

Registration No. 198001010791 (64577-K)



SOUTHERN ACIDS (M) BERHAD
(Registration No. 198001010791 (64577- K))
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDING 31 MARCH 2022

THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2021
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2022
INTERIM FINANCIAL REPORT
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2021

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SOUTHERN ACIDS (M) BERHAD
(Incorporated in Malaysia)
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FINANCIAL YEAR ENDING 31 MARCH 2022
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2021

	Note	Third Quarter ended			Cumulative 9-months ended		
		31.12.2021 RM'000	31.12.2020 RM'000	Changes %	31.12.2021 RM'000	31.12.2020 RM'000	Changes %
Revenue	A8	307,158	185,640	65.5%	811,829	518,653	56.5%
- Cost of sales		(261,408)	(164,340)	-59.1%	(684,211)	(445,700)	-53.5%
Gross profit		45,750	21,300	>100%	127,618	72,953	74.9%
- Administrative expenses		(16,903)	(14,876)	-13.6%	(46,136)	(42,326)	-9.0%
- Other income		9,249	4,546	>100%	22,056	15,531	42.0%
Profit from operations		38,096	10,970	>100%	103,538	46,158	>100%
- Finance costs		(211)	(105)	<-100%	(607)	(352)	-72.4%
- Share of results of an associate company		17	(66)	>100%	120	(99)	>100%
Profit before tax	A8	37,902	10,799	>100%	103,051	45,707	>100%
- Income tax expense	B5	(5,589)	(2,819)	-98.3%	(19,706)	(8,521)	<-100%
Profit for the period	B13	<u>32,313</u>	<u>7,980</u>	>100%	<u>83,345</u>	<u>37,186</u>	>100%
Attributable to:							
- Equity holders of the Company		27,150	5,580	>100%	67,774	30,895	>100%
- Non-controlling interests		5,163	2,400	>100%	15,571	6,291	>100%
		<u>32,313</u>	<u>7,980</u>	>100%	<u>83,345</u>	<u>37,186</u>	>100%
Earnings per share attributable to equity holders of the Company							
- Basic and diluted (sen)	B12	<u>19.83</u>	<u>4.07</u>	>100%	<u>49.49</u>	<u>22.56</u>	>100%



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (cont'd)
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2021

	Note	Third Quarter ended			Cumulative 9-months ended		
		31.12.2021 RM'000	31.12.2020 RM'000	Changes %	31.12.2021 RM'000	31.12.2020 RM'000	Changes %
Profit for the period	B13	32,313	7,980	>100%	83,345	37,186	>100%
Other comprehensive income/(loss):							
Item that may be reclassified subsequently to profit or loss:							
- Exchange differences on translating foreign operations		(836)	4,008	<-100%	4,723	11,561	-59.1%
Item that will not be reclassified subsequently to profit or loss:							
- Gain/(Loss) arising from fair value changes in other investments		(1,231)	3,360	<-100%	(3,571)	5,611	<-100%
Total comprehensive income for the period, net of tax		<u>30,246</u>	<u>15,348</u>	97.1%	<u>84,497</u>	<u>54,358</u>	55.4%
Attributable to:							
- Equity holders of the Company		25,380	11,588	>100%	67,179	45,074	49.0%
- Non-controlling interests		4,866	3,760	29.4%	17,318	9,284	86.5%
		<u>30,246</u>	<u>15,348</u>	97.1%	<u>84,497</u>	<u>54,358</u>	55.4%

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 2021, and the accompanying notes attached to these interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2022
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Unaudited As at 31.12.2021 RM'000	Audited As at 31.03.2021 RM'000
ASSETS			
Non-Current Assets			
Land held for property development		139,868	139,868
Property, plant and equipment	A9	194,816	194,740
Right-of-use assets		2,998	4,041
Investment property		3,318	3,318
Investment in an associate company		2,379	2,259
Other investments		27,664	30,717
Deferred tax assets		2,470	2,774
Total Non-Current Assets		<u>373,513</u>	<u>377,717</u>
Current Assets			
Biological assets		2,855	1,972
Inventories		114,274	82,387
Derivative financial assets	B9	6,709	247
Trade receivables	B14	66,119	51,343
Other receivables, deposits and prepaid expenses		15,621	15,611
Amount owing by an associate company		364	819
Tax recoverable		47,082	33,959
Cash and cash equivalents		275,827	242,163
Total Current Assets		<u>528,851</u>	<u>428,501</u>
TOTAL ASSETS		<u>902,364</u>	<u>806,218</u>



