

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 2020**

**FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**  
(Figures are not audited unless otherwise specified)  
(In Ringgit Malaysia)



**SOUTHERN ACIDS (M) BERHAD**  
(Incorporated in Malaysia)  
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**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**INTERIM FINANCIAL REPORT**  
**FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**

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

**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**

	Note	Cumulative 3-months Ended		Changes %
		30.06.2019 RM'000	30.06.2018 (Restated) RM'000	
Revenue	<b>A8</b>	142,575	157,950	-9.7%
- Cost of Sales		(125,062)	(139,087)	10.1%
Gross Profit		17,513	18,863	-7.2%
- Administrative Expenses		(14,189)	(13,210)	-7.4%
- Other Income/(Expenses)		4,097	4,698	-12.8%
Profit from operations		7,421	10,351	-28.3%
- Interest expense		(11)	(8)	-37.5%
- Share of results of an associate (net)		112	305	-63.3%
Profit before tax	<b>A8</b>	7,522	10,648	-29.4%
- Income tax expense	<b>B5</b>	(1,682)	(2,118)	20.6%
Profit for the period	<b>B13</b>	5,840	8,530	-31.5%
Attributable to:				
- Equity holders of the Company		5,181	7,277	-28.8%
- Non-controlling interests		659	1,253	-47.4%
		5,840	8,530	-31.5%
<b>Earnings per share (sen)</b> <b>attributable to equity holder of the Company</b>				
- Basic and diluted	<b>B12</b>	3.78	5.31	-28.8%



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**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME (cont'd)**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**

	Note	Cumulative 3-months Ended		
		30.06.2019	30.06.2018	Changes
		RM'000	(Restated) RM'000	%
Profit for the period	<b>B13</b>	5,840	8,530	-31.5%
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
- Gain arising from revaluation of other investments		5,148	(4,200)	222.6%
- Exchange differences on translation of foreign subsidiaries		2,931	447	555.7%
Total comprehensive income for the period		13,919	4,777	191.4%
Attributable to:				
- Equity holders of the Company		12,174	3,360	262.3%
- Non-controlling interests		1,745	1,417	23.1%
		13,919	4,777	191.4%

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 2019, and the accompanying notes attached to these interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Note	Unaudited As at 30.06.2019 RM'000	Audited As at 31.03.2019 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Land held for property development		139,868	139,868
Property, plant and equipment	<b>A9</b>	194,851	195,682
Investment property		3,318	3,318
Investment in an associate		2,725	2,612
Other investments		52,385	47,152
Advances for KKPA program		1,350	491
Deferred tax assets		1,212	1,261
		<u>395,709</u>	<u>390,384</u>
<b>Current Assets</b>			
Biological assets		1,476	1,143
Inventories		66,371	64,853
Derivative financial assets	<b>B9</b>	237	257
Trade receivables	<b>B14</b>	41,732	34,846
Other receivables, deposits and prepaid expenses		12,692	12,944
Amounts owing by an associate company		993	1,079
Tax recoverable		31,891	26,140
Cash and cash equivalents		192,355	199,911
		<u>347,747</u>	<u>341,173</u>
<b>TOTAL ASSETS</b>		<u><u>743,456</u></u>	<u><u>731,557</u></u>



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**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)**  
**AS AT 30 JUNE 2019**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30.06.2019</b>	<b>31.03.2019</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	442,200	430,026
Equity attributable to equity holders of the Company	613,455	601,281
Non-controlling interests	56,479	54,734
<b>Total Equity</b>	<b>669,934</b>	<b>656,015</b>
<b>Non-Current and Deferred Liabilities</b>		
Hire purchase payable	217	212
Provision for retirement benefits	11,387	10,852
Deferred tax liabilities	3,915	3,915
	15,519	14,979
<b>Current Liabilities</b>		
Trade payables	19,353	21,875
Other payables and accrued expenses	36,531	36,550
Contract liabilities	950	1,001
Derivative financial liabilities	10	-
Hire purchase payable	144	187
Tax liabilities	894	829
Dividend payable	121	121
	58,003	60,563
<b>TOTAL LIABILITIES</b>	<b>73,522</b>	<b>75,542</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>743,456</b>	<b>731,557</b>

The consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2019, and the accompanying notes attached to these interim financial statements.



