

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

THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2019
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)



SOUTHERN ACIDS (M) BERHAD
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AND ITS SUBSIDIARY COMPANIES

FINANCIAL YEAR ENDING 31 MARCH 2020
INTERIM FINANCIAL REPORT
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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 THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2019

	Note	Third Quarter Ended			Cumulative 9-month Ended		
		31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	Changes %	31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	Changes %
Revenue	A8	171,252	146,647	16.8%	480,600	457,639	5.0%
- Cost of Sales		(141,604)	(123,958)	-14.2%	(407,280)	(390,169)	-4.4%
Gross Profit		29,648	22,689	30.7%	73,320	67,470	8.7%
- Administrative Expenses		(15,306)	(15,553)	1.6%	(45,610)	(43,959)	-3.8%
- Other Income/(Expenses)		4,632	2,307	100.8%	12,852	9,479	35.6%
Profit from operations		18,974	9,443	100.9%	40,562	32,990	23.0%
- Interest expense		(244)	(11)	-2118.2%	(266)	(24)	-1,008.3%
- Share of results of an associate (net)		(151)	206	-173.3%	(103)	543	-119.0%
Profit before tax	A8	18,579	9,638	92.8%	40,193	33,509	19.9%
- Income tax expense	B5	(4,120)	(2,552)	-61.4%	(9,214)	(7,355)	-25.3%
Profit for the period	B13	14,459	7,086	104.1%	30,979	26,154	18.4%
Attributable to:							
- Equity holders of the Company		10,427	5,041	106.8%	23,298	20,562	13.3%
- Non-controlling interests		4,032	2,045	97.2%	7,681	5,592	37.4%
		14,459	7,086	104.1%	30,979	26,154	18.4%
Earnings per share (sen) attributable to equity holder of the Company							
- Basic and diluted	B12	7.61	3.68	106.8%	17.01	15.02	13.2%



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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 THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2019

	Note	Third Quarter Ended			Cumulative 9-month Ended		
		31.12.2019	31.12.2018	Changes	31.12.2019	31.12.2018	Changes
		RM'000	(Restated) RM'000	%	RM'000	(Restated) RM'000	%
Profit for the period	B13	14,459	7,086	104.1%	30,979	26,154	18.4%
Other comprehensive income							
Item that may be reclassified subsequently to profit or loss:							
- (Loss)/Gain arising from revaluation of other investments		(2,722)	(1,407)	-93.5%	(4,533)	406	-1,216.5%
- Exchange differences on translation of foreign subsidiaries		(3)	5,064	-100.1%	3,961	3,587	10.4%
Item that will not be reclassified subsequently to profit or loss							
- Remeasurement of defined benefit obligations		-	-	NA	(639)	-	NA
Total comprehensive income for the period		11,734	10,743	9.2%	29,768	30,147	-1.3%
Attributable to:							
- Equity holders of the Company		7,702	6,755	14.0%	20,619	23,163	-11.0%
- Non-controlling interests		4,032	3,988	1.1%	9,149	6,984	31.0%
		11,734	10,743	9.2%	29,768	30,147	-1.3%

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
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FINANCIAL YEAR ENDING 31 MARCH 2020
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Unaudited As at 31.12.2019 RM'000	Audited As at 31.03.2019 RM'000
ASSETS			
Non-Current Assets			
Land held for property development		139,868	139,868
Property, plant and equipment	A9	197,386	195,682
Right-of-use assets		6,463	-
Investment property		3,318	3,318
Investment in an associate company		2,510	2,612
Other investments		42,805	47,152
Advances for KKPA program		3,204	491
Deferred tax assets		1,293	1,261
		<u>396,847</u>	<u>390,384</u>
Current Assets			
Biological assets		1,864	1,143
Inventories		73,729	64,853
Derivative financial assets	B9	1,106	257
Trade receivables	B14	36,753	34,846
Other receivables, deposits and prepaid expenses		9,340	12,944
Amounts owing by an associate company		772	1,079
Tax recoverable		28,027	26,140
Cash and cash equivalents		212,694	199,911
		<u>364,285</u>	<u>341,173</u>
TOTAL ASSETS		<u>761,132</u>	<u>731,557</u>



