

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**

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



**SOUTHERN ACIDS (M) BERHAD**  
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**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**INTERIM FINANCIAL REPORT**  
**SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019**

<b>CONTENTS</b>	<b>PAGE(S)</b>
Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income	3 - 4
Condensed Consolidated Statements of Financial Position	5 – 6
Condensed Consolidated Statements of Changes in Equity	7
Condensed Consolidated Statements of Cash Flows	8 – 9
Explanatory Notes to the Interim Financial Report:	
Part A: Pursuant to Malaysian Financial Reporting Standard No. 134	10 – 15
Part B: Pursuant to paragraph 9.22 of the Listing Requirements and any revision thereon	16 - 30



**SOUTHERN ACIDS (M) BERHAD**  
(Incorporated in Malaysia)  
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**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019**

	Note	Second Quarter Ended			Cumulative 6-month Ended		
		30.09.2019 RM'000	30.09.2018 RM'000 (Restated)	Changes %	30.09.2019 RM'000	30.09.2018 RM'000 (Restated)	Changes %
Revenue	A8	166,773	153,042	9.0%	309,348	310,992	-0.5%
- Cost of Sales		(140,614)	(127,124)	-10.6%	(265,676)	(266,211)	0.2%
Gross Profit		26,159	25,918	0.9%	43,672	44,781	-2.5%
- Administrative Expenses		(16,115)	(15,196)	-6.0%	(30,304)	(28,406)	-6.7%
- Other Income/(Expenses)		4,123	2,474	66.7%	8,220	7,172	14.6%
Profit from operations		14,167	13,196	7.4%	21,588	23,547	-8.3%
- Interest expense		(11)	(5)	-120.0%	(22)	(13)	-69.2%
- Share of results of an associate (net)		(64)	32	-300.0%	48	337	-85.8%
Profit before tax	A8	14,092	13,223	6.6%	21,614	23,871	-9.5%
- Income tax expense	B5	(3,412)	(2,685)	-27.1%	(5,094)	(4,803)	-6.1%
Profit for the period	B13	10,680	10,538	1.3%	16,520	19,068	-13.4%
Attributable to:							
- Equity holders of the Company		7,690	8,244	-6.7%	12,871	15,521	-17.1%
- Non-controlling interests		2,990	2,294	30.3%	3,649	3,547	2.9%
		10,680	10,538	1.3%	16,520	19,068	-13.4%
<b>Earnings per share (sen) attributable to equity holder of the Company</b>							
- Basic and diluted	B12	5.62	6.02	-6.6%	9.40	11.33	-17.0%



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**AND ITS SUBSIDIARY COMPANIES**

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

	Note	Second Quarter Ended			Cumulative 6-month Ended		
		30.09.2019	30.09.2018	Changes	30.09.2019	30.09.2018	Changes
		RM'000	(Restated) RM'000	%	RM'000	(Restated) RM'000	%
Profit for the period	<b>B13</b>	10,680	10,538	1.3%	16,520	19,068	-13.4%
Other comprehensive income							
Item that may be reclassified subsequently to profit or loss:							
- (Loss)/Gain arising from revaluation of other investments		(6,959)	6,013	-215.7%	(1,811)	1,813	-199.9%
- Exchange differences on translation of foreign subsidiaries		1,033	(1,924)	153.7%	3,964	(1,477)	368.4%
Item that will not be reclassified subsequently to profit or loss							
- Remeasurement of defined benefit obligations		(639)	-	NA	(639)	-	NA
Total comprehensive income for the period		4,115	14,627	-71.9%	18,034	19,404	-7.1%
Attributable to:							
- Equity holders of the Company		743	13,048	-94.3%	12,917	16,408	-21.3%
- Non-controlling interests		3,372	1,579	113.6%	5,117	2,996	70.8%
		4,115	14,627	-71.9%	18,034	19,404	-7.1%

The condensed consolidated statement of profit or loss and other 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**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2019**

