.2017 RM'000	Changes %
Revenue	A8	196,738	220,108	-10.6%	763,206	740,091	3.1%
- Cost of Sales		(169,913)	(186,321)	-8.8%	(662,268)	(630,822)	5.0%
Gross Profit		26,825	33,787	-20.6%	100,938	109,269	-7.6%
- Administrative Expenses		(12,106)	(11,757)	-3.0%	(53,057)	(48,262)	9.9%
- Other Income/(Expenses)		(1,275)	3,646	-135.0%	3,235	14,039	-77.0%
Profit from operations		13,444	25,676	-47.6%	51,116	75,046	-31.9%
- Interest expense		(17)	(19)	-10.5%	(56)	(81)	-30.9%
- Share of result of an Associate (net)		59	(102)	-157.8%	312	(1,134)	-127.5%
Profit before tax	A8	13,486	25,555	-47.2%	51,372	73,831	-30.4%
- Income tax expense	B5	(5,888)	(4,826)	-22.0%	(14,225)	(16,487)	-13.7%
Profit for the period/year	B13	7,598	20,729	-63.3%	37,147	57,344	-35.2%
Attributable to:							
- Equity holders of the Company		8,388	16,812	-50.1%	32,677	48,654	-32.8%
- Non-controlling interests		(790)	3,917	-120.2%	4,470	8,690	-48.6%
		7,598	20,729	-63.3%	37,147	57,344	-35.2%
<b>Earnings per share (sen) attributable to equity holder of the Company</b>							
- Basic and diluted	B11	6.13	12.28	-50.1%	23.86	35.53	-32.8%



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDED 31 MARCH 2018**  
**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE**  
**INCOME FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2018**

	Note	Fourth Quarter Ended			Cumulative 12-month Ended		
		31.03.2018 RM'000	31.03.2017 RM'000	Changes %	31.03.2018 RM'000	31.03.2017 RM'000	Changes %
Profit for the period/year	<b>B13</b>	7,598	20,729	-63.3%	37,147	57,344	-35.2%
Other comprehensive income							
Item that may be reclassified subsequently to profit or loss:							
- Available-for-sales financial assets		4,184	8,125	-48.5%	5,742	4,006	43.34%
- Exchange differences on translation of foreign subsidiaries		(8,299)	(58)	14,208.6%	(24,740)	15,983	-254.8%
Item that will not be reclassified subsequently to profit or loss:							
- Remeasurement of defined benefit obligation		1,543	634	143.4%	1,543	634	143.4%
Total comprehensive income for the period/year		5,026	29,430	-82.9%	19,692	77,967	-74.7%
Attributable to:							
- Equity holders of the Company		9,101	25,299	-64.0%	24,438	63,126	-61.3%
- Non-controlling interests		(4,075)	4,131	-198.6%	(4,746)	14,841	-132.0%
		5,026	29,430	-82.9%	19,692	77,967	-74.7%

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 ENDED 31 MARCH 2018**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2018**

	Note	Unaudited As at 31.03.2018 RM'000	Audited As at 31.03.2017 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Land held for property development		141,926	141,944
Property, plant and equipment	<b>A9</b>	149,182	143,389
Investment property		3,318	3,318
Biological assets		22,291	25,696
Investment in an associate		2,519	2,207
Available-for-sale investments		48,895	42,991
Advances for KKPA program		7,382	6,731
Deferred tax assets		1,996	2,339
		377,509	368,615
<b>Current Assets</b>			
Inventories		70,867	80,253
Derivative financial assets	<b>B8</b>	866	580
Trade receivables	<b>B14</b>	48,777	53,475
Other receivables, deposits and prepaid expenses		16,243	18,232
Amounts owing by an associate company		633	373
Tax recoverable		26,216	21,060
Cash and cash equivalents		174,329	164,225
		337,931	338,198
<b>TOTAL ASSETS</b>		<b>715,440</b>	<b>706,813</b>



