

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

SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2018

	Note	Second Quarter Ended			Cumulative 6-month Ended		
		30.09.2018 RM'000	30.09.2017 RM'000	Changes %	30.09.2018 RM'000	30.09.2017 RM'000	Changes %
Revenue	A8	153,042	189,047	-19.0%	310,992	367,706	-15.4%
- Cost of Sales		(127,124)	(168,504)	24.6%	(266,211)	(323,426)	17.7%
Gross Profit		25,918	20,543	26.2%	44,781	44,280	1.1%
- Administrative Expenses		(15,273)	(13,395)	-14.0%	(28,710)	(27,542)	-4.2%
- Other Income		2,647	2,121	24.8%	6,967	3,104	124.5%
Profit from operations		13,292	9,269	43.4%	23,038	19,842	16.1%
- Interest expense		(5)	(9)	44.4%	(13)	(21)	38.1%
- Share of result of an Associate (net)		32	176	-81.8%	337	301	12.0%
Profit before tax	A8	13,319	9,436	41.2%	23,362	20,122	16.1%
- Income tax expense	B5	(2,685)	(2,297)	-16.9%	(4,803)	(4,320)	-11.2%
Profit for the period	B13	10,634	7,139	49.0%	18,559	15,802	17.4%
Attributable to:							
- Equity holders of the Company		8,295	5,735	44.6%	15,074	13,483	11.8%
- Non-controlling interests		2,339	1,404	66.6%	3,485	2,319	50.3%
		<u>10,634</u>	<u>7,139</u>	<u>49.0%</u>	<u>18,559</u>	<u>15,802</u>	<u>17.4%</u>
Earnings per share (sen) attributable to equity holder of the Company							
- Basic and diluted	B12	<u>6.06</u>	<u>4.19</u>	<u>44.6%</u>	<u>11.01</u>	<u>9.85</u>	<u>11.8%</u>



SOUTHERN ACIDS (M) BERHAD
(Incorporated in Malaysia)
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FINANCIAL YEAR ENDING 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE
INCOME FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2018

	Note	Second Quarter Ended			Cumulative 6-month Ended		
		30.09.2018 RM'000	30.09.2017 RM'000	Changes %	30.09.2018 RM'000	30.09.2017 RM'000	Changes %
Profit for the period	B13	10,634	7,139	49.0%	18,559	15,802	17.4%
Other comprehensive income							
Item that may be reclassified subsequently to profit or loss:							
- Available-for-sales financial assets		6,013	(2,921)	305.9%	1,813	(215)	943.3%
- Exchange differences on translation of foreign subsidiaries		(1,960)	(5,789)	66.1%	(1,514)	(9,065)	83.3%
Total comprehensive income for the period		14,687	(1,571)	1,034.9%	18,858	6,522	189.1%
Attributable to:							
- Equity holders of the Company		13,074	2,166	503.6%	15,935	10,939	45.7%
- Non-controlling interests		1,613	(3,737)	143.2%	2,923	(4,417)	166.2%
		14,687	(1,571)	1,034.9%	18,858	6,522	189.1%

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 SEPTEMBER 2018

	Note	Unaudited As at 30.09.2018 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	150,942	149,179
Investment property		3,318	3,318
Biological assets		23,262	22,291
Investment in an associate		2,855	2,519
Available-for-sale investments		50,789	48,895
Advances for KKPA program		8,210	7,381
Deferred tax assets		1,976	1,893
		383,278	377,402
Current Assets			
Inventories		81,076	70,866
Derivative financial assets	B8	-	866
Trade receivables	B14	38,352	45,862
Other receivables, deposits and prepaid expenses		14,705	18,298
Amounts owing by an associate company		1,211	630
Tax recoverable		34,173	28,461
Cash and cash equivalents		166,663	174,381
		336,180	339,364
TOTAL ASSETS		719,458	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 SEPTEMBER 2018 (cont'd)