	Note	Unaudited As at 30.09.2019 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>	200,049	195,682
Investment property		3,318	3,318
Investment in an associate company		2,660	2,612
Other investments		45,426	47,152
Advances for KKPA program		2,201	491
Deferred tax assets		1,286	1,261
		<u>394,808</u>	<u>390,384</u>
<b>Current Assets</b>			
Biological assets		1,471	1,143
Inventories		63,045	64,853
Derivative financial assets	<b>B9</b>	162	257
Trade receivables	<b>B14</b>	42,102	34,846
Other receivables, deposits and prepaid expenses		10,345	12,944
Amounts owing by an associate company		1,064	1,079
Tax recoverable		26,646	26,140
Cash and cash equivalents		201,029	199,911
		<u>345,864</u>	<u>341,173</u>
<b>TOTAL ASSETS</b>		<u><u>740,672</u></u>	<u><u>731,557</u></u>



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

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30.09.2019</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	436,096	430,026
Equity attributable to equity holders of the Company	607,351	601,281
Non-controlling interests	58,081	54,734
<b>Total Equity</b>	<b>665,432</b>	<b>656,015</b>
<b>Non-Current and Deferred Liabilities</b>		
Hire purchase payable	218	212
Provision for retirement benefits	12,545	10,852
Deferred tax liabilities	3,915	3,915
	16,678	14,979
<b>Current Liabilities</b>		
Trade payables	23,695	21,875
Other payables and accrued expenses	31,569	36,550
Contract liabilities	945	1,001
Derivative financial liabilities	883	-
Hire purchase payable	97	187
Tax liabilities	1,252	829
Dividend payable	121	121
	58,562	60,563
<b>TOTAL LIABILITIES</b>	<b>75,240</b>	<b>75,542</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>740,672</b>	<b>731,557</b>

The condensed consolidated statements 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**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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, Restated</b>	171,255	-	(14,642)	(322)	23,986	406,099	586,376	50,693	637,069
Profit for the year	-	-	-	-	-	15,521	15,521	3,547	19,068
Other comprehensive income/(loss)	-	-	(926)	-	1,813	-	887	(551)	336
Total comprehensive income/(loss)	-	-	(926)	-	1,813	15,521	16,408	2,996	19,404
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
<b>As at 30 September 2018</b>	<b>171,255</b>	<b>-</b>	<b>(15,568)</b>	<b>(322)</b>	<b>25,799</b>	<b>414,773</b>	<b>595,937</b>	<b>53,689</b>	<b>649,626</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	-	-	-	-	-	12,871	12,871	3,649	16,520
Other comprehensive income/(loss)	-	-	2,496	-	(1,811)	(639)	46	1,468	1,514
Total comprehensive income/(loss)	-	-	2,496	-	(1,811)	12,232	12,917	5,117	18,034
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(1,770)	(1,770)
<b>As at 30 September 2019</b>	<b>171,255</b>	<b>-</b>	<b>(10,262)</b>	<b>(322)</b>	<b>20,278</b>	<b>426,402</b>	<b>607,351</b>	<b>58,081</b>	<b>665,432</b>

The condensed consolidated statements 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.



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

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

	<b>Cumulative 6-month Ended</b>	
	<b>30.09.2019</b>	<b>30.09.2018</b>
		<b>(Restated)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before tax	21,614	23,871
Adjustments for:		
- Dividend income	(1,830)	(1,771)
- Interest income	(3,014)	(2,371)
- Interest expense	22	13
- Depreciation of property, plant and equipment	8,698	8,289
- (Gain)/Loss on disposal of property, plant and equipment	(3)	1
- Property, plant and equipment written off	5	-
- Share of results of an associate company	(48)	(337)
- Inventories written off	30	37
- Provision for doubtful debts no longer required	(66)	(304)
- Unrealised gain on foreign exchange	(761)	(4,630)
- Net fair value loss on biological assets	(65)	(205)
- Net revaluation gain on derivatives	978	889
- Provision for retirement benefits	1,048	581
Operating Profit Before Working Capital Changes	26,608	24,063
(Increase)/decrease in:		
- Inventories	1,954	(10,319)
- Trade receivables	(6,585)	14,040
- Other receivables, deposit and prepaid expenses	1,310	(626)
- Amounts owing by an associate company	586	(729)
Increase/(decrease) in:		
- Trade payables	(7,654)	(7,970)
- Other payables and accrued expenses	5,136	(5,474)
- Contract liabilities	(56)	45
<b>Cash Generated From Operating Activities</b>	<b>21,299</b>	<b>13,030</b>
- Income tax paid, net	(5,188)	(4,586)
<b>Net Cash Generated From Operating Activities</b>	<b>16,111</b>	<b>8,444</b>