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**

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 2018</b>	171,255	-	(14,642)	(322)	23,986	406,099	586,376	50,693	637,069
Profit for the year	-	-	-	-	-	7,277	7,277	1,253	8,530
Other comprehensive income/(loss)	-	-	283	-	(4,200)	-	(3,917)	164	(3,753)
Total comprehensive income/(loss)	-	-	283	-	(4,200)	7,277	3,360	1,417	4,777
<b>As at 30 June 2018</b>	<b>171,255</b>	<b>-</b>	<b>(14,359)</b>	<b>(322)</b>	<b>19,786</b>	<b>413,376</b>	<b>589,736</b>	<b>52,110</b>	<b>641,846</b>
<b>As at 1 April 2019</b>	171,255	-	(12,758)	(322)	22,089	421,017	601,281	54,734	656,015
Profit for the year	-	-	-	-	-	5,181	5,181	659	5,840
Other comprehensive income/(loss)	-	-	1,845	-	5,148	-	6,993	1,086	8,079
Total comprehensive income/(loss)	-	-	1,845	-	5,148	5,181	12,174	1,745	13,919
<b>As at 30 June 2019</b>	<b>171,255</b>	<b>-</b>	<b>(10,913)</b>	<b>(322)</b>	<b>27,237</b>	<b>426,198</b>	<b>613,455</b>	<b>56,479</b>	<b>669,934</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 2019, and the accompanying notes attached to these interim financial statements.



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**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**

	<b>Cumulative 3-months Ended</b>	
	<b>30.06.2019</b>	<b>30.06.2018</b>
		<b>(Restated)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before tax	7,522	10,648
Adjustments for:		
- Dividend income	(119)	(124)
- Interest income	(1,501)	(1,114)
- Interest expense	11	8
- Depreciation of property, plant and equipment	4,237	4,142
- Property, plant and equipment written off	4	-
- Share of results of an associate	(112)	(305)
- Inventories written off	16	2
- Provision for doubtful debts no longer required	(2)	(227)
- Provision no longer required for incremental rental	-	186
- Unrealised (gain)/loss on foreign exchange	(462)	(4,887)
- Net fair value loss on biological assets	(235)	(378)
- Net revaluation gain on derivatives	30	284
- Provision for retirement benefits	625	401
Operating Profit Before Working Capital Changes	10,014	8,636
(Increase)/decrease in:		
- Inventories	(1,444)	(9,881)
- Trade receivables	(6,507)	14,331
- Other receivables, deposit and prepaid expenses	116	1,462
- Amounts owing by an associate company	131	(1,440)
Increase/(decrease) in:		
- Trade payables	(1,609)	(7,150)
- Other payables and accrued expenses	(1,207)	3,096
- Contract liabilities	(51)	(77)
<b>Cash (Used in)/Generated From Operating Activities</b>	<b>(557)</b>	<b>8,977</b>
- Income tax paid, net	(7,376)	(5,443)
<b>Net Cash (Used in)/Generated From Operating Activities</b>	<b>(7,933)</b>	<b>3,534</b>





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**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont'd)**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**

	<b>Cumulative 3-month3 Ended</b>	<b>30.06.2018</b>
	<b>30.06.2019</b>	<b>(Restated)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows Used In Investing Activities</b>		
- Interest received	1,501	1,114
- Dividend received	119	124
- Investment in quoted share	(85)	(81)
- Interest expenses	(11)	(8)
- Additions for KKPA program	(835)	(566)
- Additions to property, plant and equipment	(1,736)	(4,145)
	<u>(1,047)</u>	<u>(3,562)</u>
<b>Net Cash Used In Investing Activities</b>		
<b>Cash Flows Used In Financing Activities</b>		
- Net repayment of hire-purchase payables	(38)	(67)
	<u>(38)</u>	<u>(67)</u>
<b>Net Cash Used In Financing Activities</b>		
	<u>(38)</u>	<u>(67)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(9,018)</b>	<b>(95)</b>
<b>Cash and Cash Equivalents at Beginning of Financial Period</b>	199,911	174,381
<b>Effect of Translation Differences</b>	1,462	(80)
	<u>192,355</u>	<u>174,206</u>
<b>Cash and Cash Equivalents at End of Financial Year</b>		
	<u><b>192,355</b></u>	<u><b>174,206</b></u>
<b>Composition of Cash and Cash Equivalents:</b>		
- Cash and bank balances	102,790	94,506
- Fixed deposits with licensed banks	23,326	22,243
- Short-term placements	66,239	57,457
	<u>192,355</u>	<u>174,206</u>

The consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 March 2019, and the accompanying notes attached to these interim financial statements.