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

**FINANCIAL YEAR ENDED 31 MARCH 2018**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2018 (cont'd)**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share capital	171,255	171,255
Reserves	414,910	398,966
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	586,165	570,221
Non-controlling interests	50,593	59,417
	<hr/>	<hr/>
<b>Total Equity</b>	<b>636,758</b>	<b>629,638</b>
	<hr/>	<hr/>
<b>Non-Current and Deferred Liabilities</b>		
Hire purchase payable	123	197
Provision for retirement benefits	10,312	10,957
Deferred tax liabilities	1,245	1,357
	<hr/>	<hr/>
	11,680	12,511
	<hr/>	<hr/>
<b>Current Liabilities</b>		
Trade payables	34,201	32,389
Other payables and accrued expenses	31,306	30,706
Derivative financial liabilities	268	1,040
Hire purchase payable	217	408
Tax liabilities	889	-
Dividend payable	121	121
	<hr/>	<hr/>
	67,002	64,664
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>78,682</b>	<b>77,175</b>
	<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>715,440</b>	<b>706,813</b>
	<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 ENDED 31 MARCH 2018**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2018**

The Group	Non-distributable Reserves				Fair value reserve RM'000	Distributable reserve - Retained earnings RM'000	Equity attributable to equity holders of the Company RM'000	Non-controlling interests RM'000	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Other reserve RM'000					
<b>As at 1 April 2016</b>	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)	-	-	10,022	-	4,006	444	14,472	6,151	20,623
Total comprehensive income/(loss)	-	-	10,022	-	4,006	49,098	63,126	14,841	77,967
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Transfer arising from “no par value” regime	34,321	(34,321)	-	-	-	-	-	-	-
<b>As at 31 March 2017</b>	<b>171,255</b>	<b>-</b>	<b>980</b>	<b>(322)</b>	<b>18,244</b>	<b>380,064</b>	<b>570,221</b>	<b>59,417</b>	<b>629,638</b>
<b>As at 1 April 2017</b>	171,255	-	980	(322)	18,244	380,064	570,221	59,417	629,638
Prior year adjustment	-	-	-	-	-	(1,647)	(1,647)	(706)	(2,353)
Profit for the year	-	-	-	-	-	32,677	32,677	4,470	37,147
Other comprehensive income/(loss)	-	-	(15,524)	-	5,742	1,543	(8,239)	(9,216)	(17,455)
Total comprehensive income/(loss)	-	-	(15,524)	-	5,742	34,220	24,438	(4,746)	19,692
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling interests of subsidiary company	-	-	-	-	-	-	-	(3,372)	(3,372)
<b>As at 31 March 2018</b>	<b>171,255</b>	<b>-</b>	<b>(14,544)</b>	<b>(322)</b>	<b>23,986</b>	<b>405,790</b>	<b>586,165</b>	<b>50,593</b>	<b>636,758</b>

The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017, 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 2018**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2018**

	<b>Cumulative 12-month Ended</b>	
	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before tax	51,372	73,831
Adjustments for:		
- Dividend income	(3,391)	(1,874)
- Interest income	(4,113)	(4,443)
- Interest expense	56	81
- Depreciation of property, plants and equipment	14,785	13,714
- Amortisation of biological assets	1,004	577
- Loss on disposal of property, plants and equipment	18	87
- Property, plants and equipment write off	191	42
- Share of (profit)/loss of an associate (net)	(312)	1,134
- Inventories written down and write off	85	873
- Provision/(Reversal) for doubtful debts	113	(856)
- Bad debt written off	12	-
- (Reversal)/Provision for incremental rental	(1,791)	1,027
- Unrealised loss/(gain) on foreign exchange	5,955	(5,397)
- Development cost waived	19	-
- Net revaluation (gain)/loss on derivative	(1,850)	2,819
- Provision for retirement benefits	292	1,654
Operating Profit Before Working Capital Changes	62,445	83,269
(Increase)/decrease in:		
- Inventories	8,417	(19,174)
- Trade receivables	5,616	(22,051)
- Other receivables, deposit and prepaid expenses	(9,808)	(8,963)
- Associate company	(260)	(283)
Increase/(decrease) in:		
- Trade payables	2,252	11,114
- Other payables and accrued expenses	(8,953)	(3,927)
<b>Cash Generated From Operating Activities</b>	<b>59,709</b>	<b>39,985</b>
- Income tax paid, net	(4,601)	(22,369)
- Retirement benefits paid, net	(21)	(407)
<b>Net Cash From Operating Activities</b>	<b>55,087</b>	<b>17,209</b>