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2020
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)
AS AT 31 DECEMBER 2019

	Unaudited	Audited
	As at	As at
	31.12.2019	31.03.2019
	RM'000	RM'000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	171,255	171,255
Reserves	443,798	430,026
Equity attributable to equity holders of the Company	615,053	601,281
Non-controlling interests	62,113	54,734
Total Equity	677,166	656,015
Non-Current and Deferred Liabilities		
Term loan	4,800	-
Lease liabilities	4,316	-
Hire purchase payable	298	212
Provision for retirement benefits	12,927	10,852
Deferred tax liabilities	3,915	3,915
	26,256	14,979
Current Liabilities		
Trade payables	27,079	21,875
Other payables and accrued expenses	25,962	36,550
Contract liabilities	613	1,001
Derivative financial liabilities	100	-
Term loan	1,200	-
Lease liabilities	1,262	-
Hire purchase payable	76	187
Tax liabilities	1,297	829
Dividend payable	121	121
	57,710	60,563
TOTAL LIABILITIES	83,966	75,542
TOTAL EQUITY AND LIABILITIES	761,132	731,557

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
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FINANCIAL YEAR ENDING 31 MARCH 2020
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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					
As at 1 April 2018, Restated	171,255	-	(14,642)	(322)	23,986	406,099	586,376	50,693	637,069
Profit for the year	-	-	-	-	-	20,562	20,562	5,592	26,154
Other comprehensive income/(loss)	-	-	2,311	-	406	(116)	2,601	1,392	3,993
Total comprehensive income/(loss)	-	-	2,311	-	406	20,446	23,163	6,984	30,147
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	(1,296)	(1,296)
As at 31 December 2018	171,255	-	(12,331)	(322)	24,392	419,698	602,692	56,381	659,073
As at 1 April 2019	171,255	-	(12,758)	(322)	22,089	421,017	601,281	54,734	656,015
Profit for the year	-	-	-	-	-	23,298	23,298	7,681	30,979
Other comprehensive income/(loss)	-	-	2,493	-	(4,533)	(639)	(2,679)	1,468	(1,211)
Total comprehensive income/(loss)	-	-	2,493	-	(4,533)	22,659	20,619	9,149	29,768
Dividend paid	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(1,770)	(1,770)
As at 31 December 2019	171,255	-	(10,265)	(322)	17,556	436,829	615,053	62,113	677,166

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
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FINANCIAL YEAR ENDING 31 MARCH 2020
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2019

	Cumulative 9-month Ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	40,193	33,509
Adjustments for:		
- Dividend income	(1,983)	(1,927)
- Interest income	(4,414)	(3,512)
- Interest expense	266	24
- Depreciation of property, plant and equipment	14,409	12,349
- (Gain)/Loss on disposal of property, plant and equipment	(4)	2
- Property, plant and equipment written off	7	206
- Share of results of an associate company	103	(543)
- Inventories written off	43	83
- Provision for doubtful debts no longer required	(66)	(300)
- Unrealised gain on foreign exchange	(203)	(4,242)
- Net fair value loss on biological assets	(27)	35
- Net revaluation gain on derivatives	(749)	(870)
- Provision for retirement benefits	1,388	1,152
Operating Profit Before Working Capital Changes	48,963	35,966
(Increase)/decrease in:		
- Inventories	(8,680)	3,774
- Trade receivables	(1,843)	18,592
- Other receivables, deposit and prepaid expenses	2,274	3,283
- Amounts owing by an associate company	367	(228)
Increase/(decrease) in:		
- Trade payables	(4,229)	(10,970)
- Other payables and accrued expenses	(679)	(10,226)
- Contract liabilities	(1,366)	254
Cash Generated From Operating Activities	34,807	40,445
- Income tax paid, net	(10,082)	(3,938)
Net Cash Generated From Operating Activities	24,725	36,507



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FINANCIAL YEAR ENDING 31 MARCH 2020
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont'd)
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2019