	Unaudited	Audited
	As at	As at
	30.09.2018	31.03.2018
	RM'000	RM'000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	171,255	171,255
Reserves	424,374	415,286
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	595,629	586,541
Non-controlling interests	53,404	50,481
	<hr/>	<hr/>
Total Equity	649,033	637,022
	<hr/>	<hr/>
Non-Current and Deferred Liabilities		
Hire purchase payable	122	123
Provision for retirement benefits	10,960	10,312
Deferred tax liabilities	1,937	1,937
	<hr/>	<hr/>
	13,019	12,372
	<hr/>	<hr/>
Current Liabilities		
Trade payables	25,105	37,032
Other payables and accrued expenses	29,642	29,177
Derivative financial liabilities	819	268
Hire purchase payable	90	217
Tax liabilities	1,629	557
Dividend payable	121	121
	<hr/>	<hr/>
	57,406	67,372
	<hr/>	<hr/>
TOTAL LIABILITIES	70,425	79,744
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	719,458	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 SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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					
As at 1 April 2017	171,255	-	980	(322)	18,244	380,064	570,221	59,417	629,638
Profit for the year	-	-	-	-	-	13,483	13,483	2,319	15,802
Other comprehensive income/(loss)	-	-	(2,329)	-	(215)	-	(2,544)	(6,736)	(9,280)
Total comprehensive income/(loss)	-	-	(2,329)	-	(215)	13,483	10,939	(4,417)	6,522
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling interests of subsidiary company	-	-	-	-	-	-	-	(3,756)	(3,756)
As at 30 September 2017	171,255	-	(1,349)	(322)	18,029	386,700	574,313	51,244	625,557
As at 1 April 2018	171,255	-	(14,553)	(322)	23,986	406,175	586,541	50,481	637,022
Profit for the year	-	-	-	-	-	15,074	15,074	3,485	18,559
Other comprehensive income/(loss)	-	-	(952)	-	1,813	-	861	(562)	299
Total comprehensive income/(loss)	-	-	(952)	-	1,813	15,074	15,935	2,923	18,858
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
As at 30 September 2018	171,255	-	(15,505)	(322)	25,799	414,402	595,629	53,404	649,033

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
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FINANCIAL YEAR ENDING 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2018

	Cumulative 6-month Ended	
	30.09.2018	30.09.2017
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	23,362	20,122
Adjustments for:		
- Dividend income	(1,771)	(1,761)
- Interest income	(2,371)	(2,137)
- Interest expense	13	21
- Depreciation of property, plants and equipment	7,882	7,328
- Amortisation of biological assets	407	535
- Loss/(Gain) on disposal of property, plants and equipment	1	(2)
- Property, plants and equipment write off	-	191
- Share of profit of associate (net)	(337)	(301)
- Inventories written down and write off	37	331
- Provision for doubtful debts	-	(39)
- Bad debt written off	-	12
- Provision for incremental rental	-	371
- Unrealised (gain)/loss on foreign exchange	(4,630)	2,061
- Net revaluation loss/(gain) on derivative	889	(1,636)
- Provision for retirement benefits	581	350
Operating Profit Before Working Capital Changes	24,063	25,446
(Increase)/decrease in:		
- Inventories	(10,319)	(1,730)
- Trade receivables	14,040	8,364
- Other receivables, deposit and prepaid expenses	(626)	(3,153)
- Associate company	(729)	(1,330)
Increase/(decrease) in:		
- Trade payables	(7,970)	(91)
- Other payables and accrued expenses	(5,429)	210
Cash Generated From Operating Activities	13,030	27,716
- Income tax paid, net	(4,586)	(1,166)
Net Cash From Operating Activities	8,444	26,550



