

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 2019

FIRST FINANCIAL QUARTER ENDED 30 JUNE 2018
(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 2019
INTERIM FINANCIAL REPORT
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2018

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

FINANCIAL YEAR ENDING 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2018

	Note	Cumulative 3-month Ended		Changes %
		30.06.2018 RM'000	30.06.2017 RM'000	
Revenue	A8	157,950	178,659	-11.6%
- Cost of Sales		(139,087)	(154,922)	10.2%
Gross Profit		18,863	23,737	-20.5%
- Administrative Expenses		(13,437)	(14,147)	5.0%
- Other Income		4,320	983	339.5%
Profit from operations		9,746	10,573	-7.8%
- Interest expense		(8)	(12)	33.3%
- Share of result of an associate (net)		305	125	144.0%
Profit before tax	A8	10,043	10,686	-6.0%
- Income tax expense	B5	(2,118)	(2,023)	-4.7%
Profit for the period	B12	7,925	8,663	-8.5%
Attributable to:				
- Equity holders of the Company		6,779	7,748	-12.5%
- Non-controlling interests		1,146	915	25.2%
		7,925	8,663	-8.5%
Earnings per share (sen) attributable to equity holder of the Company				
- Basic and diluted	B11	4.95	5.66	-12.5%



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE
INCOME FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2018

	Note	Cumulative 3-month Ended		
		30.06.2018 RM'000	30.06.2017 RM'000	Changes %
Profit for the period	B12	7,925	8,663	-8.5%
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
- Available-for-sales financial assets		(4,200)	2,707	-255.2%
- Exchange differences on translation of foreign subsidiaries		446	(3,276)	113.6%
Total comprehensive income for the period		<u>4,171</u>	<u>8,094</u>	-48.5%
Attributable to:				
- Equity holders of the Company		2,861	8,774	-67.4%
- Non-controlling interests		1,310	(680)	292.6%
		<u>4,171</u>	<u>8,094</u>	-48.5%

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 2018, 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 2019
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Unaudited As at 30.06.2018 RM'000	Audited As at 31.03.2018 RM'000
ASSETS			
Non-Current Assets			
Land held for property development		141,926	141,926
Property, plant and equipment	A9	149,013	149,179
Investment property		3,318	3,318
Biological assets		22,954	22,291
Investment in an associate		2,824	2,519
Available-for-sale investments		44,777	48,895
Advances for KKPA program		7,973	7,381
Deferred tax assets		2,003	1,893
		374,788	377,402
Current Assets			
Inventories		80,809	70,866
Derivative financial assets	B8	9	866
Trade receivables	B13	38,928	45,862
Other receivables, deposits and prepaid expenses		17,151	18,298
Amounts owing by an associate company		2,109	630
Tax recoverable		30,136	28,461
Cash and cash equivalents		174,206	174,381
		343,348	339,364
TOTAL ASSETS		718,136	716,766



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 (cont'd)

	Unaudited	Audited
	As at	As at
	30.06.18	31.03.2018
	RM'000	RM'000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	171,255	171,255
Reserves	418,147	415,286
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	589,402	586,541
Non-controlling interests	51,791	50,481
	<hr/>	<hr/>
Total Equity	641,193	637,022
	<hr/>	<hr/>
Non-Current and Deferred Liabilities		
Hire purchase payable	103	123
Provision for retirement benefits	10,743	10,312
Deferred tax liabilities	1,937	1,937
	<hr/>	<hr/>
	12,783	12,372
	<hr/>	<hr/>
Current Liabilities		
Trade payables	25,935	37,032
Other payables and accrued expenses	36,810	29,177
Derivative financial liabilities	-	268
Hire purchase payable	171	217
Tax liabilities	1,123	557
Dividend payable	121	121
	<hr/>	<hr/>
	64,160	67,372
	<hr/>	<hr/>
TOTAL LIABILITIES	76,943	79,744
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	718,136	716,766
	<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 2018, 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 2019
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2018

The Group	Non-distributable				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	Reserves Foreign exchange reserve RM'000	Other reserve RM'000					
As at 1 April 2017	171,255	-	980	(322)	18,244	380,064	570,221	59,417	629,638
Profit for the year	-	-	-	-	-	7,748	7,748	915	8,663
Other comprehensive income/(loss)	-	-	(1,681)	-	2,707	-	1,026	(1,595)	(569)
Total comprehensive income/(loss)	-	-	(1,681)	-	2,707	7,748	8,774	(680)	8,094
As at 30 June 2017	171,255	-	(701)	(322)	20,951	387,812	578,995	58,737	637,732
As at 1 April 2018	171,255	-	(14,553)	(322)	23,986	406,175	586,541	50,481	637,022
Profit for the year	-	-	-	-	-	6,779	6,779	1,146	7,925
Other comprehensive income/(loss)	-	-	282	-	(4,200)	-	(3,918)	164	(3,754)
Total comprehensive income/(loss)	-	-	282	-	(4,200)	6,779	2,861	1,310	4,171
As at 30 June 2018	171,255	-	(14,271)	(322)	19,786	412,954	589,402	51,791	641,193