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(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

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

	<b>Cumulative 6-month Ended</b>	<b>30.09.2018</b>
	<b>30.09.2019</b>	<b>(Restated)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows Used In Investing Activities</b>		
- Interest received	3,014	2,371
- Dividend received	1,830	1,771
- Investment in quoted share	(85)	(81)
- Interest expenses	(22)	(13)
- Proceed from disposal of property, plant and equipment	7	
- Additions for KKPA program	(1,674)	(924)
- Additions to property, plant and equipment	(10,853)	(10,928)
	<u>(7,783)</u>	<u>(7,804)</u>
<b>Net Cash Used In Investing Activities</b>		
<b>Cash Flows Used In Financing Activities</b>		
- Net repayment of hire-purchase payables	(84)	(129)
- Dividend paid by:		
- The Company	(6,847)	(6,847)
- Subsidiary company to non-controlling interests	(1,770)	-
	<u>(8,701)</u>	<u>(6,976)</u>
<b>Net Cash Used In Financing Activities</b>		
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(373)</b>	<b>(6,336)</b>
<b>Cash and Cash Equivalents</b>		
<b>at Beginning of Financial Period</b>	199,911	174,381
<b>Effect of Translation Differences</b>	1,491	(1,382)
<b>Cash and Cash Equivalents at End of Financial Period</b>	<b><u>201,029</u></b>	<b><u>166,663</u></b>
<b>Composition of Cash and Cash Equivalents:</b>		
- Cash and bank balances	127,328	92,764
- Fixed deposits with licensed banks	23,486	19,160
- Short-term placements	50,215	54,739
	<u>201,029</u>	<u>166,663</u>

The condensed consolidated statements of cash flows 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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(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**FINANCIAL YEAR ENDING 31 MARCH 2020**  
**SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 Listing Requirements.

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

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

	<b>30.09.2019</b>	<b>30.09.2018</b>
Final Dividend		
For the financial year ended	31 March 2019	31 March 2018
Declared date	28 May 2019	25 May 2018
Approved date	30 August 2019	30 August 2018
Payment date	27 September 2019	28 September 2018
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		
	30.09.19 RM'000	30.09.18 (Restated) RM'000	Changes %	30.09.19 RM'000	30.09.18 (Restated) RM'000	Changes %	30.09.19 RM'000	30.09.18 (Restated) RM'000	Changes %	30.09.19 RM'000	30.09.18 RM'000	Changes %	30.09.19 RM'000	30.09.18 (Restated) RM'000	Changes %
<b>Revenue</b>															
Total Revenue	74,977	75,253	-0.4%	63,493	50,749	25.1%	23,279	20,889	11.4%	12,864	14,631	-12.1%	174,613	161,522	8.1%
Less:															
Inter-segment sales	-	-	-	-	-	-	-	-	-	(7,840)	(8,480)	7.5%	(7,840)	(8,480)	-7.5%
External Sales	74,977	75,253	-0.4%	63,493	50,749	25.1%	23,279	20,889	11.4%	5,024	6,151	-18.3%	166,773	153,042	9.0%
<b>Results</b>															
Segment results	(2,408)	(490)	-391.4%	9,072	7,001	29.6%	6,318	5,556	13.7%	1,185	1,129	5.0%	14,167	13,196	7.4%
Finance Cost	-	-	-	(11)	(5)	-120.0%	-	-	-	-	-	-	(11)	(5)	-120.0%
Share of result of an associate (net)	-	-	-	-	-	-	-	-	-	(64)	32	-300.0%	(64)	32	-300.0%
Profit before tax	(2,408)	(490)	-391.4%	9,061	6,996	29.5%	6,318	5,556	13.7%	1,121	1,161	-3.4%	14,092	13,223	6.6%