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**FINANCIAL YEAR ENDED 31 MARCH 2018**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2018 (cont'd)**

	<b>Cumulative 12-month Ended</b>	
	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows Used In Investing Activities</b>		
- Interest received	4,113	4,443
- Dividend received	3,391	1,874
- Investment in quoted share	(163)	(205)
- Interest expenses	(56)	(81)
- Net conversion for KKPA and Plasma projects	(1,346)	(1,601)
- Proceeds from disposal of property, plant and equipment	161	258
- Addition to property, plant and equipment (net)	(30,796)	(17,027)
- Addition to biological assets	(3,191)	(4,345)
<b>Net Cash Used In Investing Activities</b>	<b>(27,887)</b>	<b>(16,684)</b>
<b>Cash Flows Used In Financing Activities</b>		
- Repayment of finance lease	(265)	(203)
- Decrease in amount pledged for credit facilities	50	-
- Dividend paid by:		
- The Company	(6,847)	(6,847)
- Subsidiary company to non-controlling interests	(3,723)	-
<b>Net Cash Used In Financing Activities</b>	<b>(10,785)</b>	<b>(7,050)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>16,415</b>	<b>(6,525)</b>
<b>Cash and Cash Equivalents</b>		
<b>at Beginning of Financial Year</b>	164,225	164,026
<b>Effect of Translation Differences</b>	(6,311)	6,724
<b>Cash and Cash Equivalents at End of Financial Year</b>	<b>174,329</b>	<b>164,225</b>
<b>Composition of Cash and Cash Equivalents:</b>		
- Cash and bank balances	75,859	83,194
- Fixed deposits with licensed banks	48,258	25,593
- Short-term placements	50,212	55,438
	<b>174,329</b>	<b>164,225</b>

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 ENDED 31 MARCH 2018**  
**FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2018**  
**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) <sup>1</sup>
MFRS 15	Revenue from Contracts with Customers (and the related clarifications) <sup>1</sup>
MFRS 16	Lease <sup>3</sup>
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards ( <i>Annual Improvements to FRS Standards 2014-2016 Cycle</i> ) <sup>1&amp;2</sup>
Amendments to MFRS 2	Share-based Payment – Classification and Measurement of Share based Payment Transactions <sup>1</sup>
Amendments to MFRS 4	Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts <sup>1</sup>
Amendments to MFRS 128	Investments in Associates and Joint Ventures ( <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i> ) <sup>1</sup>
Amendments to MFRS 140	Investment Property – Transfers of Investment Property <sup>1</sup>



- 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 year under review.

## **A5. Material Changes in Estimates**

There was no material change in the estimates of amounts reported during the financial year under review.

## **A6. Debt and Equity Securities**

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



#### A7. Dividends Paid

The following dividend was paid during the current and previous financial year ended.

	<b>31 March 2018</b>	<b>31 March 2017</b>
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		
	31.03.18 RM'000	31.03.17 RM'000	Changes %	31.03.18 RM'000	31.03.17 RM'000	Changes %	31.03.18 RM'000	31.03.17 RM'000	Changes %	31.03.18 RM'000	31.03.17 RM'000	Changes %	31.03.18 RM'000	31.03.17 RM'000	Changes %
<b>Revenue</b>															
Total Revenue	95,606	112,364	-14.9%	72,692	83,659	-13.1%	23,364	22,554	3.6%	7,379	3,569	106.7%	199,041	222,146	-10.4%
Less:															
Inter-segment sales	-	-	-	(113)	-	-	(645)	(645)	0.0%	(1,545)	(1,393)	10.9%	(2,303)	(2,038)	13.0%
External Sales	95,606	112,364	-14.9%	72,579	83,659	-13.2%	22,719	21,909	3.7%	5,834	2,176	168.1%	196,738	220,108	-10.6%
<b>Results</b>															
Segment results	(273)	5,607	-104.9%	4,917	13,684	-64.1%	7,551	6,409	17.8%	1,249	(24)	-5,304.2%	13,444	25,676	-47.6%
Finance Cost	-	-	-	(17)	(19)	-10.5%	-	-	-	-	-	-	(17)	(19)	10.5%
Share of result of an Associate (net)	-	-	-	-	-	-	-	-	-	59	(102)	-157.8%	59	(102)	-157.8%
Profit before tax	(273)	5,607	-104.9%	4,900	13,665	-64.1%	7,551	6,409	17.8%	1,308	(126)	-1,138.1%	13,486	25,555	-47.2%