The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2018, 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 2019
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2018

	Cumulative 3-month Ended	
	30.06.2018	30.06.2017
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	10,043	10,686
Adjustments for:		
- Dividend income	(124)	(1,274)
- Interest income	(1,114)	(1,111)
- Interest expense	8	12
- Depreciation of property, plants and equipment	3,938	3,888
- Amortisation of biological assets	204	451
- Loss on disposal of property, plants and equipment	-	10
- Property, plants and equipment write off	-	190
- Share of (profit)/loss of associate (net)	(305)	(125)
- Inventories written down and write off	2	513
- Bad debt written off	-	12
- Provision for incremental rental	186	185
- Unrealised loss/(gain) on foreign exchange	(4,887)	1,929
- Net revaluation (gain)/loss on derivative	284	186
- Provision for retirement benefits	401	175
Operating Profit Before Working Capital Changes	8,636	15,727
(Increase)/decrease in:		
- Inventories	(9,881)	(905)
- Trade receivables	14,331	17,270
- Other receivables, deposit and prepaid expenses	1,462	(3,538)
- Associate company	(1,440)	(1,424)
Increase/(decrease) in:		
- Trade payables	(7,150)	(5,867)
- Other payables and accrued expenses	3,019	2,845
Cash Generated From Operating Activities	8,977	24,108
- Income tax paid, net	(5,443)	(2,983)
Net Cash From Operating Activities	3,534	21,125



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2018 (cont'd)

	Cumulative 3-month Ended	
	30.06.2018	30.06.2017
	RM'000	RM'000
Cash Flows From/(Used In) Investing Activities		
- Interest received	1,114	1,111
- Dividend received	124	1,274
- Investment in quoted share	(81)	(77)
- Interest expenses	(8)	(12)
- Net conversion for KKPA and Plasma projects	(566)	(126)
- Proceeds from disposal of property, plant and equipment	-	133
- Addition to property, plant and equipment (net)	(3,362)	(8,184)
- Addition to biological assets	(783)	(651)
Net Cash Used In Investing Activities	(3,562)	(6,532)
Cash Flows Used In Financing Activity		
- Repayment of finance lease	(67)	(113)
Net Cash Used In Financing Activity	(67)	(113)
Net Increase in Cash and Cash Equivalents	(95)	14,480
Cash and Cash Equivalents		
at Beginning of Financial Period	174,381	164,539
Effect of Translation Differences	(80)	2,575
Cash and Cash Equivalents at End of Financial Period	174,206	181,594
Composition of Cash and Cash Equivalents:		
- Cash and bank balances	94,506	93,202
- Fixed deposits with licensed banks	22,243	25,197
- Short-term placements	57,457	63,195
	174,206	181,594

The consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 March 2018, 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 2019
FIRST FINANCIAL QUARTER ENDED 30 JUNE 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 2018. 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 2018

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 2018, except for the adoption of the following amendments to Malaysian Financial Reporting Standards (MFRSs) during the financial period:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers (and the related clarifications)
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (<i>Annual Improvements to FRS Standards 2014-2016 Cycle</i>)
Amendments to MFRS 140	Investment Property – Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRSs	Annual Improvements to MFRSs 2014 – 2016 cycle

The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group, except for the classification of available-for-sale (AFS) investment to Fair Value through Other Comprehensive Income (FVTOCI).



The Group has not elected for early adoption of the relevant new and revised MFRSs, amendments to MFRSs and Interpretations which have been issued but not yet effective until future periods. The adoption of these Standards when they become effective will have no material impact on the financial statements of the Group.

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

No dividend was paid by the Company during the interim financial period under review.