	Cumulative 9-month Ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
Cash Flows Used In Investing Activities		
- Interest received	4,414	3,512
- Dividend received	1,983	1,927
- Investment in quoted share	(186)	(170)
- Interest expenses	(46)	(24)
- Proceed from disposal of property, plant and equipment	7	-
- Additions for KKPA program	(2,680)	(1,416)
- Additions to property, plant and equipment	(13,645)	(16,847)
	<u>(10,153)</u>	<u>(13,018)</u>
Net Cash Used In Investing Activities		
Cash Flows Used In Financing Activities		
- Net repayment of hire-purchase payables	(25)	105
- Drawdown/(repayment) of term loan	6,000	-
- Dividend paid by:		
- The Company	(6,847)	(6,847)
- Subsidiary company to non-controlling interests	(1,770)	(1,296)
	<u>(2,642)</u>	<u>(8,038)</u>
Net Cash Used In Financing Activities		
Net Increase in Cash and Cash Equivalents	11,930	15,451
Cash and Cash Equivalents at Beginning of Financial Period	199,911	174,381
Effect of Translation Differences	853	(959)
Cash and Cash Equivalents at End of Financial Period	<u>212,694</u>	<u>188,873</u>
Composition of Cash and Cash Equivalents:		
- Cash and bank balances	127,365	111,749
- Fixed deposits with licensed banks	29,391	20,047
- Short-term placements	55,938	57,077
	<u>212,694</u>	<u>188,873</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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FINANCIAL YEAR ENDING 31 MARCH 2020
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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 Group adopted MFRS 16 using the modified retrospective method of adoption with the date of application of 1 April 2019. Under this method, comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings of the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low value assets'). The effect of the adoption of MFRS 16 Leases is as follows:

	Note	As at 1 April 2019 RM'000	Adoption of MFRS 16 RM'000	As at 1 April 2019 RM'000
Non-current assets				
Right-of-use assets	i	-	6,463	6,463
Non-current liabilities				
Lease liabilities		-	5,269	5,269
Current liabilities				
Lease liabilities		-	1,194	1,194
Total lease liabilities	ii	-	6,463	6,463

Note:

- i) The right-of-use assets representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.
- ii) The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.
- iii) There is no impact to the Group's retained earnings as at 1 April 2019.



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:

	31.12.2019	31.12.2018
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		
	31.12.19 RM'000	31.12.18 (Restated) RM'000	Changes %	31.12.19 RM'000	31.12.18 (Restated) RM'000	Changes %	31.12.19 RM'000	31.12.18 (Restated) RM'000	Changes %	31.12.19 RM'000	31.12.18 RM'000	Changes %	31.12.19 RM'000	31.12.18 (Restated) RM'000	Changes %
Revenue															
Total Revenue	66,941	72,796	-8.0%	76,135	47,463	60.4%	23,096	21,925	5.3%	6,710	5,361	25.2%	172,882	147,545	17.2%
Less:															
Inter-segment sales	-	-	-	-	-	-	-	-	-	(1,630)	(898)	-81.5%	(1,630)	(898)	-81.5%
External Sales	66,941	72,796	-8.0%	76,135	47,463	60.4%	23,096	21,925	5.3%	5,080	4,463	13.8%	171,252	146,647	16.8%
Results															
Segment results	1,219	(2,706)	145.0%	11,971	6,041	98.2%	6,355	5,890	7.9%	(571)	218	-361.9%	18,974	9,443	100.9%
Finance Cost	(112)	-	-	(24)	(11)	-118.2%	(9)	-	-	(99)	-	-	(244)	(11)	-2,118.2%
Share of result of an associate (net)	-	-	-	-	-	-	-	-	-	(151)	206	-173.3%	(151)	206	-173.3%
Profit before tax	1,107	(2,706)	140.9%	11,947	6,030	98.1%	6,346	5,890	7.7%	(821)	424	-293.6%	18,579	9,638	92.8%