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

	Oleochemical			Milling & Estate			Healthcare			Investment & Services			Consolidated		
	30.09.19 RM'000	30.09.18 (Restated) RM'000	Changes %	30.09.19 RM'000	30.09.18 (Restated) RM'000	Changes %	30.09.19 RM'000	30.09.18 (Restated) RM'000	Changes %	30.09.19 RM'000	30.09.18 RM'000	Changes %	30.09.19 RM'000	30.09.18 (Restated) RM'000	Changes %
<b>Revenue</b>															
Total Revenue	143,719	151,474	-5.1%	111,302	107,836	3.2%	45,048	41,091	9.6%	18,056	19,980	-9.6%	318,125	320,381	-0.7%
Less:															
Inter-segment	-	-	-	-	-	-	-	-	-	(8,777)	(9,389)	6.5%	(8,777)	(9,389)	6.5%
External Sales	143,719	151,474	-5.1%	111,302	107,836	3.2%	45,048	41,091	9.6%	9,279	10,591	-12.4%	309,348	310,992	-0.5%
<b>Results</b>															
Segment results	(3,626)	404	-997.5%	11,258	10,873	3.5%	12,392	10,954	13.1%	1,564	1,316	18.8%	21,588	23,547	-8.3%
Finance Cost	-	-	-	(22)	(13)	-69.2%	-	-	-	-	-	-	(22)	(13)	-69.2%
Share of results of an associate (net)	-	-	-	-	-	-	-	-	-	48	337	-85.8%	48	337	-85.8%
Profit before tax	(3,626)	404	-997.5%	11,236	10,860	3.5%	12,392	10,954	13.1%	1,612	1,653	-2.5%	21,614	23,871	-9.5%
<b>Assets</b>															
Segment assets	176,794	183,911	-3.9%	352,735	336,855	4.7%	119,996	107,397	11.7%	91,147	92,200	-1.1%	740,672	720,363	2.8%
<b>Liabilities</b>															
Segment liabilities	24,021	21,628	11.1%	28,563	28,889	-1.1%	17,322	16,510	4.9%	5,334	3,710	43.8%	75,240	70,737	6.4%
<b>Exchange Rate</b>	<b>Financial Position – Closing Rate</b>			<b>Profit or Loss – Average Rate</b>											
	30.09.19	30.09.18	Changes	30.09.19	30.09.18	Changes									
USD : RM	4.1900	4.1365	1.3%	4.1558	4.0198	3.4%									
IDR : RM	0.0002950	0.0002780	6.1%	0.0002930	0.0002817	4.0%									
HKD : RM	0.5344	0.5287	1.1%	0.5305	0.5123	3.6%									



#### **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 September 2019 amounted to RM7.5 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 6-months Ended 30.09.2019 RM'000</b>	<b>Cumulative 6-months Ended 30.09.2018 RM'000</b>
Sales of goods	944	765
Purchase of goods	2,721	5,059
Provision of administrative services	2,763	3,354



## B. Explanatory Notes Pursuant to Paragraph 9.22 of the Listing Requirements

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

#### Current Quarter vs Preceding Corresponding Quarter

	Second Quarter Ended			
	30.09.2019	30.09.2018 (Restated)	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	166,773	153,042	13,731	9.0%
Operation profit	14,167	13,196	971	7.4%
Profit before interest and tax	14,103	13,228	875	6.6%
Profit before tax	14,092	13,223	869	6.6%
Profit after tax	10,680	10,538	142	1.3%
Profit attributable to equity holders of the Company	7,690	8,244	(554)	-6.7%

In this 2nd quarter of our financial year ending 31 Mar 2020 ("FY2020"), Group revenue increased 9.0% to RM166.8 million from RM153.0 million achieved in the preceding corresponding quarter. The improved performance was driven by stronger revenue growth from both the Milling & Estate Segment and the Healthcare Segment. However, revenue contribution from the Oleochemical Segment was marginally lower in the quarter, and this segment accounted for 45.0% of Group revenue.

Consequently, Group profit before tax ("PBT") rose 6.6% to RM14.1 million from RM13.2 million reported in the preceding corresponding quarter. The better profit performance was attributed to higher PBT contribution from the Milling & Estate Segment and the Healthcare Segment.