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

	Cumulative 6-month Ended	
	30.09.2018	30.09.2017
	RM'000	RM'000
Cash Flows From/(Used In) Investing Activities		
- Interest received	2,371	2,137
- Dividend received	1,771	1,761
- Investment in quoted share	(81)	(77)
- Interest expenses	(13)	(21)
- Net conversion for KKPA and Plasma projects	(924)	(27)
- Proceeds from disposal of property, plant and equipment	-	179
- Addition to property, plant and equipment (net)	(9,351)	(14,569)
- Addition to biological assets	(1,577)	(1,700)
	<u>(7,804)</u>	<u>(12,317)</u>
Net Cash Used In Investing Activities		
Cash Flows Used In Financing Activity		
- Repayment of finance lease	(129)	(239)
- Dividend paid by:		
- The Company	(6,847)	(6,847)
- Subsidiary company to non-controlling interests	-	(3,756)
	<u>(6,976)</u>	<u>(10,842)</u>
Net Cash Used In Financing Activity		
Net (Decrease)/Increase in Cash and Cash Equivalents	(6,336)	3,391
Cash and Cash Equivalents at Beginning of Financial Period	174,381	164,225
Effect of Translation Differences	(1,382)	(3,294)
	<u>166,663</u>	<u>164,322</u>
Cash and Cash Equivalents at End of Financial Period		
Composition of Cash and Cash Equivalents:		
- Cash and bank balances	92,764	85,325
- Fixed deposits with licensed banks	19,160	24,073
- Short-term placements	54,739	54,924
	<u>166,663</u>	<u>164,322</u>

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
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FINANCIAL YEAR ENDING 31 MARCH 2019
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 Malaysian Financial Reporting Standard (MFRS) No. 134 – Interim Financial Reporting and other MFRS 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

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

	30.09.2018	30.09.2017
Final Dividend		
For the financial year ended	31 March 2018	31 March 2017
Declared date	25 May 2018	30 May 2017
Approved date	30 August 2018	23 August 2017
Payment date	28 September 2018	29 September 2017
No of outstanding shares ('000)	136,934	136,934
Dividend per share (single tier)	5.0 sen	5.0 sen
Net dividend paid (RM'000)	6,847	6,847



A8. Segmental Information

(a) Results for the Quarter

	Oleochemical			Milling & Estate			Healthcare			Investment & Services			Consolidated		
	30.09.18 RM'000	30.09.17 RM'000	Changes %	30.09.18 RM'000	30.09.17 RM'000	Changes %	30.09.18 RM'000	30.09.17 RM'000	Changes %	30.09.18 RM'000	30.09.17 RM'000	Changes %	30.09.18 RM'000	30.09.17 RM'000	Changes %
Revenue															
Total Revenue	75,253	95,229	-21.0%	50,749	68,634	-26.1%	21,534	21,509	0.1%	14,631	5,267	177.8%	162,167	190,639	-14.9%
Less:															
Inter-segment sales	-	-	-	-	-	-	(645)	(645)	0.0%	(8,480)	(947)	-795.5%	(9,125)	(1,592)	-473.2%
External Sales	75,253	95,229	-21.0%	50,749	68,634	-26.1%	20,889	20,864	0.1%	6,151	4,320	42.4%	153,042	189,047	-19.0%
Results															
Segment results	(474)	(481)	1.5%	7,174	4,179	71.7%	5,463	4,942	10.5%	1,129	629	79.5%	13,292	9,269	43.4%
Finance Cost	-	-	-	(5)	(9)	44.4%	-	-	-	-	-	-	(5)	(9)	44.4%
Share of result of an Associate (net)	-	-	-	-	-	-	-	-	-	32	176	-81.8%	32	176	-81.8%
Profit before tax	(474)	(481)	1.5%	7,169	4,170	71.9%	5,463	4,942	10.5%	1,161	805	44.2%	13,319	9,436	41.2%