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**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

This Interim Financial Report has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) No. 134 – Interim Financial Reporting and other MFRSs issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 2019. The explanatory notes attached to the Interim Financial Report provide an 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 2019.

**A. Explanatory Notes Pursuant To MFRS 134**

**A1. Basis of Preparation**

The accounting policies adopted by the Group for the Interim Financial Report are consistent with those adopted in the annual audited financial statements for the financial year ended 31 March 2019, except for the adoption of the new and revised Standards and Amendments effective on or after 1 April 2019.

The Group adopted the following amendments to MFRSs and IC Interpretations, mandatory for annual financial periods beginning on or after 1 April 2019.

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Payments
Amendments to MFRSs	Annual Improvements to MFRS 2015 - 2017 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 as disclosed below:



**a) MFRS 16 Leases**

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors of the Company anticipate that the application of MFRS 16 may have an impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Company performs a detailed review.

**A2. Qualification of Audit Report Of The Preceding Annual Financial Statements**

There was no qualification of audit report for the preceding annual financial statements.

**A3. Seasonal or Cyclical Factors**

The financial performance of the Group's Milling & Estate Segment is affected by seasonal crop production, seasonal external supply of fresh fruits bunch and fluctuating commodity prices whereas the Group's Oleochemical Segment is mainly affected by its fluctuating feedstock prices.

**A4. Unusual Items**

There were no items of an unusual nature, size or incidence which materially affect the assets, liabilities, equity, net income or cash flow during the financial period under review.

**A5. Material Changes in Estimates**

There were 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		
	30.06.19 RM'000	30.06.18 (Restated) RM'000	Changes %	30.06.19 RM'000	30.06.18 (Restated) RM'000	Changes %	30.06.19 RM'000	30.06.18 (Restated) RM'000	Changes %	30.06.19 RM'000	30.06.18 RM'000	Changes %	30.06.19 RM'000	30.06.18 (Restated) RM'000	Changes %
<b>Revenue</b>															
Total Revenue	68,742	76,221	-9.8%	47,809	57,087	-16.3%	21,769	20,202	7.8%	5,192	5,349	-2.9%	143,512	158,859	-9.7%
Less:															
Inter-segment	-	-	-	-	-	-	-	-	-	(937)	(909)	-3.1%	(937)	(909)	-3.1%
External Sales	68,742	76,221	-9.8%	47,809	57,087	-16.3%	21,769	20,202	7.8%	4,255	4,440	-4.2%	142,575	157,950	-9.7%
<b>Results</b>															
Segment results	(1,218)	894	-236.2%	2,186	3,872	-43.5%	6,074	5,398	12.5%	379	187	102.7%	7,421	10,351	-28.3%
Finance Cost	-	-	-	(11)	(8)	-37.5%	-	-	-	-	-	-	(11)	(8)	-37.5%
Share of results of an Associate (net)	-	-	-	-	-	-	-	-	-	112	305	-63.3%	112	305	-63.3%
Profit before tax	(1,218)	894	-236.2%	2,175	3,864	-43.7%	6,074	5,398	12.5%	491	492	-0.2%	7,522	10,648	-29.4%
<b>Assets</b>															
Segment assets	177,542	186,371	-4.7%	338,026	336,338	0.5%	132,079	111,695	18.2%	95,809	84,740	13.1%	743,456	719,144	3.4%
<b>Liabilities</b>															
Segment liabilities	22,104	23,432	-5.7%	19,323	31,065	-37.8%	27,242	17,969	51.6%	4,853	4,477	8.4%	73,522	76,943	-4.4%
<b>Exchange Rate</b>	<b>Financial Position – Closing Rate</b>			<b>Profit or Loss – Average Rate</b>											
	30.06.19	30.06.18	Changes	30.06.19	30.06.18	Changes									
USD : RM	4.1335	4.0375	2.4%	4.1472	3.9481	5.0%									
IDR : RM	0.0002930	0.0002820	3.9%	0.0002911	0.0002830	2.9%									
HKD : RM	0.5295	0.5145	2.9%	0.5290	0.5031	5.1%									



#### **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 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 was no change in the contingent liabilities or contingent assets since the last audited financial statements for the financial year ended 31 March 2019.

#### **A13. Capital Commitments**

The capital commitments not recognised in the interim financial statements as at 30 June 2019 amounted to RM7.4 million.