### Oleochemical Segment

	30.09.2019	Second Quarter Ended		Changes
		30.09.2018	Changes	
	RM'000	(Restated) RM'000	RM'000	%
<b>(A) Financial Highlights:</b>				
Revenue	74,977	75,253	(276)	-0.4%
Operation Loss	(2,408)	(490)	(1,918)	-391.4%
Loss before interest and tax	(2,408)	(490)	(1,918)	-391.4%
Loss before tax	(2,408)	(490)	(1,918)	-391.4%
<b>(B) Non-Financial Highlights:</b>				
Production Capacity (MT)	25,000	25,000	-	-
Production Utilisation (%)	99.1%	87.9%	11.2%	12.7%
Quantity Sold (MT)	25,135	21,194	3,941	18.6%
Gross (Loss)/Profit Margin (%)	(1.7%)	0.4%	(2.1%)	525.0%

Revenue in the Oleochemical Segment declined 0.4% to RM75.0 million from RM75.3 million achieved in the preceding corresponding quarter. The average selling price (“ASP”) for fatty acids and glycerine fell 12.2% and 32.6% respectively. Production capacity utilisation rate increased to 99.1% from 87.9% in the preceding corresponding quarter as sales volume increased to 25,135 MT.

The Oleochemical Segment reported a loss before tax (“LBT”) of RM2.4 million in the quarter, which comprised core LBT of RM3.0 million and non-core PBT of RM0.6 million. The non-core PBT was mainly due to unrealised gain from foreign exchange.



### Milling & Estate Segment

	Second Quarter Ended			
	30.09.2019	30.09.2018	Changes	Changes
	RM'000	(Restated) RM'000	RM'000	%
<b>(A) Financial Highlights:</b>				
Revenue	63,493	50,749	12,744	25.1%
Operation profit	9,072	7,001	2,071	29.6%
Profit before interest and tax	9,072	7,001	2,071	29.6%
Profit before tax	9,061	6,996	2,065	29.5%
<b>(B) Non-Financial Highlights:</b>				
FFB Processed (MT)	139,383	113,046	26,337	23.3%
FFB Production (MT)	26,307	26,408	(101)	-0.4%
CPO Sale Volume (MT)	29,076	21,119	7,957	37.7%
PK Sales Volume (MT)	6,829	6,184	645	10.4%
Average CPO Selling Price per MT (RM)	1,903	1,969	(66)	-3.4%
Average PK Selling Price Per MT (RM)	1,066	1,458	(392)	-26.9%

Revenue in the Milling & Estate Segment increased 25.1% to RM63.5 million from RM50.7 million achieved in the preceding corresponding quarter. The ASP of crude palm oil (“CPO”) and palm kernel (“PK”) declined 3.4% and 26.9% respectively. This was mitigated by higher sales volume, where CPO sales volume rose 37.7% to 29,076 MT and PK sales volume increased 10.4% to 6,829 MT. Fresh Fruit Bunches processed was 23.3% higher at 139,383 MT.

The Milling & Estate Segment achieved 29.5% increase in PBT in the current quarter to RM9.1 million, boosted by improved operating margins. This segment PBT comprised core PBT of RM6.4 million and non-core PBT of RM2.7 million. The non-core PBT was mainly derived from sale proceeds from the disposal of PK shells and scraps.



## Healthcare Segment

	30.09.2019	Second Quarter Ended		Changes	Changes
		30.09.2018	Changes		
	RM'000	(Restated) RM'000	RM'000		%
<b>(A) Financial Data:</b>					
Revenue	23,279	20,889	2,390		11.4%
Operation profit	6,318	5,556	762		13.7%
Profit before interest and tax	6,318	5,556	762		13.7%
Profit before tax	6,318	5,556	762		13.7%
<b>(B) Statistics:</b>					
Bed Occupancy Rate (%)	58.3%	56.1%	2.2%		3.9%
Number of patients					
a. Outpatient	22,098	20,958	1,140		5.4%
b. Inpatient	3,356	3,135	221		7.0%
Average revenue per patient ("ARPP") (RM)					
a. Outpatient	179	179	0		0%
b. Inpatient	5,495	5,205	290		5.6%

Revenue in the Healthcare Segment increased 11.4% to RM23.3 million from RM20.9 million achieved in the preceding corresponding quarter.