A8. Segmental Information

(a) Results for the Quarter/ Results for Year-To-Date

	Oleochemical			Milling & Estate			Healthcare			Investment & Services			Consolidated		
	30.06.18 RM'000	30.06.17 RM'000	Changes %	30.06.18 RM'000	30.06.17 RM'000	Changes %	30.06.18 RM'000	30.06.17 RM'000	Changes %	30.06.18 RM'000	30.06.17 RM'000	Changes %	30.06.18 RM'000	30.06.17 RM'000	Changes %
Revenue															
Total Revenue	76,221	97,176	-21.6%	57,087	55,863	2.2%	20,847	21,849	-4.6%	5,349	5,363	-0.3%	159,504	180,251	-11.5%
Less:															
Inter-segment sales	-	-	-	-	-	-	(645)	(645)	0.0%	(909)	(947)	-4.0%	(1,554)	(1,592)	-2.4%
External Sales	76,221	97,176	-21.6%	57,087	55,863	2.2%	20,202	21,204	-4.7%	4,440	4,416	0.5%	157,950	178,659	-11.6%
Results															
Segment results	861	2,040	-57.8%	3,494	2,554	36.8%	5,204	4,947	5.2%	187	1,032	-81.9%	9,746	10,573	-7.8%
Finance Cost	-	-	-	(8)	(12)	33.3%	-	-	-	-	-	-	(8)	(12)	33.3%
Share of result of an Associate (net)	-	-	-	-	-	-	-	-	-	305	125	144.0%	305	125	144.0%
Profit before tax	861	2,040	-57.8%	3,486	2,542	37.1%	5,204	4,947	5.2%	492	1,157	-57.5%	10,043	10,686	-6.0%

Exchange Rate

	Financial Position – Closing Rate			Profit or Loss – Average Rate		
	30.06.18	30.06.17	Changes	30.06.18	30.06.17	Changes
USD : RM	4.0375	4.2940	-6.0%	3.9481	4.3314	-8.8%
IDR : RM	0.0002820	0.0003220	-12.4%	0.0002830	0.0003255	-13.1%
HKD : RM	0.5145	0.5501	-6.5%	0.5031	0.5363	-6.2%



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 2018 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 2018.

A13. Capital Commitments

The capital commitments not recognized in the interim financial statements as at 30 June 2018 amounting to RM6.36 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 3-month Ended 30.06.2018 RM'000	Cumulative 3-month Ended 30.06.2017 RM'000
Sales of goods	350	490
Purchase of goods	3,678	211
Provision of administrative services	1,171	1,265



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

	30.06.2018 RM'000	First Quarter Ended		
		30.06.2017 RM'000	Changes RM'000	Changes %
Revenue	157,950	178,659	(20,709)	(11.6%)
Operation profit	9,746	10,573	(827)	(7.8%)
Profit before interest and tax	10,051	10,698	(647)	(6.0%)
Profit before tax	10,043	10,686	(643)	(6.0%)
Profit after tax	7,925	8,663	(738)	(8.5%)
Profit attributable to equity holders of the Company	6,779	7,748	(969)	(12.5%)

In the current quarter under review, the Group revenue declined 11.6% to RM158.0 million from RM178.7 million achieved in the preceding corresponding quarter. This was mainly attributed to lower revenue contribution from the Oleochemical Segment, which accounted for 48.3% of Group revenue in the current quarter.

Consequently, Group profit before taxation ("PBT") declined 6.0% to RM10.0 million from RM10.7 million reported in the preceding corresponding quarter. The decline was mainly due to lower PBT contribution from the Oleochemical Segment, mitigated by an improved performance in the Milling & Estate Segment as well as the Healthcare Segment respectively.



Oleochemical Segment

	30.06.2018 RM'000	First Quarter Ended		
		30.06.2017 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	76,221	97,176	(20,955)	(21.6%)
Operation Profit	861	2,040	(1,179)	(57.8%)
Profit before interest and tax	861	2,040	(1,179)	(57.8%)
Profit before tax	861	2,040	(1,179)	(57.8%)
(B) Non-Financial Highlights:				
Production Capacity (MT)	25,000	25,000	-	-
Production Utilisation (%)	86.2%	91.0%	(4.8%)	(5.3%)
Quantity Sold (MT)	19,398	22,434	(3,036)	(13.5%)
Gross Profit Margin (%)	(0.4%)	3.5%	(3.9%)	(111.4%)

Revenue in the Oleochemical Segment fell 21.6% to RM76.2 million from RM97.2 million achieved in the preceding corresponding quarter. This was due to both a decline in sales volume as well as in the Average Selling Price (“ASP”) for fatty acids, which dropped by 16.0% and 12.2% respectively in the quarter. Production capacity utilisation rate was lower at 86.2% from 91.0% achieved in the preceding corresponding quarter.