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

	Oleochemical			Milling & Estate			Healthcare			Investment & Services			Consolidated		
	31.12.19 RM'000	31.12.18 RM'000	Changes %	31.12.19 RM'000	31.12.18 RM'000	Changes %	31.12.19 RM'000	31.12.18 RM'000	Changes %	31.12.19 RM'000	31.12.18 RM'000	Changes %	31.12.19 RM'000	31.12.18 RM'000	Changes %
Revenue															
Total Revenue	210,660	224,270	-6.1%	187,437	155,299	20.7%	68,144	63,016	8.1%	24,766	25,341	-2.3%	491,007	467,926	4.9%
Less:															
Inter-segment	-	-	-	-	-	-	-	-	-	(10,407)	(10,287)	-1.2%	(10,407)	(10,287)	1.2%
External Sales	210,660	224,270	-6.1%	187,437	155,299	20.7%	68,144	63,016	8.1%	14,359	15,054	-4.6%	480,600	457,639	5.0%
Results															
Segment results	(2,407)	(2,302)	-4.6%	23,229	16,914	37.3%	18,747	16,844	11.3%	993	1,534	-35.3%	40,562	32,990	23.0%
Finance Cost	(112)	-	-	(46)	(24)	-91.7%	(9)	-	-	(99)	-	-	(266)	(24)	-1,008.3%
Share of results of an associate (net)	-	-	-	-	-	-	-	-	-	(103)	543	-119.0%	(103)	543	-119.0%
Profit before tax	(2,519)	(2,302)	-9.4%	23,183	16,890	37.3%	18,738	16,844	11.2%	791	2,077	-61.9%	40,193	33,509	19.9%
Assets															
Segment assets	178,998	178,401	0.3%	359,803	342,018	5.2%	131,670	113,792	15.7%	90,661	94,478	-4.0%	761,132	728,689	4.5%
Liabilities															
Segment liabilities	24,755	19,083	29.7%	27,625	26,237	5.3%	23,929	18,167	31.7%	7,657	2,336	227.8%	83,966	65,823	27.6%
Exchange Rate	Financial Position – Closing Rate			Profit or Loss – Average Rate											
	31.12.19	31.12.18	Changes	31.12.19	31.12.18	Changes									
USD : RM	4.0930	4.1360	-1.0%	4.1588	4.0723	2.1%									
IDR : RM	0.0002950	0.0002880	2.4%	0.0002941	0.0002819	4.3%									
HKD : RM	0.5256	0.5282	-0.5%	0.5311	0.5194	2.3%									



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 31 December 2019 amounted to RM7.7 million.

A14. Related Party Transactions

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

	Cumulative 9-months Ended 31.12.2019 RM'000	Cumulative 9-months Ended 31.12.2018 RM'000
Sales of goods	436	1,118
Purchase of goods	4,059	6,048
Provision of administrative services	5,402	3,416



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

	31.12.2019	Third Quarter Ended		Changes %
	RM'000	31.12.2018 (Restated) RM'000	Changes RM'000	
Revenue	171,252	146,647	24,605	16.8%
Operation profit	18,974	9,443	9,531	100.9%
Profit before interest and tax	18,823	9,649	9,174	95.1%
Profit before tax	18,579	9,638	8,941	92.8%
Profit after tax	14,459	7,086	7,373	104.1%
Profit attributable to equity holders of the Company	10,427	5,041	5,386	106.8%

In this 3rd quarter of our financial year ending 31 March 2020 (“FY2020”), Group revenue rose 16.8% to RM171.3 million from RM146.6 million reported in the preceding corresponding quarter of FY2019. The improved performance was mainly due to higher revenue growth from the Milling & Estate Segment and the Healthcare Segment. Revenue from the Oleochemical Segment registered a decline in the quarter under review.

Group profit before tax (“PBT”) rose by 92.8% to RM18.6 million, compared to RM9.6 million achieved in the same quarter of financial year ended 31 March 2019 (“FY2019”). All of our three core segments delivered improved profit performance in this quarter period.