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

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

	<b>Cumulative 3-months Ended 30.06.2019 RM'000</b>	<b>Cumulative 3-months Ended 30.06.2018 RM'000</b>
Sales of goods	310	350
Purchase of goods	2,219	3,678
Provision of administrative services	1,329	1,171



**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**

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

	30.06.2019	First Quarter Ended		
		30.06.2018	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	142,575	157,950	(15,375)	(9.7%)
Operation profit	7,421	10,351	(2,930)	(28.3%)
Profit before interest and tax	7,533	10,656	(3,123)	(29.3%)
Profit before tax	7,522	10,648	(3,126)	(29.4%)
Profit after tax	5,840	8,530	(2,690)	(31.5%)
Profit attributable to equity holders of the Company	5,181	7,277	(2,096)	(28.8%)

In the current quarter under review, Group revenue declined 9.7% to RM142.6 million from RM158.0 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 81.7% of Group revenue in the current quarter.

Consequently, Group profit before taxation ("PBT") declined 29.4% to RM7.5 million from RM10.6 million reported in the preceding corresponding quarter. The significant decrease is largely due to lower PBT contribution from the Oleochemical and Milling & Estate Segments.



## Oleochemical Segment

	30.06.2019	First Quarter Ended		
		30.06.2018 (Restated)	Changes	Changes
	RM'000	RM'000	RM'000	%
<b>(A) Financial Highlights:</b>				
Revenue	68,742	76,221	(7,479)	(9.8%)
Operation (Loss)/Profit	(1,218)	894	(2,112)	(236.2%)
(Loss)/Profit before interest and tax	(1,218)	894	(2,112)	(236.2%)
(Loss)/Profit before tax	(1,218)	894	(2,112)	(236.2%)
<b>(B) Non-Financial Highlights:</b>				
Production Capacity (MT)	25,000	25,000	-	-
Production Utilisation (%)	85.9%	77.7%	8.2%	10.6%
Quantity Sold (MT)	21,786	19,398	2,388	12.3%
Gross Loss Margin (%)	-1.3%	-0.4%	(0.9%)	(225.0%)

Revenue in the Oleochemical Segment declined 9.8% to RM68.7 million from RM76.2 million achieved in the preceding corresponding quarter. This was due to a significant decline in the Average Selling Price (“ASP”) for fatty acids and glycerin which decreased by 17.7% and 37.2% respectively in the quarter. Production capacity utilisation rate increased to 85.9% from 77.7% achieved in the preceding corresponding quarter as sales volume increased 12.3% to 21,786 metric tons.

The Oleochemical Segment reported a loss before taxation (“LBT”) of RM1.2 million in the quarter, which comprised core LBT of RM2.0 million and non-core PBT of RM0.8 million. The non-core PBT was mainly due to unrealised gain from foreign exchange.





### Milling & Estate Segment

	30.06.2019	First Quarter Ended		
		30.06.2018	Changes	Changes
	RM'000	(Restated) RM'000	RM'000	%
<b>(A) Financial Highlights:</b>				
Revenue	47,809	57,087	(9,278)	(16.3%)
Operation Profit	2,186	3,872	(1,686)	(43.5%)
Profit before interest and tax	2,186	3,872	(1,686)	(43.5%)
Profit before tax	2,175	3,864	(1,689)	(43.7%)
<b>(B) Non-Financial Highlights:</b>				
FFB Processed (MT)	125,712	126,658	(946)	(0.7%)
FFB Production (MT)	20,945	17,993	2,952	16.4%
CPO Sale Volume (MT)	21,769	21,402	367	1.7%
PK Sales Volume (MT)	5,305	5,893	(588)	(10.0%)
Average CPO Selling Price per MT (RM)	1,911	2,203	(292)	(13.3%)
Average PK Selling Price Per MT (RM)	1,098	1,626	(528)	(32.5%)

Revenue in the Milling & Estate Segment decreased 16.3% to RM47.8 million from RM57.1 million achieved in the preceding corresponding quarter. The decline was mainly attributed to significantly lower ASP of Crude Palm Oil (“CPO”) and Palm Kernel (“PK”), which declined 13.3% and 32.5% respectively. Fresh Fruit Bunch (“FFB”) production during the quarter increased 16.4% to 20,945 MT, cushioning the effect of the lower ASP of CPO and PK.

As a result of industry headwinds affecting ASP of CPO and PK, the Segment reported a PBT of RM2.2 million in the quarter under review. This comprised core LBT of RM0.3 million and non-core PBT of RM2.5 million. The non-core PBT was mainly derived from sale proceeds from the disposal of PK shells and scraps.