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

	Oleochemical			Milling & Estate			Healthcare			Investment & Services			Consolidated		
	30.09.18 RM'000	30.09.17 RM'000	Changes %	30.09.18 RM'000	30.09.17 RM'000	Changes %	30.09.18 RM'000	30.09.17 RM'000	Changes %	30.09.18 RM'000	30.09.17 RM'000	Changes %	30.09.18 RM'000	30.09.17 RM'000	Changes %
Revenue															
Total Revenue	151,474	192,405	-21.3%	107,836	124,497	-13.4%	42,381	43,358	-2.3%	19,980	10,643	87.7%	321,671	370,903	-13.3%
Less:															
Inter-segment	-	-	-	-	-	-	(1,290)	(1,290)	0.0%	(9,389)	(1,907)	-392.4%	(10,679)	(3,197)	-234.0%
External Sales	151,474	192,405	-21.3%	107,836	124,497	-13.4%	41,091	42,068	-2.3%	10,591	8,736	21.2%	310,992	367,706	-15.4%
Results															
Segment results	387	1,559	-75.2%	10,668	6,734	58.4%	10,667	9,888	7.9%	1,316	1,661	-20.8%	23,038	19,842	-16.1%
Finance Cost	-	-	-	(13)	(21)	38.1%	-	-	-	-	-	-	(13)	(21)	-38.1%
Share of result of an Associate (net)	-	-	-	-	-	-	-	-	-	337	301	12.0%	337	301	12.0%
Profit before tax	387	1,559	-75.2%	10,655	6,713	58.7%	10,667	9,888	7.9%	1,653	1,962	-15.7%	23,362	20,122	16.1%
Assets															
Segment assets	184,008	188,305	-2.3%	335,564	341,757	-1.8%	107,686	98,565	9.3%	92,200	78,717	17.1%	719,458	707,344	1.7%
Liabilities															
Segment liabilities	21,628	30,162	-28.3%	28,577	29,583	-3.4%	16,510	17,875	-7.6%	3,710	4,167	-11.0%	70,425	81,787	-13.9%
Exchange Rate	Financial Position – Closing Rate			Profit or Loss – Average Rate											
	30.09.18	30.09.17	Changes	30.09.18	30.09.17	Changes									
USD : RM	4.1365	4.2220	-2.0%	4.0198	4.2968	-6.4%									
IDR : RM	0.0002780	0.0003130	-11.2%	0.0002817	0.0003226	-12.7%									
HKD : RM	0.5287	0.5405	-2.2%	0.5123	0.5508	-7.0%									



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 September 2018 amounting to RM5.2 million.

A14. Related Party Transactions

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

	Cumulative 6-month Ended 30.09.2018 RM'000	Cumulative 6-month Ended 30.09.2017 RM'000
Sales of goods	765	933
Purchase of goods	5,059	1,103
Provision of administrative services	3,354	2,833



B. Explanatory Notes Pursuant to Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

B1. Detailed Analysis of the Performance of the Group's Operating Segments

Current Quarter vs Preceding Corresponding Quarter

	Second Quarter Ended			
	30.09.2018	30.09.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	153,042	189,047	(36,005)	(19.0%)
Operation profit	13,292	9,269	4,023	43.4%
Profit before interest and tax	13,324	9,445	3,879	41.1%
Profit before tax	13,319	9,436	3,883	41.2%
Profit after tax	10,634	7,139	3,495	49.0%
Profit attributable to equity holders of the Company	8,295	5,735	2,560	44.6%

In the current quarter under review, Group revenue declined 19.0% to RM153.0 million from RM189.0 million achieved in the preceding corresponding quarter. This was mainly attributed to broad declines in revenue contribution from the Oleochemical and Milling & Estate Segments. These segments accounted for 82.3% of Group revenue in the current quarter.

Despite the decline in revenue, Group profit before taxation ("PBT") rose 41.2% to RM13.3 million from RM9.4 million reported in the preceding corresponding quarter. The significant increase was mainly due to higher PBT contribution from the Milling & Estate and Healthcare Segments brought about by improved operating margins across the segments.