Oleochemical Segment

	31.12.2019	Third Quarter Ended		
		31.12.2018 (Restated)	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	66,941	72,796	(5,855)	(8.0%)
Operation Profit/(Loss)	1,107	(2,706)	3,813	140.9%
Profit/(Loss) before interest and tax	1,107	(2,706)	3,813	140.9%
Profit/(Loss) before tax	1,107	(2,706)	3,813	140.9%
(B) Non-Financial Highlights:				
Production Capacity (MT)	25,000	25,000	-	-
Production Utilisation (%)	91.0%	86.5%	4.5%	5.2%
Quantity Sold (MT)	21,246	21,463	(217)	(1.0%)
Gross (Loss)/Profit Margin (%)	0.6%	(3.9%)	4.4%	112.8%

Comparing the quarterly performance, revenue in the Oleochemical Segment declined 8.0% to RM66.9 million from RM72.8 million reported in the third quarter of FY2019. The Average Selling Price (“ASP”) for fatty acids and glycerine fell 5.1% and 17.9% respectively. Sales volume in the quarter fell marginally by 1.0% to 21,246 metric tonnes (“MT”). Meanwhile, our production capacity utilisation rate improved to 91.0% from 86.5% achieved in the same quarter of FY2019.

The segment reported PBT of RM1.1 million in the quarter. This comprised core loss before tax (“LBT”) of RM0.1 million and non-core PBT of RM1.2 million. The non-core PBT was mainly due to unrealised gains from foreign exchange.



Milling & Estate Segment

	31.12.2019	Third Quarter Ended		
		31.12.2018 (Restated)	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	76,135	47,463	28,672	60.4%
Operation profit	11,971	6,041	5,930	98.2%
Profit before interest and tax	11,971	6,041	5,930	98.2%
Profit before tax	11,947	6,030	5,917	98.1%
(B) Non-Financial Highlights:				
FFB Processed (MT)	141,417	84,077	57,340	68.2%
FFB Production (MT)	24,073	22,995	1,078	4.7%
CPO Sale Volume (MT)	30,421	22,952	7,469	32.5%
PK Sales Volume (MT)	8,142	4,418	3,724	84.3%
Average CPO Selling Price per MT (RM)	2,165	1,788	377	21.1%
Average PK Selling Price Per MT (RM)	1,133	1,362	(229)	(16.8%)

Our Milling & Estate Segment delivered stronger revenue growth of 60.4% to RM76.1 million from RM47.5 million reported in the third quarter of FY2019. We achieved higher ASP for Crude Palm Oil (“CPO”), which increased by 21.1%, whilst the ASP for Palm Kernel (“PK”) declined 16.8%. Sales volume of CPO rose 32.5% to 30,421 MT, and sales volume for PK rose 84.3% to 8,142 MT. Overall, Fresh Fruit Bunches (“FFB”) processed increased 68.2% to 141,417 MT.

The Segment PBT increased 98.1% to RM11.9 million in the quarter. This comprised core PBT of RM9.2 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

	31.12.2019 RM'000	Third Quarter Ended		Changes RM'000	Changes %
		31.12.2018 (Restated) RM'000			
(A) Financial Data:					
Revenue	23,096	21,925	1,171		5.3%
Operation profit	6,355	5,890	465		7.9%
Profit before interest and tax	6,355	5,890	465		7.9%
Profit before tax	6,346	5,890	456		7.7%
(B) Statistics:					
Bed Occupancy Rate (%)	57.2%	59.7%	(2.5%)		(4.2%)
Number of patients					
a. Outpatient	21,572	20,361	1,211		5.9%
b. Inpatient	3,319	3,294	25		0.8%
Average revenue per patient ("ARPP") (RM)					
a. Outpatient	188	170	18		10.6%
b. Inpatient	5,482	5,340	142		2.7%

Revenue in our Healthcare Segment increased 5.3% to RM23.1 million, compared to RM21.9 million reported in the same quarter of FY2019.

The number of registered outpatients and inpatients increased by 5.9% and 0.8% to 21,572 and 3,319 respectively. The ARPP for outpatients rose 10.6% to RM188 whilst inpatients' ARPP increased 2.7% to RM5,482.

Overall bed occupancy rate was 4.2% lower at 57.2% from 59.7% previously.