During the current quarter, the number of registered outpatients and inpatients increased by 5.4% and 7.0% respectively to 22,098 and 3,356. The ARPP for outpatients remains unchanged whilst inpatients' ARPP increased 5.6% to RM5,495.

Overall bed occupancy rate was 3.9% higher at 58.3% from 56.1% previously.

Segment PBT rose 13.7% to RM6.3 million in the current quarter. This comprised core PBT of RM5.6 million and non-core PBT of RM0.7 million.



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

	Cumulative 6-month Ended			
	30.09.2019	30.09.2018 (Restated)	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	309,348	310,992	(1,644)	-0.5%
Operation profit	21,588	23,547	(1,959)	-8.3%
Profit before interest and tax	21,636	23,884	(2,248)	-9.4%
Profit before tax	21,614	23,871	(2,257)	-9.5%
Profit after tax	16,520	19,068	(2,548)	-13.4%
Profit attributable to equity holders of the Company	12,871	15,521	(2,650)	-17.1%

In the cumulative 6-month period of FY2020, Group revenue was 0.5% lower at RM309.3 million from RM311.0 million achieved in the preceding corresponding period. The Milling & Estate Segment and the Healthcare Segment delivered higher revenue respectively. The Oleochemical Segment, which accounted for 46.5% of Group revenue, reported lower revenue for the period.

Group PBT declined 9.5% to RM21.6 million from RM23.9 million achieved in the preceding corresponding period. This was mainly attributed to the weaker performance from the Oleochemical Segment, which registered a LBT in the current 6-month period.



### Oleochemical Segment

	Cumulative 6-month Ended			
	30.09.2019	30.09.2018	Changes	Changes
	RM'000	RM'000	RM'000	%
<b>(A) Financial Highlights:</b>				
Revenue	143,719	151,474	(7,755)	-5.1%
Operation (loss)/profit	(3,626)	404	(4,030)	-997.5%
(Loss)/Profit before interest and tax	(3,626)	404	(4,030)	-997.5%
(Loss)/Profit before tax	(3,626)	404	(4,030)	-997.5%
<b>(B) Non-Financial Highlights:</b>				
Production Capacity (MT)	50,000	50,000	-	0.0%
Production Utilisation (%)	92.8%	82.8%	10.0%	12.1%
Quantity Sold (MT)	47,157	40,631	6,526	16.1%
Gross (Loss)/Profit Margin (%)	(1.5%)	0.0%	(1.5%)	NA

Revenue in the Oleochemical Segment decreased 5.1% to RM143.7 million from RM151.5 million achieved in the preceding corresponding period. The ASP of fatty acids and glycerine fell 14.9% and 35.9% respectively. This was cushioned by 16.1% rise in sales volume to 47,157 MT, which drove a higher production utilisation of 92.8% from 82.8% previously.

The Oleochemical Segment reported LBT of RM3.6 million during the period, which comprised core LBT of RM4.9 million and non-core PBT of RM1.3 million. The non-core PBT was mainly due both realised losses and unrealised gain from foreign exchange.



### Milling & Estate Segment

	Cumulative 6-month Ended			
	30.09.2019	30.09.2018	Changes	Changes
	RM'000	(Restated) RM'000	RM'000	%
<b>(A) Financial Highlights:</b>				
Revenue	111,302	107,836	3,466	3.2%
Operation profit	11,258	10,873	385	3.5%
Profit before interest and tax	11,258	10,873	385	3.5%
Profit before tax	11,236	10,860	376	3.5%
<b>(B) Non-Financial Highlights:</b>				
FFB Processed (MT)	265,094	239,704	25,390	10.6%
FFB Production (MT)	47,251	44,401	2,850	6.4%
CPO Sales Volume (MT)	50,845	42,521	8,324	19.6%
PK Sales Volume (MT)	12,133	12,077	56	0.5%
Average CPO Selling Price Per MT	1,912	2,082	(170)	-8.2%
Average PK Selling Price Per MT	1,083	1,536	(453)	-29.5%

Revenue in the Milling & Estate Segment increased 3.2% to RM111.3 million from RM107.8 million achieved in the preceding corresponding period. The ASP of CPO and PK declined 8.2% and 29.5% respectively. This was offset by 10.6% increase in FFB processed as well as higher CPO sales volume, which rose 19.6% to 50,845 MT.