Oleochemical Segment

	Second Quarter Ended			
	30.09.2018	30.09.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	75,253	95,229	(19,976)	(21.0%)
Operation Profit	(474)	(481)	7	1.5%
Profit before interest and tax	(474)	(481)	7	1.5%
Profit before tax	(474)	(481)	7	1.5%
(B) Non-Financial Highlights:				
Production Capacity (MT)	25,000	25,000	-	-
Production Utilisation (%)	84.2%	98.3%	(14.1%)	(14.3%)
Quantity Sold (MT)	21,194	24,158	(2,964)	(12.3%)
Gross Profit Margin (%)	0.4%	0.1%	0.3%	300%

Revenue in the Oleochemical Segment fell 21.0% to RM75.3 million from RM95.2 million achieved in the preceding corresponding quarter. This was partly due to a decline in sales volume for fatty acids and glycerin, which decreased by 12.3% in the quarter. Another factor contributing to the decline in revenue is a 11.2% decrease in the ASP of fatty acids as this product makes up approximately 90% of total segment revenue.

Production capacity utilisation rate was lower at 84.2% from 98.3% achieved in the preceding corresponding quarter in tandem with the decline in sales volume.

The Oleochemical Segment reported a marginal loss before taxation (“LBT”) of RM0.5 million in the quarter, which comprised core LBT of RM1.0 million and non-core PBT of RM0.5 million. The non-core PBT was mainly due to unrealised gain from foreign exchange.



Milling & Estate Segment

	Second Quarter Ended			
	30.09.2018	30.09.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	50,749	68,634	(17,885)	(26.1%)
Operation profit	7,174	4,179	2,995	71.7%
Profit before interest and tax	7,174	4,179	2,995	71.7%
Profit before tax	7,169	4,170	2,999	71.9%
(B) Non-Financial Highlights:				
FFB Processed (MT)	113,046	115,097	(2,051)	(1.8%)
FFB Production (MT)	26,408	17,794	8,614	48.4%
CPO Sale Volume (MT)	21,119	22,278	(1,159)	(5.2%)
PK Sales Volume (MT)	6,184	6,167	17	0.3%
Average CPO Selling Price per MT (RM)	1,969	2,526	(557)	(22.1%)
Average PK Selling Price Per MT (RM)	1,458	2,008	(550)	(27.4%)

Revenue in the Milling & Estate Segment decreased 26.1% to RM50.7 million from RM68.6 million achieved in the preceding corresponding quarter. The decline was mainly attributed to the significantly lower ASP of Crude Palm Oil (“CPO”) and Palm Kernel (“PK”), which declined 22.1% and 27.4% respectively. However, this was partly offset by a 48.4% increase in the Fresh Fruit Bunch (“FFB”) production during the quarter that positively affected our cost structure and boosted operating margins.

Segment PBT rose by a commendable 71.9% to RM7.2 million in the quarter under review. This comprised core PBT of RM5.9 million and non-core PBT of RM1.3 million. The non-core PBT was mainly derived from sale proceeds from the disposal of PK shells and scraps.



Healthcare Segment

	Second Quarter Ended			
	30.09.2018	30.09.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Data:				
Revenue	20,889	20,864	25	0.1%
Operation profit	5,463	4,942	521	10.5%
Profit before interest and tax	5,463	4,942	521	10.5%
Profit before tax	5,463	4,942	521	10.5%
(B) Statistics:				
Bed Occupancy Rate (%)	56.1%	55.8%	0.3%	0.5%
Number of patients				
a. Outpatient	20,958	20,371	587	2.9%
b. Inpatient	3,135	3,114	21	0.7%
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	143	149	(6)	(4.0%)
b. Inpatient	5,448	5,476	(28)	(0.5%)

Revenue in the Healthcare Segment remained relatively unchanged at RM20.9 million compared to the preceding corresponding quarter.

During the quarter, the number of registered inpatients and outpatients increased by 0.7% and 2.9% respectively to 3,135 and 20,958. The ARPP for inpatient and outpatient experienced a slight downtick of 0.5% to RM5,448 and 4.0% to RM143 respectively.