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

	Oleochemical			Milling & Estate			Healthcare			Investment & Services			Consolidated		
	31.03.18 RM'000	31.03.17 RM'000	Changes %	31.03.18 RM'000	31.03.17 RM'000	Changes %	31.03.18 RM'000	31.03.17 RM'000	Changes %	31.03.18 RM'000	31.03.17 RM'000	Changes %	31.03.18 RM'000	31.03.17 RM'000	Changes %
<b>Revenue</b>															
Total Revenue	383,953	365,158	5.1%	275,946	283,092	-2.5%	87,296	82,677	5.6%	23,503	16,248	44.6%	770,698	747,175	3.1%
Less:															
Inter-segment	-	-	-	(144)	-	-	(2,580)	(2,580)	0.0%	(4,768)	(4,504)	5.9%	(7,492)	(7,084)	5.8%
External Sales	383,953	365,158	5.1%	275,802	283,092	-2.6%	84,716	80,097	5.8%	18,735	11,744	59.5%	763,206	740,091	3.1%
<b>Results</b>															
Segment results	5,889	21,409	-72.5%	20,170	33,719	-40.2%	22,333	19,449	14.8%	2,724	469	480.8%	51,116	75,046	-31.9%
Finance Cost	-	-	-	(56)	(81)	-30.9%	-	-	-	-	-	-	(56)	(81)	-30.9%
Share of result of an Associate (net)	-	-	-	-	-	-	-	-	-	312	(1,134)	-127.5%	312	(1,134)	-127.5%
Profit before tax	5,889	21,409	-72.5%	20,114	33,638	-40.2%	22,333	19,449	14.8%	3,036	(665)	-556.5%	51,372	73,831	-30.4%
<b>Assets</b>															
Segment assets	194,318	188,838	2.9%	327,679	339,842	-3.6%	106,252	89,195	19.1%	87,191	88,938	-2.0%	715,440	706,813	1.2%
<b>Liabilities</b>															
Segment liabilities	31,738	31,857	-0.4%	26,862	26,509	1.3%	16,118	16,388	-1.6%	3,964	2,421	63.7%	78,682	77,175	2.0%
<b>Exchange Rate</b>	<b>Financial Position – Closing Rate</b>			<b>Profit or Loss – Average Rate</b>											
	31.03.18	31.03.17	Changes	31.03.18	31.03.17	Changes									
USD : RM	3.8630	4.4230	-12.7%	4.1689	4.2059	-0.9%									
IDR : RM	0.0002810	0.0003320	-15.4%	0.0003103	0.0003171	-2.1%									
HKD : RM	0.4922	0.5692	-13.5%	0.5339	0.5421	-1.5%									



#### **A9. Carrying Amount of Revalued Assets**

There were no valuation of property, plant and equipment in the current quarter under review.

#### **A10. Material Event Subsequent to the End of the Financial Year**

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 current quarter and financial year ended 31 March 2018.

#### **A12. Changes in Contingencies**

There was 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 financial statements as at 31 March 2018 amounted to RM8.37 million.