## Healthcare Segment

	30.06.2019 RM'000	First Quarter Ended		Changes RM'000	Changes %
		30.06.2018 (Restated) RM'000			
<b>(A) Financial Data:</b>					
Revenue	21,769	20,202	1,567		7.8%
Operation profit	6,074	5,398	676		12.5%
Profit before interest and tax	6,074	5,398	676		12.5%
Profit before tax	6,074	5,398	676		12.5%
<b>(B) Statistics:</b>					
Bed Occupancy Rate (%)	53.3%	52.9%	0.4%		0.8%
Number of patients					
a. Outpatient	20,341	19,526	815		4.2%
b. Inpatient	3,016	3,011	5		0.2%
Average revenue per patient ("ARPP") (RM)					
a. Outpatient	135	149	(14)		(9.4%)
b. Inpatient	6,029	5,482	547		10.0%

Revenue in the Healthcare Segment increased to RM21.8 million from RM20.2 million achieved in the preceding corresponding quarter.

During the quarter, the number of registered outpatients and inpatients increased by 4.2% and 0.2% respectively to 20,341 and 3,016. The ARPP for outpatient decreased 9.4% to RM135 whilst inpatients increased 10.0% to RM6,029.

Overall bed occupancy rate increased marginally to 53.3% from 52.9% previously.

Segment PBT rose 12.5% to RM6.1 million in the quarter under review. This comprised core PBT of RM5.4 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			
	30.06.2019	31.03.2019 (Restated)	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	142,575	141,006	1,569	1.1%
Operation profit	7,421	5,528	1,893	34.2%
Profit before interest and tax	7,533	5,078	2,455	48.3%
Profit before tax	7,522	5,065	2,457	48.5%
Profit after tax	5,840	(686)	6,526	951.3%
Profit attributable to equity holders of the Company	5,181	922	4,259	461.9%

In the current quarter under review, Group revenue increased to RM142.6 million from RM141.0 million achieved in the immediate preceding quarter. This was mainly due to a marginal improvement in revenue contribution from the Oleochemical Segment.

Group PBT increased 48.5% to RM7.5 million from RM5.1 million reported in the immediate preceding quarter. Group PBT performance was boosted by higher operating margins in the Milling & Estate Segments resulting in a segment PBT of RM2.2 million compared to a LBT of RM0.6 million in the immediate preceding quarter.

## B3. Prospect of the Group

### Oleochemical Segment

The Oleochemical Segment is expected to remain challenging as it operates in an increasingly tough operating environment. Competition in the international market continues to intensify, brought on in-part by the uncertainty and decreased trade flows stemming from the US-China trade war. The volatility of the USD/MYR also remains a cause for concern due to the export nature of this segment.

Domestically, this segment is subject to policy risks such as increases in minimum wages, foreign labour policy and rising public utilities' costs. These factors materially affect our cost structure and competitiveness as we may not be able to pass on the incremental costs to our customers.

As such, the Group remains focused on increasing production efficiency that will lower the cost base, allowing the Oleochemical Segment to be more price competitive.



### Milling & Estate Segment

The Milling & Estate Segment is expected to be lackluster as inventory levels remain elevated despite higher exports to Pakistan, Bangladesh, India and China.

Going forward, CPO prices are expected to stabilise as palm oil production slows after an unexpected bountiful harvest last year. A more affirmed recovery in CPO prices could stem from a sustained growth momentum in demand and concern over a possible El Nino effect that will disrupt production flows. The segment should benefit from a gradual uptick and stabilisation in CPO prices, but we remain cautious overall.

### Healthcare Segment

The Healthcare Segment is less susceptible to headwinds in the commodity market and is expected to deliver some growth moving forward. This is underpinned by growing healthcare awareness, rising medical insurance coverage, expanding middle income group and an ageing population.

In an effort to constantly improve service levels, the Group frequently undertakes maintenance expenditure to upgrade and refurbish existing facilities.

### Overall

Despite the uncertainty surrounding the Group's Oleochemical and Milling & Estate segments, the Group has a strong balance sheet with no debt and a net cash position of RM192.4 million. This provides the Group with ample debt headroom for any required capital expenditure and strategic acquisitions that may arise.