Overall bed occupancy rate increased to 56.1% from 55.8% previously.

Segment PBT rose 10.5% to RM5.5 million in the quarter under review. This comprised core PBT of RM4.7 million and non-core PBT of RM0.8 million.



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

	Cumulative 6-month Ended			
	30.09.2018 RM'000	30.09.2017 RM'000	Changes RM'000	Changes %
Revenue	310,992	367,706	(56,714)	(15.4%)
Operation profit	23,038	19,842	3,196	16.1%
Profit before interest and tax	23,375	20,143	3,232	16.0%
Profit before tax	23,362	20,122	3,240	16.1%
Profit after tax	18,559	15,802	2,757	17.4%
Profit attributable to equity holders of the Company	15,074	13,483	1,591	11.8%

In the current financial period under review, Group revenue decreased 15.4% to RM311.0 million from RM367.7 million achieved in the preceding corresponding period. This was mainly due to declines in revenue contribution from the Oleochemical and Milling and Estate Segments. These segments accounted for 83.4% of Group revenue in the current period.

Despite the decline in revenue, Group PBT rose 16.1% to RM23.4 million from RM20.1 million achieved in the preceding corresponding period. This was mainly attributed to significant improvements from the Milling & Estate Segment as a result of higher operating margins.



Oleochemical Segment

	Cumulative 6-month Ended			
	30.09.2018	30.09.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	151,474	192,405	(40,931)	(21.3%)
Operation profit	387	1,559	(1,172)	(75.2%)
Profit before interest and tax	387	1,559	(1,172)	(75.2%)
Profit before tax	387	1,559	(1,172)	(75.2%)
(B) Non-Financial Highlights:				
Production Capacity (MT)	50,000	50,000	-	0.0%
Production Utilisation (%)	84.1%	94.7%	(10.6%)	(11.2%)
Quantity Sold (MT)	40,592	46,593	(6,001)	(12.9%)
Gross Profit Margin (%)	0.0%	1.8%	(1.8%)	(100%)

Revenue in the Oleochemical Segment fell 21.3% to RM151.5 million from RM192.4 million achieved in the preceding corresponding period. This was due to both a decline in overall sales volume of glycerin and fatty acids, which decreased by 12.9% and a 11.9% decline in the ASP of fatty acids. Production capacity utilisation rate was lower at 84.1% from 94.7% achieved in the preceding corresponding period in tandem with the decline in sales volume.

The Oleochemical Segment reported a PBT of RM0.4 million during the period, which comprised core LBT of RM2.5 million and non-core PBT of RM2.9 million. The non-core PBT was mainly due both realised losses and unrealised gain from foreign exchange.



Milling & Estate Segment

	Cumulative 6-month Ended			
	30.09.2018	30.09.2017	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	107,836	124,497	(16,661)	(13.4%)
Operation profit	10,668	6,734	3,934	58.4%
Profit before interest and tax	10,668	6,734	3,934	58.4%
Profit before tax	10,655	6,713	3,942	58.7%
(B) Non-Financial Highlights:				
FFB Processed (MT)	239,704	206,788	32,916	15.9%
FFB Production (MT)	44,401	32,230	12,171	37.8%
CPO Sales Volume (MT)	42,521	40,790	1,731	4.2%
PK Sales Volume (MT)	12,077	10,242	1,835	17.9%
Average CPO Selling Price Per MT	2,082	2,545	(463)	(18.2%)
Average PK Selling Price Per MT	1,536	1,929	(393)	(20.4%)

Revenue in the Milling & Estate Segment decreased 13.4% to RM107.8 million from RM124.5 million achieved in the preceding corresponding period. The decline was mainly attributed to the significantly lower ASP of Crude Palm Oil (“CPO”) and Palm Kernel (“PK”), which declined 18.2% and 20.4% respectively.

The declines in ASP of CPO and PK during the period was offset by a 37.8% increase in the Fresh Fruit Bunch (“FFB”) production and a 17.9% increase PK sales volume that positively affected our cost structure and boosted operating margins.