#### **A14. Related Party Transactions**

During the financial year, the material business transactions entered by the Group with related parties were as follows:

	<b>Cumulative 12-month Ended 31.03.2018 RM'000</b>	<b>Cumulative 12-month Ended 31.03.2017 RM'000</b>
Sales of goods	1,550	1,617
Purchase of goods	5,820	9,011
Provision of administrative services	5,704	5,189



**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**

	Fourth Quarter Ended			
	31.03.2018	31.03.2017	Changes	Change s %
	RM'000	RM'000	RM'000	
Revenue	196,738	220,108	(23,370)	(10.6%)
Operation profit	13,444	25,676	(12,232)	(47.6%)
Profit before interest and tax	13,503	25,574	(12,071)	(47.2%)
Profit before tax	13,486	25,555	(12,069)	(47.2%)
Profit after tax	7,598	20,729	(13,131)	(63.3%)
Profit attributable to equity holders of the Company	8,388	16,812	(8,424)	(50.1%)

In the current quarter under review, the Group's revenue decreased by 10.6% to RM196.7 million compared to the preceding corresponding quarter's revenue of RM220.1 million. The decrease in revenue was mainly due to lower revenue from Oleochemical Segment and Milling & Estate Segment.

In line with the lower revenue, the Group's profit before taxation ("PBT") was lower by 47.2% to RM13.5 million compared to the preceding quarter's PBT of RM25.6 million. The decrease in PBT was mainly due to lower PBT recorded by Oleochemical Segment and Milling & Estate Segment. However, the lower PBT was moderated by the better performance of the Healthcare Segment and Investment & Services Segment.





## Oleochemical Segment

	Fourth Quarter Ended			
	31.03.2018	31.03.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
<b>(A) Financial Highlights:</b>				
Revenue	95,606	112,364	(16,758)	(14.9%)
Operation Profit/(Loss)	(273)	5,607	(5,880)	(104.9%)
Profit/(Loss) before interest and tax	(273)	5,607	(5,880)	(104.9%)
Profit/(Loss) before tax	(273)	5,607	(5,880)	(104.9%)
<b>(B) Non-Financial Highlights:</b>				
Production Capacity (MT)	25,000	25,000	-	-
Production Capacity Utilisation (%)	91.7%	103.0%	(11.3%)	(11.0%)
Quantity Sold (MT)	23,226	25,931	(2,705)	(10.4%)
Gross Profit Margin (%)	4.5%	5.4%	(0.9%)	(16.7%)

Oleochemical Segment registered a loss before tax (“LBT”) of RM0.3 million on the back of 14.9% lower in revenue to RM95.6 million compared to preceding corresponding quarter.

The decrease in revenue by RM16.8 million was due to lower sales volume as well as lower Average Selling Price (“ASP”). The sales volume were 10.5% and 9.3% lower for fatty acids and glycerine respectively whereas the ASP was 8.4% and 38.7% lower for fatty acids and glycerine respectively. The production capacity utilisation rate dropped from 103.0% to 91.7%.

In the current quarter, the LBT of RM0.3 million comprised core PBT of RM3.4 million and non-core LBT of RM3.7 million. The non-core LBT was mainly due to both realized and unrealized losses from foreign exchange.



### Milling & Estate Segment

	Fourth Quarter Ended			
	31.03.2018	31.03.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
<b>(A) Financial Highlights:</b>				
Revenue	72,579	83,659	(11,080)	(13.2%)
Operation profit	4,917	13,684	(8,767)	(64.1%)
Profit before interest and tax	4,917	13,684	(8,767)	(64.1%)
Profit before tax	4,900	13,665	(8,765)	(64.1%)
<b>(B) Non-Financial Highlights:</b>				
FFB Processed (MT)	122,418	94,140	28,278	30.0%
FFB Production (MT)	18,181	18,216	(35)	(0.2%)
CPO Sale Volume (MT)	25,831	23,595	2,236	9.5%
PK Sales Volume (MT)	6,800	5,568	1,232	22.1%
Average CPO Selling Price per MT (RM)	2,432	2,870	(438)	(15.3%)
Average PK Selling Price Per MT (RM)	2,078	2,774	(696)	(25.1%)

Milling & Estate Segment registered a substantial decrease of 64.1% in PBT to RM4.9 million on the back of a 13.2% decrease in revenue to RM72.6 million compared to the preceding corresponding quarter.

The decrease in revenue by RM11.1 million was due to lower ASP for CPO and PK by 15.3% and 25.1% respectively. This was despite higher sales volume for CPO and PK by 9.5% and 22.1% respectively.