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FINANCIAL YEAR ENDING 31 MARCH 2022
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)
AS AT 31 DECEMBER 2021

	Unaudited	Audited
	As at	As at
	31.12.2021	31.03.2021
	RM'000	RM'000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	171,255	171,255
Reserves	526,739	466,407
Equity attributable to equity holders of the Company	697,994	637,662
Non-controlling interests	87,260	71,687
Total Equity	785,254	709,349
Non-Current and Deferred Liabilities		
Loans and borrowings	B7 2,400	3,300
Hire purchase payables	B7 249	359
Lease liabilities	1,884	2,956
Provision for retirement benefits	17,160	15,774
Payables for KKPA program	945	785
Deferred tax liabilities	4,570	4,358
Total Non-Current and Deferred Liabilities	27,208	27,532
Current Liabilities		
Trade payables	28,682	33,070
Other payables and accrued expenses	32,381	30,670
Amount owing to an associate company	-	70
Contract liabilities	3,692	2,143
Derivative financial liabilities	B9 729	393
Loans and borrowings	B7 21,200	1,200
Hire purchase payables	B7 246	234
Lease liabilities	1,472	1,436
Tax liabilities	1,379	-
Dividend payable	121	121
Total Current Liabilities	89,902	69,337
Total Liabilities	117,110	96,869
TOTAL EQUITY AND LIABILITIES	902,364	806,218

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2021, and the accompanying notes attached to these interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2022
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2021

The Group	<----- Attributable to equity holders of the Company ----->							
	<----- Non-distributable ----->				<Distributable>			
	Share capital RM'000	Foreign exchange reserve RM'000	Other reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
As at 1 April 2020	171,255	(22,251)	(322)	(174)	445,914	594,422	55,800	650,222
Profit for the period	-	-	-	-	30,895	30,895	6,291	37,186
Other comprehensive income	-	8,568	-	5,611	-	14,179	2,993	17,172
Total comprehensive income for the period	-	8,568	-	5,611	30,895	45,074	9,284	54,358
Dividend paid	-	-	-	-	(6,847)	(6,847)	-	(6,847)
As at 31 December 2020	171,255	(13,683)	(322)	5,437	469,962	632,649	65,084	697,733
As at 1 April 2021	171,255	(15,005)	(322)	5,468	476,266	637,662	71,687	709,349
Profit for the period	-	-	-	-	67,774	67,774	15,571	83,345
Other comprehensive income/(loss)	-	2,976	-	(3,571)	-	(595)	1,747	1,152
Total comprehensive income/(loss) for the period	-	2,976	-	(3,571)	67,774	67,179	17,318	84,497
Dividend paid	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividend declared to non-controlling interests of a subsidiary company	-	-	-	-	-	-	(1,745)	(1,745)
As at 31 December 2021	171,255	(12,029)	(322)	1,897	537,193	697,994	87,260	785,254

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2021, and the accompanying notes attached to these interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2022
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2021

	Cumulative 9-months ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
CASH FLOWS FROM/(USED IN)		
OPERATING ACTIVITIES		
Profit before tax	103,051	45,707
Adjustments for:		
Depreciation of property, plant and equipment	16,415	15,158
Depreciation of right-of-use assets	1,106	995
Unrealised loss on foreign exchange	329	765
Provision for retirement benefits	1,500	1,592
Net fair value change in biological assets	(625)	(271)
Provision for/(Reversal of) loss allowance for trade receivables	286	(138)
Inventories written off	21	136
Finance costs	607	352
Property, plant and equipment written off	33	48
Share of results of an associate company	(120)	99
Changes in fair value of derivatives	(6,126)	(2,216)
Dividend income	(944)	(9,265)
Interest income	(3,507)	(3,722)
Operating Profit Before Working Capital Changes	112,026	49,240
(Increase)/Decrease in:		
Inventories	(31,530)	(18,560)
Trade receivables	(15,671)	4,833
Other receivables, deposits and prepaid expenses	(27,010)	(14,662)
Amount owing by an associate company	455	(417)
Increase/(Decrease) in:		
Trade payables	(4,675)	6,555
Other payables and accrued expenses	1,423	4,055
Amount owing to an associate company	(70)	-
Contract liabilities	1,549	252
Cash Generated From Operations	36,497	31,296
Retirement benefits paid	(310)	(115)
Income tax refunded	11,512	64
Income tax paid	(14,874)	(5,506)
Net Cash From Operating Activities	32,825	25,739