Segment PBT rose 3.5% to RM11.2 million in the cumulative 6-month period. This comprised core PBT of RM6.0 million and non-core PBT of RM5.2 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			
	30.09.2019	30.09.2018	Changes	Changes
	RM'000	RM'000	RM'000	%
<b>(A) Financial Highlights:</b>				
Revenue	45,048	41,091	3,957	9.6%
Operation profit	12,392	10,954	1,438	13.1%
Profit before interest and tax	12,392	10,954	1,438	13.1%
Profit before tax	12,392	10,954	1,438	13.1%
<b>(B) Non-Financial Highlights:</b>				
Bed Occupancy Rate (%)	55.8%	54.5%	1.3%	2.4%
Number of Patients				
a. Outpatient	42,439	40,484	1,955	4.8%
b. Inpatient	6,372	6,146	226	3.7%
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	181	184	(3)	-1.6%
b. Inpatient	5,597	5,217	380	7.3%

Revenue in the Healthcare Segment increased 9.6% to RM45.0 million from RM41.1 million achieved in the preceding corresponding period.

The number of registered outpatients and inpatients rose 4.8% and 3.7% respectively to 42,439 and 6,372. The ARPP for outpatients decreased 1.6% to RM181 whilst inpatients' ARPP registered an increase of 7.3% to 5,597.

Overall bed occupancy rate was 2.4% higher at 55.8% from 54.5% previously.

Segment PBT rose 13.1% to RM12.4 million in the cumulative 6-month period. This comprised core PBT of RM10.9 million and non-core PBT of RM1.5 million.



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

	Individual Quarter Ended			
	30.09.2019 RM'000	30.06.2019 RM'000	Changes RM'000	Changes %
Revenue	166,773	142,575	24,198	17.0%
Operation profit	14,167	7,421	6,746	90.9%
Profit before interest and tax	14,103	7,533	6,570	87.2%
Profit before tax	14,092	7,522	6,570	87.3%
Profit after tax	10,680	5,840	4,840	82.9%
Profit attributable to equity holders of the Company	7,690	5,181	2,509	48.4%

In the current quarter under review, Group revenue increased 17.0% to RM166.8 million from RM142.6 million achieved in the immediate preceding quarter. This was driven by overall improvement in revenue contribution from all three core Segments of the Group.

Group PBT increased 87.3% to RM14.1 million from RM7.5 million reported in the immediate preceding quarter. The Milling & Estate Segment was the key contributor to the stronger Group PBT performance. Higher sales volume, coupled with improved operating margins, resulted in the Milling & Estate Segment achieving PBT of RM9.1 million compared to PBT of RM2.2 million in the immediate preceding quarter.

## B3. Prospect of the Group

### Oleochemical Segment

Prospects for the Oleochemical Segment remains challenging. We continue to operate in a difficult operating environment, facing intense price competition in the international market and threat of substitutes from petrochemical products. The volatility of the USD/MYR also remains a cause for concern due to the export nature of this Segment.

We will focus on progressively upgrading our manufacturing plant through process automation, as well as provide value-added services such as product customisation to our long term customers. These would enable us to improve on our efficiencies and compete more effectively in the market.





#### Milling & Estate Segment

The Milling & Estate Segment is expected to benefit from the current strength in CPO prices, partly driven by stronger demand from China and biodiesel policies in Indonesia which raised concerns over potential shortfall in palm oil supplies.

Nonetheless we remain cautious overall. Longer term demand growth remains uncertain amidst the current slower economic growth environment. Further, India's consideration to raise import taxes on refined palm oil may adversely impact demand and prices of palm oil.

#### Healthcare Segment

The Healthcare Segment is significantly less susceptible to headwinds in the commodity markets and is expected to deliver steady growth going forward. The growth in this segment 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 and cater for growth, the Group frequently undertakes maintenance and expansion expenditure to upgrade and refurbish existing facilities. We have recently completed the upgrading and expansion of our existing cancer centre.