The current quarter PBT of RM4.9 million comprised core PBT of RM3.3 million and non-core PBT of RM1.6 million.



## Healthcare Segment

	Fourth Quarter Ended			
	31.03.2018	31.03.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
<b>(A) Financial Data:</b>				
Revenue	22,719	21,909	810	3.7%
Operation profit	7,551	6,409	1,142	17.8%
Profit before interest and tax	7,551	6,409	1,142	17.8%
Profit before tax	7,551	6,409	1,142	17.8%
<b>(B) Statistics:</b>				
Bed Occupancy Rate (%)	61.2%	68.7%	(7.5%)	(10.9%)
Number of patient				
a. Outpatient	20,040	19,331	709	3.7%
b. Inpatient	3,274	3,703	(429)	(11.6%)
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	145	196	(51)	(26.0%)
b. Inpatient	5,770	4,665	1,105	23.7%

Healthcare Segment registered an increase in revenue and PBT by 3.7% and 17.8% to RM22.7 million and RM7.6 million respectively compared to the preceding corresponding quarter.

The ARPP for inpatient increased by 23.7% to RM5,770 whereas the ARPP for outpatient registered 26.0% lower to RM145 compared to the preceding corresponding quarter. The higher ARPP for inpatient was driven by more complex surgery cases.

The bed occupancy rate decreased from 68.7% to 61.2%.

The PBT of RM7.6 million comprised core PBT of RM6.9 million and non-core PBT of RM0.7 million.



### Current Financial Year vs Preceding Financial Year

	Cumulative 12-month Ended			
	31.03.2018	31.03.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	763,206	740,091	23,115	3.1%
Operation profit	51,116	75,046	(23,930)	(31.9%)
Profit before interest and tax	51,428	73,912	(22,484)	(30.4%)
Profit before tax	51,372	73,831	(22,459)	(30.4%)
Profit after tax	37,147	57,344	(20,197)	(35.2%)
Profit attributable to equity holders of the Company	32,677	48,654	(15,977)	(32.8%)

In the current financial year under review, the Group's revenue marginally increased by 3.1% to RM763.2 million compared to the preceding year's revenue of RM740.1 million. Despite the marginal increase in revenue, the Group's PBT decreased by 30.4% to RM51.4 million compared to the preceding year's PBT of RM73.8 million. The decrease in PBT was mainly due to lower contribution from Oleochemical Segment and Milling & Estate Segment.



## Oleochemical Segment

	Cumulative 12-month Ended			
	31.03.2018 RM'000	31.03.2017 RM'000	Changes RM'000	Changes %
<b>(A) Financial Highlights:</b>				
Revenue	383,953	365,158	18,795	5.1%
Operation profit	5,889	21,409	(15,520)	(72.5%)
Profit before interest and tax	5,889	21,409	(15,520)	(72.5%)
Profit before tax	5,889	21,409	(15,520)	(72.5%)
<b>(B) Non-Financial Highlights:</b>				
Production Capacity (MT)	100,000	100,000	-	n/a
Production Capacity Utilisation (%)	93.9%	94.5%	(0.6%)	(0.6%)
Quantity Sold (MT)	94,068	94,076	(8)	n/a
Gross Profit Margin (%)	3.7%	6.2%	(2.5%)	(40.3%)

Despite a 5.1% increase in revenue to RM384.0 million, Oleochemical Segment registered a substantial 72.5% decrease in PBT to RM5.9 million compared to a PBT of RM21.4 million in the preceding year.

The increase in revenue by RM18.8 million was mainly due to higher ASP for both fatty acids and glycerine. The ASP which were higher by 2.7% and 35.7% respectively.

The production capacity utilisation was marginally lower from 94.5% to 93.9%. However due to the higher production cost, the gross profit margin was lower from 6.2% to 3.7%.

In the current year, the PBT of RM5.9 million comprised core PBT of RM9.6 million and non-core LBT of RM3.7 million. The non-core LBT was mainly due to both realized and unrealized losses from foreign exchange.