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2021

	Cumulative 9-months ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
CASH FLOWS FROM/(USED IN)		
 INVESTING ACTIVITIES		
Interest received	3,507	3,722
Dividend received	867	9,265
Proceeds from disposal of property, plant and equipment	47	67
Additions to other investments	(400)	-
Additions to property, plant and equipment	(14,676)	(10,405)
Amount recovered for KKPA program	140	699
	<u>(10,515)</u>	<u>3,348</u>
Net Cash (Used In)/From Investing Activities		
CASH FLOWS FROM/(USED IN)		
 FINANCING ACTIVITIES		
Drawdown of loans and borrowings	79,304	-
Repayment of loans and borrowings	(60,204)	(900)
Drawdown of hire purchase payables	88	-
Repayment of hire purchase payables	(201)	(143)
Repayment of lease liabilities	(1,099)	(1,057)
Dividend paid by:		
- Subsidiary companies to non-controlling interests	(1,745)	-
- The Company	(6,847)	(6,847)
Finance costs paid	(607)	(174)
	<u>8,689</u>	<u>(9,121)</u>
Net Cash From/(Used In) Financing Activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,999	19,966
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	242,163	208,938
EFFECT OF TRANSLATION DIFFERENCES	2,665	4,172
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>275,827</u>	<u>233,076</u>



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2021

	Cumulative 9-months ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
Composition of Cash and Cash Equivalents:		
Cash and bank balances	158,734	138,471
Fixed deposits with licensed banks	41,428	65
Short-term placements	75,665	94,540
	275,827	233,076
	275,827	233,076

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2021, and the accompanying notes attached to these interim financial statements.



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THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2021
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 (“MASB”) and paragraph 9.22 of the Main Market 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 2021 (“FY2021”). The explanatory notes attached to this 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 FY2021.

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 FY2021, except for the adoption of the Amendments to MFRSs effective on or after 1 April 2021.

The Group has adopted the following Amendments to MFRSs that are relevant to its operations and effective for annual periods beginning on or after 1 April 2021:

Amendment to MFRS 16	Covid-19 - Related Rent Concessions
Amendment to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2

The adoption of these Amendments to MFRSs have not resulted in any material impact on the financial statements of the Group.



New Standards and Amendments that are issued, but not yet effective and have not been early adopted

The Group has not adopted the following new Standards and Amendments that have been issued as at the date of authorisation of this interim financial statements but are not yet effective for the Group:

MFRS 17	Insurance Contracts ²
Amendments to MFRS 17	Insurance Contracts ²
Initial Application of MFRS 17 and MFRS 9	Comparative information (Amendment to MFRS 17 Insurance Contracts) ²
Amendments to MFRS 3	Reference to the Conceptual Framework ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ²
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use ¹
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract ¹
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 ²
Amendments to MFRS 101	Disclosure of Accounting Policies ²
Amendments to MFRS 108	Definition of Accounting Estimates ²
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 - 2020 ¹
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²

¹ Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

³ Effective date deferred to a date to be announced by MASB.

The directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group in the period of initial application.



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 and commodity.

A4. Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items of an unusual nature, size or incidence which materially affect the assets, liabilities, equity, net income or cash flows 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:

	31.12.2021	31.12.2020
Final dividend		
For the financial year ended	31 March 2021	31 March 2020
Declared date	25 May 2021	26 June 2020
Approved date	27 August 2021	25 September 2020
Payment date	24 September 2021	23 October 2020
Number 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		
	31.12.21 RM'000	31.12.20 RM'000	Changes %	31.12.21 RM'000	31.12.20 RM'000	Changes %	31.12.21 RM'000	31.12.20 RM'000	Changes %	31.12.21 RM'000	31.12.20 RM'000	Changes %	31.12.21 RM'000	31.12.20 RM'000	Changes %
Revenue															
Total revenue	135,972	85,556	58.9%	141,651	76,635	84.8%	24,459	18,708	30.7%	6,900	7,449	-7.4%	308,982	188,348	64.0%
Less:															
Inter-segment sales	-	-	-	-	-	-	-	-	-	(1,824)	(2,708)	32.6%	(1,824)	(2,708)	32.6%
External revenue	135,972	85,556	58.9%	141,651	76,635	84.8%	24,459	18,708	30.7%	5,076	4,741	7.1%	307,158	185,640	65.5%
Results															
Segment results	14,258	(687)	>100%	19,469	9,601	>100%	5,935	3,104	91.2%	(1,566)	(1,048)	-49.4%	38,096	10,970	>100%
Finance costs	(134)	(26)	<-100%	(16)	(4)	<-100%	(35)	(48)	27.1%	(26)	(27)	3.7%	(211)	(105)	<-100%
Share of results of an associate company	-	-	-	-	-	-	-	-	-	17	(66)	>100%	17	(66)	>100%
Profit/(Loss) before tax	14,124	(713)	>100%	19,453	9,597	>100%	5,900	3,056	93.1%	(1,575)	(1,141)	-38.0%	37,902	10,799	>100%