Segment PBT rose by 58.7% to RM10.7 million in the period under review. This comprised core PBT of RM8.2 million and non-core PBT of RM2.5 million. The non-core PBT was mainly derived from interest income and the disposal of PK shells and scraps.



Healthcare Segment

	Cumulative 6-month Ended			
	30.09.2018 RM'000	30.09.2017 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	41,091	42,068	(977)	(2.3%)
Operation profit	10,667	9,888	779	7.9%
Profit before interest and tax	10,667	9,888	779	7.9%
Profit before tax	10,667	9,888	779	7.9%
(B) Non-Financial Highlights:				
Bed Occupancy Rate (%)	54.5%	59.0%	(4.5%)	(7.6%)
Number of Patients				
a. Outpatient	40,484	40,452	32	0.1%
b. Inpatient	6,146	6,471	(325)	(5.0%)
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	146	162	(16)	(9.9%)
b. Inpatient	5,465	5,238	227	4.3%

Revenue in the Healthcare Segment decreased marginally to RM41.1 million from RM42.1 million achieved in the preceding corresponding period.

During the period, the number of registered inpatients decreased by 5.0% to 6,146 whereas outpatients increased marginally to 40,484. The ARPP for inpatients grew 4.3% to RM5,465 whilst outpatients experienced a slight downtick to RM146.

Overall bed occupancy rate decreased to 54.5% from 59.0% previously.

Segment PBT rose 7.9% to RM10.7 million in the period under review. This comprised core PBT of RM9.3 million and non-core PBT of RM1.4 million.



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

	Individual Quarter Ended			
	30.09.2018 RM'000	30.06.2018 RM'000	Changes RM'000	Changes %
Revenue	153,042	157,950	(4,908)	(3.1%)
Operation profit	13,292	9,746	3,546	36.4%
Profit before interest and tax	13,324	10,051	3,273	32.6%
Profit before tax	13,319	10,043	3,276	32.6%
Profit after tax	10,634	7,925	2,709	34.2%
Profit attributable to equity holders of the Company	8,295	6,779	1,516	22.4%

In the current quarter under review, Group revenue declined marginally to RM153.0 million from RM158.0 million achieved in the immediate preceding quarter. This was mainly due to a decrease in revenue contribution from the Milling & Estate Segment brought about by declines in the ASP of CPO and PK.

Despite the decrease in revenue, Group PBT increased 32.6% to RM13.3 million from RM10.0 million reported in the immediate preceding quarter. Group PBT performance was mainly boosted by contribution from the Milling & Estate Segment, which grew 105.7% in the current quarter to RM7.2 million from RM3.5 million achieved in the first quarter of this financial year. This commendable achievement is as a result of higher operational efficiency that ultimately reflected in better operating margins for the segment.

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 compounded by the recent decline in crude oil prices that brings down the prices of substitute products. 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 the downtrend during the quarter under review. The price outlook in CPO is expected to remain subdued, undermined by key factors such as :

1. 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%;
2. Normalised overall palm production translating to the current recovery in the regional production of palms;
3. High palm oil inventory due to higher production and lower exports.

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.

The Group is exploring avenues to upgrade and refurbish existing facilities to better cater to our existing and future patients.

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**

	Second Quarter Ended		Cumulative 6-month Ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Estimated tax payable				
- Malaysian tax expense	970	1,034	2,250	2,577
- Overseas tax expense	1,715	1,263	2,553	1,743
	<u>2,685</u>	<u>2,297</u>	<u>4,803</u>	<u>4,320</u>
- Provision of deferred tax	-	-	-	-
Total	<u>2,685</u>	<u>2,297</u>	<u>4,803</u>	<u>4,320</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 30 September 2018:-