Operationally, the Group prioritises attracting and retaining human capital and has built up a team of experienced nurses and reputable, highly-skilled and experienced consultants across all disciplines. This puts the Group in a strong position to sustainably grow the Healthcare segment as demand for private healthcare increases.

#### Overall

The Group faces uncertainties and challenges in all its core Segments. We will continue to improve on our core competencies and strengthen our delivery platform. Our balance sheet remains healthy, with no debt and a net cash position of RM201.0 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**

	Second Quarter Ended		Cumulative 6-month Ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Estimated tax payable				
- Malaysian tax expense	791	970	2,014	2,250
- Overseas tax expense	2,621	1,715	3,080	2,553
	3,412	2,685	5,094	4,803
- Provision of deferred tax	-	-	-	-
<b>Total</b>	<b>3,412</b>	<b>2,685</b>	<b>5,094</b>	<b>4,803</b>

**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 2019: -

	Unaudited		Audited	
	As at 30.09.2019 Unaudited Foreign Currency IDR million	As at 30.09.2019 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	329	97	651	187
<b>Long term (Secured)</b>				
- Hire purchase payable Denominated in IDR	739	218	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 September 2019, the fair values of these derivatives are as follows:

Types of Derivatives	Based Currency	Contract/Notional Value RM'000	Fair Value as at 30.09.2019 RM'000
(i) Forward foreign exchange contracts - Less than 1 year	USD	54,053	54,302
(ii) Commodity future contracts <i>Buy</i> - Less than 1 year	RM	10,831	10,197
<i>Sell</i> - Less than 1 year	RM	3,912	4,074

### 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**

Types Of Derivatives	Basis of Fair Value Measurement	Current Quarter 30.09.2019 RM'000
(i) Forward foreign exchange contracts - Less than 1 year	The difference between the contracted rates and the Bank Nagara closing rates	(249)
(ii) Commodity future contracts - Less than 1 year	The difference between the contracted prices and the market forward prices	(472)

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**

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	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Profit attributable to equity holders of the Company (in RM'000)	7,690	8,244	12,871	15,521
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	5.62	6.02	9.40	11.33

**B13. Profit for the period**

	<b>Cumulative 6-months Ended 30.09.2019</b>	<b>30.09.2018 (Restated)</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the year is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	3,014	2,371
- Interest expense	(22)	(13)
- Other income	5,206	4,596
- Depreciation of property, plant and equipment	(8,698)	(8,289)
- Inventories written off	(30)	(37)
- Provision for doubtful debts no longer required	66	304
- Net fair value loss on biological assets	65	205
- Gain/(loss) on foreign exchange:		
Realised	(294)	1,324
Unrealised	761	4,630
- Net revaluation gain on derivatives	(978)	(889)

Other items of disclosure pursuant to Appendix 9B, Part A, paragraphs 16 of the Listing Requirements are not applicable for disclosure.

**B14. Trade Receivables**

	<b>Unaudited As at 30.09.2019 RM'000</b>	<b>Audited As at 31.03.2019 RM'000</b>
Third parties	42,128	35,146
Related parties	1,124	774
Trade receivable	43,252	35,920
Less: allowance for doubtful debts	(1,150)	(1,074)
Trade receivable, net	42,102	34,846

The credit period granted on sales of goods and services rendered ranges from 30 to 90 days (2019: 30 to 90 days).

An allowance of RM1,150,000 (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 30.09.2019 RM'000</b>	<b>Audited As at 31.03.2019 RM'000</b>
Neither past due nor impaired	30,677	28,127
Past due but not impaired		
31 – 60 days	9,620	6,359
61 – 90 days	1,051	273
91 – 120 days	394	82
121 – 150 days	360	5
	<u>11,425</u>	<u>6,719</u>
Past due and impaired	1,150	1,074
Trade receivable	<u>43,252</u>	<u>35,920</u>

#### **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 second quarter of financial year ending 31 March 2020 was authorised for issuance by the Board of Directors of the Company on 26 November 2019.