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

	Oleochemical			Milling & Estate			Healthcare			Investment & Services			Consolidated		
	31.12.21 RM'000	31.12.20 RM'000	Changes %	31.12.21 RM'000	31.12.20 RM'000	Changes %	31.12.21 RM'000	31.12.20 RM'000	Changes %	31.12.21 RM'000	31.12.20 RM'000	Changes %	31.12.21 RM'000	31.12.20 RM'000	Changes %
Revenue															
Total revenue	341,362	222,710	53.3%	384,002	215,506	78.2%	72,581	58,278	24.5%	17,874	28,415	-37.1%	815,819	524,909	55.4%
Less:															
Inter-segment sales	-	-	-	-	-	-	-	-	-	(3,990)	(6,256)	36.2%	(3,990)	(6,256)	36.2%
External revenue	341,362	222,710	53.3%	384,002	215,506	78.2%	72,581	58,278	24.5%	13,884	22,159	-37.3%	811,829	518,653	56.5%
Results															
Segment results	25,595	523	>100%	58,894	25,306	>100%	21,827	12,627	72.9%	(2,778)	7,702	<-100%	103,538	46,158	>100%
Finance costs	(356)	(85)	<-100%	(57)	(16)	<-100%	(115)	(166)	30.7%	(79)	(85)	7.1%	(607)	(352)	-72.4%
Share of results of an associate company	-	-	-	-	-	-	-	-	-	120	(99)	>100%	120	(99)	>100%
Profit/(Loss) before tax	25,239	438	>100%	58,837	25,290	>100%	21,712	12,461	74.2%	(2,737)	7,518	<-100%	103,051	45,707	>100%
Assets															
Segment assets	250,358	188,097	33.1%	440,909	375,254	17.5%	133,470	141,494	-5.7%	77,627	81,232	-4.4%	902,364	786,077	14.8%
Liabilities															
Segment liabilities	51,198	34,788	-47.2%	34,909	25,422	-37.3%	22,664	20,666	-9.7%	8,339	7,468	-11.7%	117,110	88,344	-32.6%
Exchange Rate	Financial Position – Closing Rate			Profit or Loss – Average Rate											
	31.12.21	31.12.20	Changes	31.12.21	31.12.20	Changes									
USD : RM	4.1650	4.1700	-0.1%	4.1708	4.2084	-0.9%									
IDR : RM	0.0002920	0.0002860	2.1%	0.0002908	0.0002877	1.1%									
HKD : RM	0.5342	0.5182	3.1%	0.5362	0.5428	-1.2%									

**A9. Carrying Amount of Revalued Assets**

There were no valuations of property, plant and equipment in the financial period under review.

A10. Material Event Subsequent to the End of the Financial Period

There were no material subsequent events 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 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 FY2021.

A13. Capital Commitments

The capital commitments not recognised in the interim financial statements as at 31 December 2021 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:

	Cumulative 9-months ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
Sale of goods	33	-
Purchase of goods	(16,152)	(9,338)
Administrative charges received/receivable	6,232	5,842
Plantation advisory fee paid/payable	(72)	(72)
Lease rental paid/payable	(813)	(724)



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

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

Current Quarter vs Preceding Corresponding Quarter

The Group	Third Quarter ended			
	31.12.2021 RM'000	31.12.2020 RM'000	Changes RM'000	Changes %
Revenue	307,158	185,640	121,518	65.5%
Operation profit	38,096	10,970	27,126	>100%
Profit before interest and tax	38,113	10,904	27,209	>100%
Profit before tax	37,902	10,799	27,103	>100%
Profit after tax	32,313	7,980	24,333	>100%
Profit attributable to equity holders of the Company	27,150	5,580	21,570	>100%

In the third quarter of our financial year ending 31 March 2022 (“FY2022”), Group revenue rose 65.5% to RM307.2 million from RM185.6 million recorded in the corresponding quarter of FY2021. The growth in revenue was attributable from our three core business segments, predominantly the Oleochemical Segment and Milling & Estate Segment, which benefited from increase in overall Average Selling Price (“ASP”) of fatty acids and glycerine, and Crude Palm Oil (“CPO”) respectively. The increase in overall ASP was in line with the increase in commodities prices.