The Oleochemical Segment delivered PBT of 0.9 million in the quarter, which comprised core loss before tax (“LBT”) of RM1.4 million and non-core PBT of RM2.3 million. The non-core PBT was mainly due to both realised losses and unrealised gain from foreign exchange.



Milling & Estate Segment

	30.06.2018 RM'000	First Quarter Ended		Changes RM'000	Changes %
		30.06.2017 RM'000			
(A) Financial Highlights:					
Revenue	57,087	55,863	1,224		2.2%
Operation profit	3,494	2,554	940		36.8%
Profit before interest and tax	3,494	2,554	940		36.8%
Profit before tax	3,486	2,542	944		37.1%
(B) Non-Financial Highlights:					
FFB Processed (MT)	126,658	91,692	34,966		38.1%
FFB Production (MT)	17,993	14,436	3,557		24.6%
CPO Sale Volume (MT)	21,402	18,511	2,891		15.6%
PK Sales Volume (MT)	5,893	4,074	1,819		44.6%
Average CPO Selling Price per MT (RM)	2,203	2,590	(387)		(14.9%)
Average PK Selling Price Per MT (RM)	1,626	1,826	(200)		(11.0%)

Revenue in the Milling & Estate Segment increased 2.2% to RM57.1 million from RM55.9 million achieved in the preceding corresponding quarter. The better performance was attributed to higher sales volume of Crude Palm Oil (“CPO”) and Palm Kernel (“PK”), which rose 15.6% and 44.6% respectively. However, this was partly offset by weaker ASP of both CPO and PK, where the respective average selling price declined 14.9% and 11.0% in the quarter.

Segment PBT rose by a stronger 37.1% to RM3.5 million in the quarter under review. This comprised core PBT of RM1.2 million and non-core PBT of RM2.3 million. The non-core PBT was mainly derived from interest income and sale proceeds from the disposal of PK, shells and scraps.



Healthcare Segment

	First Quarter Ended			
	30.06.2018	30.06.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Data:				
Revenue	20,202	21,204	(1,002)	(4.7%)
Operation profit	5,204	4,947	257	5.2%
Profit before interest and tax	5,204	4,947	257	5.2%
Profit before tax	5,204	4,947	257	5.2%
(B) Statistics:				
Bed Occupancy Rate (%)	52.9%	62.3%	(9.4%)	(15.1%)
Number of patients				
a. Outpatient	19,526	20,081	(555)	(2.8%)
b. Inpatient	3,011	3,357	(346)	(10.3%)
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	149	175	(26)	(14.9%)
b. Inpatient	5,482	5,017	465	9.3%

Revenue in the Healthcare Segment declined 4.7% to RM20.2 million from RM21.2 million achieved in the preceding corresponding quarter.

In the quarter, the number of registered inpatients and outpatients eased by 10.3% and 2.8% respectively to 3,011 and 19,526. The ARPP for inpatient however increased 9.3% to RM5,482 but the ARPP for outpatient decreased 14.9% to RM149.

Overall bed occupancy rate declined to 52.9% from 62.3% previously.

Segment PBT rose 5.2% to RM5.2 million in the quarter under review. This comprised core PBT of RM4.5 million and non-core PBT of RM0.7 million.



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

	Individual Quarter Ended			
	30.06.2018	31.03.2018	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	157,950	196,636	(38,686)	(19.7%)
Operation profit	9,746	13,458	(3,712)	(27.6%)
Profit before interest and tax	10,051	13,517	(3,466)	(25.6%)
Profit before tax	10,043	13,500	(3,457)	(25.6%)
Profit after tax	7,925	7,857	68	0.9%
Profit attributable to equity holders of the Company	6,779	8,648	(1,869)	(21.6%)

In the current quarter under review, Group revenue declined 19.7% to RM158.0 million from RM196.6 million achieved in the immediate preceding quarter. This was mainly due to lower revenue contribution from the three core segments of Oleochemical, Milling & Estate and Healthcare in the comparative period.

Consequently, Group PBT declined 25.9% to RM10.0 million from RM13.5 million reported in the immediate preceding quarter. Group PBT performance was impacted by lower PBT contribution from the Milling & Estate and Healthcare Segments, which fell 28.6% and 31.6% respectively in the comparative period. However, this was mitigated by improved contribution from the Oleochemical Segment, which achieved a segment PBT of RM0.9 million in the current quarter, compared to a segment LBT of RM0.3 million in the immediate preceding quarter.

B3. Prospect of the Group

Oleochemical Segment

The Oleochemical Segment continues to be hampered by high production costs and thin gross profit margins. The industry is also faced with more intense competition in the international market. These would be key factors undermining the Segment operations in this financial year ending 31 March 2019 ("FY2019").