### Milling & Estate Segment

	Cumulative 12-month Ended			
	31.03.2018	31.03.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
<b>(A) Financial Highlights:</b>				
Revenue	275,802	283,092	(7,290)	(2.6%)
Operation profit	20,170	33,719	(13,549)	(40.2%)
Profit before interest and tax	20,170	33,719	(13,549)	(40.2%)
Profit before tax	20,114	33,638	(13,524)	(40.2%)
<b>(B) Non-Financial Highlights:</b>				
FFB Processed (MT)	456,499	430,467	26,032	6.0%
FFB Production (MT)	71,569	75,045	(3,476)	(4.6%)
CPO Sales Volume (MT)	91,659	88,223	3,436	3.9%
PK Sales Volume (MT)	23,418	21,126	2,292	10.8%
Average CPO Selling Price Per MT	2,459	2,617	(158)	(6.0%)
Average PK Selling Price Per MT	2,086	2,393	(307)	(12.8%)

Milling & Estate Segment registered a decrease in revenue and PBT by 2.6% and 40.2% to RM275.8 million and RM20.1 million respectively compared to the preceding financial year.

The marginal decrease in revenue by RM7.3 million was contributed by lower ASP of CPO and PK by 6.0% and 12.8% to RM2,459.00 and RM2,086.00 respectively. This was despite higher sales volume registered in CPO and PK by 3.9% and 10.8% respectively.

The current year PBT of RM20.1 million comprised core PBT of RM16.2 million and non-core PBT of RM3.9 million.



## Healthcare Segment

	Cumulative 12-month Ended			
	31.03.2018 RM'000	31.03.2017 RM'000	Changes RM'000	Changes %
<b>(A) Financial Highlights:</b>				
Revenue	84,716	80,097	4,619	5.8%
Operation profit	22,333	19,449	2,884	14.8%
Profit before interest and tax	22,333	19,449	2,884	14.8%
Profit before tax	22,333	19,449	2,884	14.8%
<b>(B) Non-Financial Highlights:</b>				
Bed Occupancy Rate (%)	57.9%	59.4%	(1.5%)	(2.5%)
Number of Patient				
a. Outpatient	80,031	76,981	3,050	4.0%
b. Inpatient	12,716	13,284	(568)	(4.3%)
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	154	189	(35)	(18.5%)
b. Inpatient	5,437	4,686	751	16.0%

In line with 5.8% higher in revenue to RM84.7 million, Healthcare Segment registered 14.8% higher in PBT to RM22.3 million compared to the preceding year.

The ARPP for inpatient registered 16.0% higher to RM5,437 whereas the ARPP for outpatient registered 18.5% lower to RM154 compared to the preceding year. The higher ARPP of inpatient was driven by more complex surgery cases.

The bed occupancy rate decreased from 59.4% to 57.9%.

The PBT of RM22.3 million comprised core PBT of RM19.9 million and non-core PBT of RM2.4 million.



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

	Individual Quarter Ended			
	31.03.2018	31.12.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	196,738	198,762	(2,024)	(1.0%)
Operation profit	13,444	17,831	(4,387)	(24.6%)
Profit before interest and tax	13,503	17,782	(4,279)	(24.1%)
Profit before tax	13,486	17,764	(4,278)	(24.1%)
Profit after tax	7,598	13,747	(6,149)	(44.7%)
Profit attributable to equity holders of the Company	8,388	10,806	(2,418)	(22.4%)

In the current quarter under review, the Group reported a decrease in revenue and PBT by 1.0% and 24.1% to RM196.7 million and RM13.5 million respectively compared to the immediate preceding quarter. The substantial decrease in PBT was due mainly to lower contribution from Oleochemical Segment and Milling & Estate Segment. However, the lower PBT was moderated by better performance from Healthcare Segment and Investment & Services Segment.

## B3. Prospect of the Group

### Oleochemical Segment

The Oleochemical Segment continues to remain very challenging. The current high production costs and thin gross margin as well as the volatility of USD/MYR exchange rate continue to be a concern for the financial year ending 31 March 2019 (“FY2019”).

### Milling & Estate Segment

Based on the market expectation, CPO prices for FY2019 are expected to be suppressed. The main reasons are as follows:-

1. The demand from India is expected to be affected by its November 2017 hike of import duty on CPO from 15% to 30% as well as hike of duty on refined palm from 25% to 40%; and
2. The regional production of palms is expected to fully recover this year hence production is likely to normalise.