Consequently, Group profit before tax (“PBT”) increased 251.0% to RM37.9 million from RM10.8 million achieved in the same quarter of FY2021. The profitability was primarily driven by higher PBT contribution across our three business segments during the quarter under review.



Oleochemical Segment

	Third Quarter ended			
	31.12.2021 RM'000	31.12.2020 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	135,972	85,556	50,416	58.9%
Operation profit/(loss)	14,258	(687)	14,945	>100%
Profit/(Loss) before interest and tax	14,258	(687)	14,945	>100%
Profit/(Loss) before tax	14,124	(713)	14,837	>100%
(B) Non-Financial Highlights:				
Production capacity (MT)	25,000	25,000	-	0.0%
Production utilisation (%)	86.7%	95.4%	-8.7%	-9.1%
Quantity sold (MT)	22,126	22,082	44	0.2%
Gross profit margin (%)	8.4%	1.0%	7.4%	>100%

Revenue in our Oleochemical Segment increased 58.9% to RM136.0 million from RM85.6 million recorded in the same quarter of FY2021. The increase in revenue was mainly attributable to higher ASPs of fatty acids and glycerine, which rose 53.9% and 94.8% respectively in line with the increase in commodities prices. In the quarter, we achieved production capacity utilization rate of 86.7%, and sales volume remained largely unchanged at 22,126 metric tonnes (“MT”) as compared to 22,082 MT recorded in the same quarter of preceding year.

The Oleochemical Segment reported PBT of RM14.1 million in the quarter under review, an improvement from a loss before tax (“LBT”) of RM0.7 million incurred in the same quarter of preceding year. The quarter PBT comprised core PBT of RM9.5 million and non-core PBT of RM4.6 million. Non-core PBT was mainly derived from unrealised gain on CPO futures contracts, unrealised gains on foreign exchange forward contracts as well as realised gains on foreign exchange.



Milling & Estate Segment

	Third Quarter ended			
	31.12.2021 RM'000	31.12.2020 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	141,651	76,635	65,016	84.8%
Operation profit	19,469	9,601	9,868	>100%
Profit before interest and tax	19,469	9,601	9,868	>100%
Profit before tax	19,453	9,597	9,856	>100%
(B) Non-Financial Highlights:				
FFB processed (MT)	149,248	123,679	25,569	20.7%
FFB production (MT)	20,996	21,916	(920)	-4.2%
CPO sales volume (MT)	29,168	24,952	4,216	16.9%
PK sales volume (MT)	7,761	6,092	1,669	27.4%
Average CPO selling price per MT (RM)	4,044	2,691	1,353	50.3%
Average PK selling price per MT (RM)	2,875	1,494	1,381	92.4%

Revenue in our Milling & Estate Segment increased 84.8% to RM141.7 million from RM76.6 million recorded in the same quarter of FY2021. In the quarter we achieved higher sales volume in both CPO, which rose 16.9% to 29,168 MT and palm kernel (“PK”), which rose 27.4% to 7,761 MT. Stronger revenue was also attributable to higher ASPs of both CPO and PK, having risen 50.3% and 92.4% respectively in the quarter in line with the increase in commodities prices. Fresh Fruit Bunches (“FFB”) processed was 20.7% higher at 149,248 MT.

In tandem with higher commodity prices and sales volume, the Milling & Estate Segment posted a stronger PBT of RM19.5 million, an increase of 102.7% from RM9.6 million recorded in the same quarter of preceding year. This comprised core PBT of RM15.7 million and non-core PBT of RM3.8 million. Non-core PBT was mainly derived from the sales proceeds from the disposal of PK shells and scraps.



Healthcare Segment

	Third Quarter ended			
	31.12.2021 RM'000	31.12.2020 RM'000	Changes RM'000	Changes %
(A) Financial Data:				
Revenue	24,459	18,708	5,751	30.7%
Operation profit	5,935	3,104	2,831	91.2%
Profit before interest and tax	5,935	3,104	2,831	91.2%
Profit before tax	5,900	3,056	2,844	93.1%
(B) Statistics:				
Bed Occupancy Rate (%)	40.0%	29.1%	10.9%	37.5%
Number of patients:				
a. Outpatient	21,782	20,288	1,494	7.4%
b. Inpatient	2,111	1,756	355	20.2%
Average revenue per patient ("ARPP") (RM):				
a. Outpatient	230	227	3	1.3%
b. Inpatient	8,851	7,681	1,170	15.2%

Revenue in our Healthcare Segment increased 30.7% to RM24.5 million from RM18.7 million reported in the same quarter of FY2021.