	Unaudited as at		Audited as at	
	30.09.2018 Foreign Currency IDR million	30.09.2018 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	<u>322</u>	<u>90</u>	<u>771</u>	<u>217</u>
Long term (Secured)				
- Hire purchase payable Denominated in IDR	<u>438</u>	<u>122</u>	<u>438</u>	<u>123</u>
Effective interest rate		<u>9% to 15%</u>		<u>9% to 15%</u>

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



B8. Financial Instruments

The Group uses forward foreign exchange contracts and commodity future contracts to manage its exposure to various financial risks. As at 30 September 2018, the fair values of these derivatives are as follows:

Types of Derivatives	Based Currency	Contract/Notional Value RM'000	Fair Value as at 30.09.2018 RM'000
(i) Forward foreign exchange contracts - Less than 1 year	USD	62,337	62,875
(ii) Commodity future contracts - Less than 1 year	RM	10,186	10,409

Forward foreign exchange contracts

The forward foreign exchange contracts were entered into by the Group's Oleochemical Segment as hedges for its exports sales mainly denominated in USD currency in order to manage exposure to fluctuations in foreign exchange currency rates on specific transactions.

Commodity future contracts

The commodity future contracts are used to manage and hedge the Group's Oleochemical Segment's exposure to adverse price movements in crude palm oil prices.

There is no significant change for the financial derivatives in respect of the following since the previous financial year ended 31 March 2018:

- i. The credit risk, market risk and liquidity risk associated with those financial derivatives;
- ii. The cash requirements of the financial derivatives; and
- iii. The policy in place for mitigating or controlling the risks associated with those financial derivatives.



B9. Fair Value Changes of Financial Liabilities

Types Of Derivatives	Basis of Fair Value Measurement	Current Quarter 30.09.2018 RM'000
(i) Forward foreign exchange contracts - Less than 1 year	The difference between the contracted rates and the Bank Nagara closing rates	(547)
(ii) Commodity future contracts - Less than 1 year	The difference between the contracted prices and the market forward prices	(281)

The fair value of the forward foreign exchange contracts is determined by reference to the difference between the contacted rate and the market rate as at the reporting date whereas the fair value of the commodity futures contracts is determined by reference to the difference between the contracted rate and the forward rate as at the reporting date.

B10. 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.

B11. Dividends

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

B12. Earnings per Share

	Second Quarter Ended		Cumulative 6-month Ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Profit attributable to equity holders of the Company (in RM'000)	8,295	5,735	15,074	13,483
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	6.06	4.19	11.01	9.85

**B13. Profit for the year**

	Cumulative 6-month Ended	
	30.09.2018	30.09.2017
	RM'000	RM'000
Profit for the year is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	2,371	2,137
- Interest expense	(13)	(21)
- Other income	4,596	968
- Depreciation and amortization	(8,289)	(7,863)
- Inventories written down and write off	(37)	(331)
- Reversal on provision for doubtful debt	-	39
- Bad debt written off	-	(12)
- Gain/(loss) on foreign exchange:		
Realised	1,324	(583)
Unrealised	4,630	(2,061)
- Net revaluation gain/(loss) on derivatives financial assets/liabilities	(889)	1,636

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

B14. Trade Receivables

	Unaudited	Audited
	As at	As of
	30.09.2018	31.03.2018
	RM'000	RM'000
Third parties	37,648	45,459
Related parties	1,387	1,086
Trade receivable	39,035	46,545
Less: allowance for doubtful debts	(683)	(683)
Trade receivable, net	38,352	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 30.09.2018 RM'000	Audited As of 31.03.2018 RM'000
Neither past due nor impaired	29,062	38,147
Past due but not impaired		
31 – 60 days	7,629	6,887
61 – 90 days	1,051	716
91 – 120 days	208	112
121 – 150 days	402	-
	<u>9,290</u>	<u>7,715</u>
Past due and impaired	683	683
Trade receivable	<u>39,035</u>	<u>46,545</u>

B15. 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 second quarter of FY2019 was authorised for issuance by the Board of Directors of the Company on 28 November 2018.