## **B4. Profit Forecast**

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

## **B5. Income Tax Expense**

	<b>First Quarter Ended</b>	
	<b>30.06.2019</b>	<b>30.06.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Estimated tax payable		
- Malaysian tax expense	1,224	1,280
- Overseas tax expense	458	838
	<hr/> 1,682	<hr/> 2,118
- Provision of deferred tax	-	-
	<hr/> 1,682	<hr/> 2,118
<b>Total</b>	<hr/> <hr/> 1,682	<hr/> <hr/> 2,118



## 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 2019: -

	Unaudited		Audited	
	As at 30.06.2019 Unaudited Foreign Currency IDR million	As at 30.06.2019 Unaudited RM Equivalent RM'000	As at 31.03.2019 Audited Foreign Currency IDR million	As at 31.03.2019 Audited RM Equivalent RM'000
<b>Short term (Secured)</b>				
- Hire purchase payable Denominated in IDR	493	144	651	187
<b>Long term (Secured)</b>				
- Hire purchase payable Denominated in IDR	739	217	739	212
<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 uses forward foreign exchange contracts to manage its exposure to various financial risks. As at 30 June 2019, the fair values of these derivatives are as follows:

Types of Derivatives	Based Currency	Contract/Notional Value RM'000	Fair Value as at 30.06.2019 RM'000
(i) Forward foreign exchange contracts - Less than 1 year	USD	59,759	59,522
(ii) Commodity future contracts <i>Buy</i> - Less than 1 year	RM	309	311
<i>Sell</i> - Less than 1 year	RM	207	207



#### Forward foreign exchange contracts

The forward foreign exchange contracts were entered into by the Group's Oleochemical Segment as hedges for its export 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 forward foreign exchange 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 2019:

- 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 Assets or Liabilities**

<b>Types Of Derivatives</b>	<b>Basis of Fair Value Measurement</b>	<b>Current Quarter 30.06.2019 RM'000</b>
(i) Forward foreign exchange contracts - Less than 1 year	The difference between the contracted rates and the Bank Nagara closing rates	237
(ii) Commodity future contracts - Less than 1 year	The difference between the contracted prices and the market forward prices	(2)

The fair value of the forward foreign exchange contracts is determined by reference to the difference between the contracted 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 was no material litigation since the last audited financial statements for the financial year ended 31 March 2019.



## B11. Dividends

The Board of Directors had on 28 May 2019 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 2019. This dividend proposal is subject to the approval by shareholders at the forthcoming Annual General Meeting of the Company.

On 31 July 2019, the Board of Directors had further announced that the recommended Single Tier Final Dividend, if approved by the shareholders, shall be paid on 27 September 2019.

## B12. Earnings per Share

	<b>First Quarter Ended</b>	
	<b>30.06.2019</b>	<b>30.06.2018 (Restated)</b>
Profit attributable to equity holders of the Company (in RM'000)	5,181	7,277
Number of ordinary shares in issue (in '000)	136,934	136,934
Basic earnings per share (in Sen)	<u>3.78</u>	<u>5.31</u>

## B13. Profit for the period

	<b>Cumulative 3-months Ended</b>	
	<b>30.06.2019 RM'000</b>	<b>30.06.2018 (Restated) RM'000</b>
Profit for the year is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	1,501	1,114
- Interest expense	(11)	(8)
- Other income	2,596	5,368
- Depreciation of property, plant and equipment	(4,237)	(4,142)
- Inventories written off	(16)	(2)
- Reversal/(Provision) for doubtful debts	2	227
- Net fair value loss on biological assets	235	378
- Gain/(loss) on foreign exchange:		
Realised	(25)	2,275
Unrealised	462	4,887
- Net revaluation gain on derivatives	<u>(30)</u>	<u>(284)</u>



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 As at 30.06.2019 RM'000</b>	<b>Audited As at 31.03.2019 RM'000</b>
Third parties	41,879	35,146
Related parties	960	774
Trade receivable	42,839	35,920
Less: allowance for doubtful debts	(1,107)	(1,074)
Trade receivable, net	41,732	34,846

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 RM1,107,000 (2019: RM1,074,000) 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 30.06.2019 RM'000</b>	<b>Audited As at 31.03.2019 RM'000</b>
Neither past due nor impaired	29,667	28,127
Past due but not impaired		
31 – 60 days	10,199	6,359
61 – 90 days	1,575	273
91 – 120 days	225	82
121 – 150 days	66	5
	12,065	6,719
Past due and impaired	1,107	1,074
Trade receivable	42,839	35,920





**B15. Auditors' Report on Preceding Annual Financial Statements**

The audit report for the financial year ended 31 March 2019 was not subject to any qualifications.

This Interim Financial Report of Southern Acids (M) Berhad for the first quarter of financial year ending 31 March 2020 was authorised for issuance by the Board of Directors of the Company on 28 August 2019.