During the quarter under review, the number of registered outpatient and inpatient increased by 7.4% and 20.2% to 21,782 and 2,111, respectively. Meanwhile, overall bed occupancy rate improved to 40.0% from 29.1% previously.

Tracking the rise in patient numbers and occupancy rate, our Healthcare segment delivered 93.1% growth in PBT to RM5.9 million from RM3.1 million reported in the same quarter of the preceding year. This comprised core PBT of RM5.1 million whilst non-core PBT amounted to RM0.8 million.



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

The Group	Cumulative 9-months ended			
	31.12.2021 RM'000	31.12.2020 RM'000	Changes RM'000	Changes %
Revenue	811,829	518,653	293,176	56.5%
Operation profit	103,538	46,158	57,380	>100%
Profit before interest and tax	103,658	46,059	57,599	>100%
Profit before tax	103,051	45,707	57,344	>100%
Profit after tax	83,345	37,186	46,159	>100%
Profit attributable to equity holders of the Company	67,774	30,895	36,879	>100%

In the cumulative 9-month period of FY2022, Group registered a revenue growth of 56.5% to RM811.8 million from RM518.7 million achieved in the preceding 9-month of FY2021. The positive revenue growth was driven by improvement from our three core business segments, namely Oleochemical, Milling & Estate and our Healthcare Segments respectively.

In line with growth in Group revenue, Group PBT rose 125.5% to RM103.1 million from RM45.7 million reported in the preceding corresponding period, with higher PBT contribution across our three core business segments.



Oleochemical Segment

	Cumulative 9-months ended			
	31.12.2021 RM'000	31.12.2020 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	341,362	222,710	118,652	53.3%
Operation profit	25,595	523	25,072	>100%
Profit before interest and tax	25,595	523	25,072	>100%
Profit before tax	25,239	438	24,801	>100%
(B) Non-Financial Highlights:				
Production capacity (MT)	75,000	75,000	-	0.0%
Production utilisation (%)	80.5%	83.8%	-3.3%	-3.9%
Quantity sold (MT)	59,960	59,820	140	0.2%
Gross profit margin (%)	6.1%	0.8%	5.3%	>100%

Revenue in our Oleochemical Segment rose 53.3% to RM341.4 million from RM222.7 million reported in the preceding 9-month period. Sales volume was largely unchanged at 59,960 MT whilst production utilisation rate declined marginally to 80.5% from 83.8% previously. In line with higher commodity prices, the marked increase in ASPs of fatty acids and glycerine by 51.6% and 59.4% respectively contributed positively to the revenue growth in this Segment.

Consequently, the Segment reported PBT of RM25.2 million, a sharp increase from RM0.4 million reported in the cumulative 9-month period of FY2021. The stronger profitability was mainly lifted by the increase in ASPs of fatty acids and glycerine. Core PBT for the period amounted to RM15.9 million and whilst non-core PBT stood at RM9.3 million. Non-core PBT was mainly derived from unrealised gain on CPO futures contracts, realised gains on foreign exchange as well as unrealised gains on foreign exchange forward contracts.



Milling & Estate Segment

	Cumulative 9-months ended			
	31.12.2021 RM'000	31.12.2020 RM'000	Changes RM'000	Changes %
(A) Financial Highlights:				
Revenue	384,002	215,506	168,496	78.2%
Operation profit	58,894	25,306	33,588	>100%
Profit before interest and tax	58,894	25,306	33,588	>100%
Profit before tax	58,837	25,290	33,547	>100%
(B) Non-Financial Highlights:				
FFB processed (MT)	455,337	381,386	73,951	19.4%
FFB production (MT)	66,899	67,561	(662)	-1.0%
CPO sales volume (MT)	94,137	79,109	15,028	19.0%
PK sales volume (MT)	23,973	19,040	4,933	25.9%
Average CPO selling price per MT (RM)	3,467	2,386	1,081	45.3%
Average PK selling price per MT (RM)	2,241	1,300	941	72.4%

Revenue in the Milling & Estate Segment increased 78.2% to RM384.0 million from RM215.5 million achieved in the preceding 9-month period. In the period, we achieved higher sales volume in both CPO, which rose 19.0% to 94,137 MT and PK, which rose 25.9% to 23,973 MT. Stronger revenue was also attributable to higher ASPs of both CPO and PK, having risen 45.3% and 72.4% respectively. FFB processed was 19.4% higher at 455,337 MT.