Although the Segment would have benefited from the recent weakening of the MYR against the USD, the volatility of USD/MYR remains a cause for concern going forward.



Milling & Estate Segment

CPO prices have continued to ease in the quarter under review. The price outlook in CPO is expected to remain subdued, undermined by key factors such as:

1. Potentially slower demand from India as a result of its November 2017 hike in import duty on CPO from 15% to 30%, as well as the hike in duty on refined palm from 25% to 40%; and
2. Normalised overall palm production translating to the current recovery in the regional production of palms

Healthcare Segment

The Healthcare Segment is expected to remain stable in FY2019, underpinned by growing healthcare awareness, rising medical insurance coverage, expanding middle income group and an ageing population.

Key performance drivers are in the growth of inpatients and outpatients, as well as in the average revenue per patient.

Overall

FY2019 is expected to remain challenging considering the outlook of our respective Segments. The Board will endeavour to achieve an optimal performance in our Group operations for the year.

B4. Profit Forecast

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

B5. Income Tax Expense

	Cumulative 3-month Ended	
	30.06.2018	30.06.2017
	RM'000	RM'000
Estimated tax payable		
- Malaysian tax expense	1,280	1,543
- Overseas tax expense	838	480
	2,118	2,023
- Provision of deferred tax	-	-
Total	2,118	2,023



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 June 2018:-

	Unaudited as at		Audited as at	
	30.06.2018 Foreign Currency IDR million	30.06.2018 RM Equivalent RM'000	31.03.2018 Foreign Currency IDR million	31.03.2018 RM Equivalent RM'000
Short term (Secured)				
- Hire purchase payable Denominated in IDR	605	171	771	217
Long term (Secured)				
- Hire purchase payable Denominated in IDR	366	103	438	123
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 June 2018 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	68,041	68,032

(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 June 2018, the outstanding Commodity future contracts with effective dates of execution up to September 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
Buy	407	-

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 2018.



B10. Dividends

The Board of Directors had on 25 May 2018 recommended a Single Tier Final Dividend of 5.0 sen per ordinary share of RM1.00 each, amounting to a total payout of RM6,846,707 in respect of the financial year ended 31 March 2018. This dividend proposal is subject to the approval by shareholders at the forthcoming Annual General Meeting of the Company.

On 30 July 2018, the Board of Directors had further announced that the recommended Single Tier Final Dividend, if approved by the shareholders, shall be paid on 28 September 2018.

B11. Earnings per Share

	Cumulative 3-month Ended	
	30.06.2018	30.06.2017
Profit attributable to equity holders of the Company (in RM'000)	6,779	7,748
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934
Basic earnings per share (in Sen)	4.95	5.66

B12. Profit for the year

	Cumulative 3-month Ended	
	30.06.2018	30.06.2017
	RM'000	RM'000
Profit for the year is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	1,114	1,111
- Interest expense	(8)	(12)
- Other income	5,368	983
- Depreciation and amortization	(4,142)	(4,339)
- Inventories written down and write off	(2)	(513)
- Bad debt written off	-	(12)
- Gain/(loss) on foreign exchange:		
Realised	2,275	462
Unrealised	4,887	(1,929)
- Net revaluation loss on derivatives financial assets/liabilities	(284)	(186)

**B13. Trade Receivables**

	Unaudited As at 30.06.2018 RM'000	Audited As of 31.03.2018 RM'000
Third parties	38,639	45,459
Related parties	972	1,086
Trade receivable	39,611	46,545
Less: allowance for doubtful debts	(683)	(683)
Trade receivable, net	38,928	45,862

The credit period granted on sales of goods and services rendered ranges from 30 to 90 days (2018: 30 to 90 days).

An allowance of RM683,000 (2018: RM683,000) 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 30.06.2018 RM'000	Audited As of 31.03.2018 RM'000
Neither past due nor impaired	29,803	38,147
Past due but not impaired		
31 – 60 days	7,732	6,887
61 – 90 days	524	716
91 – 120 days	601	112
121 – 150 days	268	-
	9,125	7,715
Past due and impaired	683	683
Trade receivable	39,611	46,545



B14. Auditors' Report on Preceding Annual Financial Statements

The audit report for the financial year ended 31 March 2018 was not subject to any qualifications.

This Interim Financial Report of Southern Acids (M) Berhad for the first quarter of FY2019 was authorised for issuance by the Board of Directors of the Company on 28 August 2018.