Segment PBT rose 7.7% to RM6.3 million in the quarter. This comprised core PBT of RM5.7 million and non-core PBT of RM0.6 million.



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

	Cumulative 9-month Ended			
	31.12.2019 RM'000	31.12.2018 RM'000	Changes RM'000	Changes %
Revenue	480,600	457,639	22,961	5.0%
Operation profit	40,562	32,990	7,572	23.0%
Profit before interest and tax	40,459	33,533	6,926	20.7%
Profit before tax	40,193	33,509	6,684	19.9%
Profit after tax	30,979	26,154	4,825	18.4%
Profit attributable to equity holders of the Company	23,298	20,562	2,736	13.3%

In the cumulative 9 months of FY2020, our Group revenue rose 5.0% to RM480.6 million compared to RM457.6 million reported in the preceding corresponding 9 months of FY2019. This was driven by revenue growth in our core Milling & Estate Segment and the Healthcare Segment respectively. The Oleochemical Segment, which accounted for 43.8% of Group revenue, delivered lower revenue in the 9-month period.

Overall, our Group PBT increased 19.9% to RM40.2 million from RM33.5 million achieved in the 9 months of FY2019. The better profit performance was due to the stronger segmental PBT from our Milling & Estate and our Healthcare segments.



Oleochemical Segment

	Cumulative 9-month Ended			
	31.12.2019	31.12.2018	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	210,660	224,270	(13,610)	-6.1%
Operation loss	(2,407)	(2,302)	(105)	-4.6%
Loss before interest and tax	(2,407)	(2,302)	(105)	-4.6%
Loss before tax	(2,519)	(2,302)	(217)	-9.4%
(B) Non-Financial Highlights:				
Production Capacity (MT)	75,000	75,000	-	0.0%
Production Utilisation (%)	92.2%	84.0%	8.2%	9.8%
Quantity Sold (MT)	68,403	62,094	6,309	10.2%
Gross (Loss)/Profit Margin (%)	(0.9%)	(1.3%)	0.4%	30.8%

Revenue in our Oleochemical Segment declined 6.1% to RM210.7 million from RM224.3 million reported in the 9 months of FY2019. Although overall sales volume rose 10.2% to 68,403 MT, ASP for both fatty acids and glycerine declined 11.8% and 33.9% respectively. Production utilisation rate was higher at 92.2% from 84.0% in the previous 9-month period.

The Segment achieved LBT of RM2.5 million in the 9-month period. This comprised core LBT of RM5.0 million and non-core PBT of RM2.5 million. The non-core PBT was mainly due to both realised gain and unrealised loss from foreign exchange.



Milling & Estate Segment

	Cumulative 9-month Ended			
	31.12.2019	31.12.2018	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	187,437	155,299	32,138	20.7%
Operation profit	23,229	16,914	6,315	37.3%
Profit before interest and tax	23,229	16,914	6,315	37.3%
Profit before tax	23,183	16,890	6,293	37.3%
(B) Non-Financial Highlights:				
FFB Processed (MT)	406,510	323,781	82,729	25.6%
FFB Production (MT)	71,323	67,396	3,927	5.8%
CPO Sales Volume (MT)	81,267	65,473	15,794	24.1%
PK Sales Volume (MT)	20,275	16,494	3,781	22.9%
Average CPO Selling Price Per MT	2,011	1,979	32	1.6%
Average PK Selling Price Per MT	1,105	1,490	(385)	(25.8%)

Revenue in our Milling & Estate Segment rose 20.7% to RM187.4 million from RM155.3 million achieved in the previous 9-month period. The ASP of CPO was 1.6% higher, whilst the ASP of PK was lower by 25.8%. CPO sales volume increased 24.1% to 81,267 MT and PK sales volume was 22.9% higher at 20,275 MT. Processed FFB increased 25.6% in the period to 406,510 MT.

Segment PBT rose 37.3% to RM23.2 million in the cumulative 9-month period. This comprised core PBT of RM15.3 million and non-core PBT of RM7.9 million. The non-core PBT was mainly derived from interest income and sale proceeds from the disposal of PK shells and scraps.