In line with the Segment revenue growth, PBT for the 9-month period rose 132.6% to RM58.8 million from RM25.3 million recorded in the preceding corresponding period. This comprised core PBT of RM49.0 million and non-core PBT of RM9.8 million. The non-core PBT was mainly derived from sales proceeds from disposal of PK shells, sludge oil and scraps.



Healthcare Segment

	Cumulative 9-months ended			
	31.12.2021 RM'000	31.12.2020 RM'000	Changes RM'000	Changes %
(A) Financial Data:				
Revenue	72,581	58,278	14,303	24.5%
Operation profit	21,827	12,627	9,200	72.9%
Profit before interest and tax	21,827	12,627	9,200	72.9%
Profit before tax	21,712	12,461	9,251	74.2%
(B) Statistics:				
Bed Occupancy Rate (%)	38.9%	33.6%	5.3%	15.8%
Number of patients:				
a. Outpatient	64,228	56,782	7,446	13.1%
b. Inpatient	5,832	5,679	153	2.7%
Average revenue per patient ("ARPP") (RM):				
a. Outpatient	245	227	18	7.9%
b. Inpatient	9,372	7,650	1,722	22.5%

Revenue in the Healthcare Segment increased 24.5% to RM72.6 million from RM58.3 million achieved in the preceding 9-month period.

The number of registered outpatients and inpatients increased 13.1% and 2.7%, respectively. Meanwhile, the ARPP for outpatients increased 7.9% to RM245, whilst ARPP for inpatients increased 22.5% to RM9,372.

Tracking the rise in patient numbers, overall bed occupancy rate increased to 38.9% from 33.6% previously. Consequently, Segment PBT rose 74.2% to RM21.7 million in the cumulative 9-month period. This comprised core PBT of RM19.2 million and non-core PBT of RM2.5 million.



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

The Group	Individual Quarter ended			
	31.12.2021 RM'000	30.9.2021 RM'000	Changes RM'000	Changes %
Revenue	307,158	246,708	60,450	24.5%
Operation profit	38,096	29,866	8,230	27.6%
Profit before interest and tax	38,113	29,951	8,162	27.3%
Profit before tax	37,902	29,741	8,161	27.4%
Profit after tax	32,313	22,713	9,600	42.3%
Profit attributable to equity holders of the Company	27,150	17,142	10,008	58.4%

Group Revenue increased 24.5% quarter-on-quarter (“Q-o-Q”) to RM307.2 million from RM246.7 million recorded in the preceding second quarter of FY2022. Revenue growth was mainly attributable to our Oleochemical Segment, which benefited from higher sales volume and higher ASPs of fatty acids and glycerine on a Q-o-Q basis.

Consequently, Group PBT rose 27.4% Q-o-Q to RM37.9 million from RM29.7 million reported in the immediate preceding quarter.

B3. Prospect of the Group

Oleochemical Segment

The industry competition remains intense, and high raw material prices and currency volatility may adversely impact our Segment performance going forward.

We remain cautious on our prospects amidst volatility in demand and commodity prices. We will focus on drawing our efficiencies through process automation and cost rationalization, at the same time, emphasizing on value-add approach via product customization. We believe this approach will further enhance our competitiveness and strengthen our relationship with our loyal customers over the longer term.



Milling & Estate Segment

Our Milling & Estate Segment has been well-supported by firmer CPO prices resulting from supply side constraints and low inventory levels. Export restrictions in Indonesia have also contributed to the resilience in CPO prices, which went to a high of RM5,700 per MT as at 28 January 2022.

While CPO prices are not expected to fall substantially any time soon, it is unlikely to be sustained at the current spot market level over the longer term given improving supply and demand fundamentals. As such, CPO prices are broadly expected to normalize in 2022.

Healthcare Segment

The Healthcare Segment continues to be challenged by the persisting Covid-19 pandemic. Overall performance has improved on a low-base effect, but our bed occupancy rate and patient volumes have yet to recover to pre-pandemic levels.

Over the longer term, the prospect of our Healthcare Segment will be driven by rising health awareness, rising medical insurance coverage and an expanding middle-income and an aging population. We remain focus on upgrading the medical facilities and building on a pool of medical professionals to deliver high quality healthcare services and patient care.

Overall

The domestic economy is improving steadily with the success of our nationwide vaccination programme and the reopening of economic sectors. Nonetheless, issues over global inflation risks and tightening government policies potentially stifling global recovery could have an adverse impact on our prospects. Amidst such global challenges, we will continue to adopt a prudent stance towards our business operations. Our balance sheet remains healthy, and that will provide support to sustain our solid foundation in withstanding such economic headwinds.