### Healthcare Segment

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





### Overall

It will be a challenging year for the Group. 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 year under review.

#### **B5. Income Tax Expense**

	Fourth Quarter Ended		Cumulative 12-month Ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Estimated tax payable				
- Malaysia tax expense	794	1,136	5,237	8,306
- Overseas tax expense	4,133	2,769	8,027	7,260
	<u>4,927</u>	<u>3,905</u>	<u>13,264</u>	<u>15,566</u>
Provision for deferred tax	961	921	961	921
Total	<u>5,888</u>	<u>4,826</u>	<u>14,225</u>	<u>16,487</u>

#### **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 March 2018: -

	Unaudited as at		Audited as at	
	31.03.2018 Foreign Currency IDR million	31.03.2018 RM Equivalent RM'000	31.03.2017 Foreign Currency IDR million	31.03.2017 RM Equivalent RM'000
<b>Short term (Secured)</b>				
- Hire purchase payable Denominated in IDR	771	217	1,229	408
<b>Long term (Secured)</b>				
- Hire purchase payable Denominated in IDR	438	123	595	197
<b>Effective interest rate</b>		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 financial year 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 2018 was as follows:

	Contract Value RM'000	Fair Value attributed to price changes at period closing Asset/(Liabilities) RM'000
<b>Based Currency</b>	< 1 year	< 1 year
USD	8,206	7,340



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

	<b>Contract Value RM'000</b>	<b>Fair Value attributed to price changes at period closing Asset/(Liabilities) RM'000</b>
<b>Commodity</b>	< 1 year	< 1 year
Sell	121	-
Buy	6,671	(268)

**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**

A proposed single tier final dividend of 5.00 sen per ordinary share for the financial year ended 31 March 2018 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**

	<b>Fourth Quarter Ended</b>		<b>Cumulative 12-month Ended</b>	
	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>31.03.2018</b>	<b>31.03.2017</b>
Profit attributable to equity holders of the Company (in RM'000)	8,388	16,812	32,677	48,654
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	6.13	12.28	23.86	35.53

**B12. Realized and Unrealized Retained Earnings**

	<b>Unaudited As at 31.03.2018 RM'000</b>	<b>Audited As at 31.03.2017 RM'000</b>
Total retained earnings of the Group		
- Realized	413,898	396,810
- Unrealized	3,112	(5,919)
	417,010	390,891
Less: Consolidation adjustments	(11,220)	(10,827)
Total Group retained earnings	405,790	380,064

**B13. Profit for the year**

	<b>Cumulative 12-month Ended</b>	
	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the year is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	4,113	4,443
- Interest expense	(56)	(81)
- Other income	(878)	5,208
- Depreciation and amortization	(15,789)	(14,291)
- Inventories written down and write off	(85)	(873)
- Provision/(Reversal) for doubtful debt	(113)	856
- Bad debt written off	(12)	-
- Gain/(loss) on foreign exchange:		
Realised	1,916	1,701
Unrealised	(5,955)	5,397
- Net revaluation gain/(loss) on derivatives financial assets/liabilities	684	(2,176)
- Net revaluation gain/(loss) on commodity future contract	1,166	(643)

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**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>31.03.2018</b>	<b>31.03.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Third parties	48,301	53,480
Related parties	1,159	784
Trade receivable	49,460	54,264
Less: allowance for doubtful debts	(683)	(789)
Trade receivable, net	48,777	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 RM683,000 (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: -

	<b>Unaudited As at 31.03.2018 RM'000</b>	<b>Audited As at 31.03.2017 RM'000</b>
Neither past due nor impaired	43,372	48,196
Past due but not impaired		
31 – 60 days	4,212	4,209
61 – 90 days	594	1,059
91 – 120 days	388	11
121 – 150 days	211	-
	5,405	5,279
Past due and impaired	683	789
Trade receivable	49,460	54,264

#### **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 fourth quarter of FY2018 was authorised for issuance by the Board of Directors of the Company on 25 May 2018.