Healthcare Segment

	Cumulative 9-month Ended			
	31.12.2019 RM'000	31.12.2018 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	68,144	63,016	5,128	8.1%
Operation profit	18,747	16,844	1,903	11.3%
Profit before interest and tax	18,747	16,844	1,903	11.3%
Profit before tax	18,738	16,844	1,894	11.2%
(B) Non-Financial Highlights:				
Bed Occupancy Rate (%)	56.3%	56.2%	0.1%	0.2%
Number of Patients				
a. Outpatient	64,011	60,845	3,166	5.2%
b. Inpatient	9,691	9,440	251	2.7%
Average revenue per patient ("ARPP") (RM)				
a. Outpatient	183	179	4	2.2%
b. Inpatient	5,558	5,260	298	5.7%

Revenue in the Healthcare Segment increased 8.1% to RM68.1 million from RM63.1 million reported in the previous 9-month period.

We sustained growth in both the number of patients as well as our ARPP. The number of registered outpatients and inpatients rose 5.2% and 2.7% to 64,011 and 9,691 respectively. The ARPP for outpatients grew 2.2% to RM183 whilst inpatients' ARPP registered an increase of 5.7% to 5,558.

Overall bed occupancy rate was marginally higher at 56.3% from 56.2% previously.

Segment PBT rose 11.2% to RM18.7 million in the period. This comprised core PBT of RM16.6 million and non-core PBT of RM2.1 million.



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

	Individual Quarter Ended			
	31.12.2019 RM'000	30.09.2019 RM'000	Changes RM'000	Changes %
Revenue	171,252	166,773	4,479	2.7%
Operation profit	18,974	14,167	4,807	33.9%
Profit before interest and tax	18,823	14,103	4,720	33.5%
Profit before tax	18,579	14,092	4,487	31.8%
Profit after tax	14,459	10,680	3,779	35.4%
Profit attributable to equity holders of the Company	10,427	7,690	2,737	35.6%

Compared to the immediate preceding quarter, our Group revenue increased 2.7% to RM171.3 million from RM166.8 million. The higher revenue was due to stronger revenue growth in our Milling & Estate Segment. Comparatively, revenue in our Healthcare Segment was relatively unchanged, and our Oleochemical Segment achieved lower revenue.

Group PBT increased 31.8% to RM18.6 million from RM14.1 million reported in the previous quarter. This was mainly due to the better performance in our Milling & Estate Segment. This Segment profit rose 30.8% to RM11.9 million from RM9.1 million, boosted by higher CPO prices and overall higher sales volume.

B3. Prospect of the Group

Oleochemical Segment

Prospects for our Oleochemical Segment remains challenging. Key factors that may affect our operation include :

- a) Intense competition in the international market
- b) Threat of substitutes from petrochemical products
- c) Currency volatility given the export nature of this Segment

We aim to continue improving on our operational efficiencies, mainly through

- a) Progressively upgrading our manufacturing plant through process automation
- b) Providing greater value-added services such as product customization, especially to our loyal customers



Milling & Estate Segment

The near term outlook for CPO prices remain favorable, driven by lower than expected production. Demand for CPO is also expected to remain healthy, buoyed by steady growth in export markets such as China, as well as the implementation of B20 and B30 biodiesel programmes in Malaysia and Indonesia respectively.

Nonetheless we remain cautious overall. Key factors that may affect longer term demand growth include :

- a) Risk of biodiesel mandates being scaled back
- b) India's restriction on importation of refined palm oil
- c) Adverse impact on global growth from trade conflicts and the current coronavirus outbreak

Healthcare Segment

Our Healthcare Segment is expected to deliver steady growth, underpinned by growing healthcare awareness, rising medical insurance coverage, expanding middle income group and an ageing population.