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-months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Estimated tax payable				
- Malaysian tax expense	1,442	738	5,857	2,993
- Overseas tax expense	4,801	2,142	13,577	5,589
	6,243	2,880	19,434	8,582
Overprovision in prior years	(722)	(61)	(99)	(61)
Deferred tax	68	-	371	-
Total	5,589	2,819	19,706	8,521

The Group's effective tax rates for the financial period is lower than the statutory tax rate mainly due to certain income not subject to tax and utilisation of tax losses and unabsorbed capital allowance by certain subsidiaries.

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 borrowings as at 31 December 2021: -

	Unaudited		Audited	
	As at 31.12.2021 Foreign Currency IDR million	As at 31.12.2021 RM Equivalent RM'000	As at 31.03.2021 Foreign Currency IDR million	As at 31.03.2021 RM Equivalent RM'000
Short term				
Unsecured				
- Term loan	-	1,200	-	1,200
- Bankers' acceptance	-	20,000	-	-
Secured				
- Hire purchase payables denominated in IDR	842	246	819	234
Long term				
Unsecured				
- Term loan	-	2,400	-	3,300
Secured				
- Hire purchase payables denominated in IDR	853	249	1,263	359
Effective interest rate		2% to 14%		4% to 14%

B8. Financial Instruments

The Group uses forward foreign exchange contracts to manage its exposure to various financial risks. As at 31 December 2021, the fair values of these derivatives are as follows:

Types of Derivatives	Based Currency	Contract/Notional Value RM'000	Fair Value as at 31.12.2021 RM'000
(i) Forward foreign exchange contracts			
- Less than 1 year	USD	151,242	149,616
(ii) Commodity future contracts			
<i>Buy</i>			
- Less than 1 year	RM	75,492	80,575
<i>Sell</i>			
- Less than 1 year	RM	32,597	33,326



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 CPO prices.

There is no significant change for the financial derivatives in respect of the following since the previous FY2021:

- 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	Fair Value Net gains/(losses) 31.12.2021 RM'000
(i) Forward foreign exchange contracts - Less than 1 year	The difference between the contracted rates and the Bank Negara closing rates	1,626
(ii) Commodity future contracts - Less than 1 year	The difference between the contracted prices and the market forward prices	4,354

The fair value of the forward foreign exchange contracts is determined by reference to the difference between the contracted rates and the market rates as at the reporting date whereas the fair value of the commodity futures contracts is determined by reference to the difference between the contracted rates and the forward rates 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 FY2021.

**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-months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Profit attributable to equity holders of the Company (in RM'000)	27,150	5,580	67,774	30,895
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
Earnings per share (in sen) – basic and diluted	19.83	4.07	49.49	22.56

B13. Profit for the Period

	Cumulative 9-months ended	
	31.12.2021 RM'000	31.12.2020 RM'000
Profit for the period is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	3,507	3,722
- Finance costs	(607)	(352)
- Depreciation of property, plant and equipment	(16,415)	(15,158)
- Depreciation of right-of-use assets	(1,106)	(995)
- (Provision for)/Reversal of loss allowance for trade receivables	(286)	138
- Inventories written off	(21)	(136)
- Net fair value change in biological assets	625	271
- Gain/(Loss) on foreign exchange:		
Realised	2,121	809
Unrealised	(329)	(765)
- Changes in fair value of derivatives	6,126	2,216

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

**B14. Trade Receivables**

	Unaudited As at 31.12.2021 RM'000	Audited As at 31.03.2021 RM'000
Third parties	65,090	50,951
Related parties	1,923	1,000
Trade receivables	67,013	51,951
Less: Loss allowance	(894)	(608)
Trade receivables, net	<u>66,119</u>	<u>51,343</u>

The credit period granted on sales of goods and services rendered ranges from 7 to 90 days (2021: 7 to 90 days).

An allowance of RM894,000 (2021: RM608,000) 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 31.12.2021 RM'000	Audited As at 31.03.2021 RM'000
Neither past due nor impaired	52,553	38,677
Past due but not impaired:		
30 days and below	7,303	7,043
31 – 60 days	3,879	4,240
61 – 90 days	1,249	1,239
91 – 120 days	417	60
121 – 150 days	718	84
	<u>13,566</u>	<u>12,666</u>
Past due and impaired	894	608
Trade receivables	<u>67,013</u>	<u>51,951</u>



B15. Auditors' Report on Preceding Annual Financial Statements

The audit report for the FY2021 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 2022 was authorised for issuance by the Board of Directors of the Company on 25 February 2022.