Prospects in our Healthcare Segment will be sustained by increasing demand for private healthcare in Malaysia. Our commitment to improving our service levels include :

- a) Constant upgrading and refurbishing of our existing facilities
- b) Strengthening our human resources to build on our team of experienced nurses and reputable and highly-skilled consultants across all disciplines

Overall

The Group faces multiple challenges in all our core Segments. We will continue to improve on our core competencies and further strengthen our delivery platform. Our balance sheet remains healthy, with no debt and a net cash position of RM212.7 million. This enables us to be well placed to meet with our required capital expenditure, as well as to seek out strategic acquisition opportunities that may arise to further enhance our longer term growth potential.

B4. Profit Forecast

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

**B5. Income Tax Expense**

	Third Quarter Ended		Cumulative 9-month Ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Estimated tax payable				
- Malaysian tax expense	1,169	692	3,183	2,942
- Overseas tax expense	2,951	1,860	6,031	4,413
	4,120	2,552	9,214	7,355
- Provision of deferred tax	-	-	-	-
Total	4,120	2,552	9,214	7,355

B6. Corporate Proposals

There were no outstanding corporate proposals announced but not completed as at the date of this report.

B7. Group Borrowings and Debt Securities

The Group borrowing as at 31 December 2019: -

	Unaudited		Audited	
	As at 31.12.2019 Unaudited Foreign Currency IDR million	As at 31.12.2019 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
Short term				
<i>Unsecured</i>				
- Term loan	-	1,200	-	-
<i>Secured</i>				
- Hire purchase payable Denominated in IDR	258	76	651	187
Long term				
<i>Unsecured</i>				
- Term loan	-	4,800	-	-
<i>Secured</i>				
- Hire purchase payable Denominated in IDR	1,010	298	739	212
Effective interest rate		5% to 14%		9% to 15%



B8. Financial Instruments

The Group uses forward foreign exchange contracts to manage its exposure to various financial risks. As at 31 December 2019, the fair values of these derivatives are as follows:

Types of Derivatives	Based Currency	Contract/Notional Value RM'000	Fair Value as at 31.12.2019 RM'000
(i) Forward foreign exchange contracts - Less than 1 year	USD	38,900	38,147
(ii) Commodity future contracts <i>Buy</i> - Less than 1 year	RM	5,161	5,514
<i>Sell</i> - Less than 1 year	RM	3,498	3,598

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	31.12.2019 RM'000
(i) Forward foreign exchange contracts - Less than 1 year	The difference between the contracted rates and the Bank Nagara closing rates	753
(ii) Commodity future contracts - Less than 1 year	The difference between the contracted prices and the market forward prices	253

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

	Third Quarter Ended		Cumulative 9-month Ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Profit attributable to equity holders of the Company (in RM'000)	10,427	5,041	23,298	20,562
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Basic earnings per share (in Sen)	7.61	3.68	17.01	15.02

**B13. Profit for the period**

	Cumulative 9-months Ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
Profit for the year is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	4,414	3,512
- Interest expense	(266)	(24)
- Other income	8,438	5,967
- Depreciation of property, plant and equipment	(14,409)	(12,349)
- Inventories written off	(43)	(83)
- Provision for doubtful debts no longer required	66	300
- Net fair value loss on biological assets	27	(35)
- Gain/(loss) on foreign exchange:		
Realised	(3,160)	1,120
Unrealised	203	4,242
- Net revaluation gain on derivatives	749	870

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

B14. Trade Receivables

	Unaudited	Audited
	As at	As at
	31.12.2019	31.03.2019
	RM'000	RM'000
Third parties	36,827	35,146
Related parties	1,073	774
Trade receivable	37,900	35,920
Less: allowance for doubtful debts	(1,147)	(1,074)
Trade receivable, net	36,753	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 RM1,147,000 (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:-

	Unaudited As at 31.12.2019 RM'000	Audited As at 31.03.2019 RM'000
Neither past due nor impaired	29,701	28,127
Past due but not impaired		
31 – 60 days	5,924	6,359
61 – 90 days	600	273
91 – 120 days	260	82
121 – 150 days	268	5
	<u>7,052</u>	<u>6,719</u>
Past due and impaired	1,147	1,074
Trade receivable	<u>37,900</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 third quarter of financial year ending 31 March 2020 was authorised for issuance by the Board of Directors of the Company on 25 February 2020.