

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 2024

SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023
(Figures are not audited unless otherwise specified)
(In Ringgit Malaysia)



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

FINANCIAL YEAR ENDING 31 MARCH 2024
INTERIM FINANCIAL REPORT
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023

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SOUTHERN ACIDS (M) BERHAD
(Incorporated in Malaysia)
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FINANCIAL YEAR ENDING 31 MARCH 2024
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023

	Note	Second Quarter ended			Cumulative 6-months ended		
		30.09.2023 RM'000	30.09.2022 RM'000	Changes %	30.09.2023 RM'000	30.09.2022 RM'000	Changes %
Revenue	A8	232,458	280,053	-17.0%	447,783	577,051	-22.4%
- Cost of sales		(220,198)	(242,689)	9.3%	(414,898)	(484,586)	14.4%
Gross profit		12,260	37,364	-67.2%	32,885	92,465	-64.4%
- Administrative expenses		(16,923)	(18,134)	6.7%	(38,443)	(57,198)	32.8%
- Other income		8,021	7,759	3.4%	28,153	16,583	69.8%
Profit from operations		3,358	26,989	-87.6%	22,595	51,850	-56.4%
- Finance costs		(240)	(373)	35.7%	(448)	(657)	31.8%
- Share of results of an associate company		(823)	18	<-100%	(801)	110	<-100%
Profit before tax	A8	2,295	26,634	-91.4%	21,346	51,303	-58.4%
- Income tax expense	B5	(5,006)	(7,145)	29.9%	(11,212)	(12,040)	6.9%
(Loss)/Profit for the period	B13	(2,711)	19,489	<-100%	10,134	39,263	-74.2%
Attributable to:							
- Equity holders of the Company		(5,378)	11,160	<-100%	3,751	26,009	-85.6%
- Non-controlling interests		2,667	8,329	-68.0%	6,383	13,254	-51.8%
		(2,711)	19,489	<-100%	10,134	39,263	-74.2%
(Loss)/Earnings per share attributable to equity holders of the Company							
- Basic and diluted (sen)	B12	(3.93)	8.15	<-100%	2.74	18.99	-85.6%



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (cont'd)
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023

	Note	Second Quarter ended			Cumulative 6-months ended		
		30.09.2023 RM'000	30.09.2022 RM'000	Changes %	30.09.2023 RM'000	30.09.2022 RM'000	Changes %
(Loss)/Profit for the period	B13	(2,711)	19,489	<-100%	10,134	39,263	-74.2%
Other comprehensive income/(loss):							
Item that may be reclassified subsequently to profit or loss:							
- Foreign currency translation differences on foreign operation		(7,431)	7,456	<-100%	9,243	9,894	-6.6%
Item that will not be reclassified subsequently to profit or loss:							
- Gain/(Loss) arising from fair value changes in other investments		7,396	-	100.0%	7,504	(2,933)	>100%
Total comprehensive (expense)/income for the period, net of tax		<u>(2,746)</u>	<u>26,945</u>	<-100%	<u>26,881</u>	<u>46,224</u>	-41.8%
Attributable to:							
- Equity holders of the Company		(2,664)	15,854	<-100%	17,074	29,304	-41.7%
- Non-controlling interests		(82)	11,091	<-100%	9,807	16,920	-42.0%
		<u>(2,746)</u>	<u>26,945</u>	<-100%	<u>26,881</u>	<u>46,224</u>	-41.8%

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 2023, and the accompanying notes attached to these interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2024
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

	Note	Unaudited As at 30.09.2023 RM'000	Audited As at 31.03.2023 RM'000
ASSETS			
Non-Current Assets			
Land held for property development		139,868	139,868
Property, plant and equipment	A9	204,846	199,267
Right-of-use assets		3,363	3,843
Investment properties		5,651	5,017
Investment in an associate company		1,636	2,437
Other investments		36,767	29,487
Deferred tax assets		2,788	2,743
Total Non-Current Assets		394,919	382,662
Current Assets			
Biological assets		2,221	1,953
Inventories		76,918	89,258
Derivative financial assets	B9	267	195
Trade receivables	B14	53,297	56,407
Other receivables, deposits and prepaid expenses		59,652	48,899
Amount owing by an associate company		655	924
Tax recoverable		8,411	6,860
Cash and cash equivalents		409,659	385,581
Total Current Assets		611,080	590,077
TOTAL ASSETS		1,005,999	972,739



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FINANCIAL YEAR ENDING 31 MARCH 2024
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)
AS AT 30 SEPTEMBER 2023

	Unaudited	Audited
	As at	As at
	30.09.2023	31.03.2023
	RM'000	RM'000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	171,255	171,255
Reserves	600,746	583,672
Equity attributable to equity holders of the Company	772,001	754,927
Non-controlling interests	123,663	115,682
Total Equity	895,664	870,609
Non-Current and Deferred Liabilities		
Loans and borrowings	B7 300	900
Hire purchase payables	B7 633	436
Lease liabilities	2,326	2,807
Provision for retirement benefits	16,374	15,880
Payables for KKPA program	263	218
Deferred tax liabilities	5,851	5,957
Total Non-Current and Deferred Liabilities	25,747	26,198
Current Liabilities		
Trade payables	27,616	23,581
Other payables and accrued expenses	33,961	37,106
Contract liabilities	4,242	7,451
Derivative financial liabilities	B9 1,416	423
Loans and borrowings	B7 11,200	1,200
Hire purchase payables	B7 459	400
Lease liabilities	1,305	1,297
Tax liabilities	4,389	4,474
Total Current Liabilities	84,588	75,932
Total Liabilities	110,335	102,130
TOTAL EQUITY AND LIABILITIES	1,005,999	972,739

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2023, and the accompanying notes attached to these interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2024
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023

The Group	<----- Attributable to equity holders of the Company ----->							
	<----- Non-distributable ----->			<Distributable>		Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Foreign exchange reserve RM'000	Other reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000			
As at 1 April 2022	171,255	(11,483)	(322)	3,613	564,407	727,470	95,880	823,350
Profit for the period	-	-	-	-	26,009	26,009	13,254	39,263
Other comprehensive income/(loss)	-	6,228	-	(2,933)	-	3,295	3,666	6,961
Total comprehensive income/(loss) for the period	-	6,228	-	(2,933)	26,009	29,304	16,920	46,224
Dividend declared to non-controlling interests of a subsidiary company	-	-	-	-	-	-	(899)	(899)
As at 30 September 2022	171,255	(5,255)	(322)	680	590,416	756,774	111,901	868,675



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023

The Group	<----- Attributable to equity holders of the Company ----->							
	<----- Non-distributable ----->				<Distributable>		Non-controlling interests RM'000	Total equity RM'000
	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		
As at 1 April 2023	171,255	(10,452)	(322)	3,113	591,333	754,927	115,682	870,609
Realisation on fair value of equity instruments	-	-	-	(224)	224	-	-	-
Profit for the period	-	-	-	-	3,751	3,751	6,383	10,134
Other comprehensive income	-	5,819	-	7,504	-	13,323	3,424	16,747
Total comprehensive income for the period	-	5,819	-	7,504	3,751	17,074	9,807	26,881
Dividend declared to non-controlling interests of a subsidiary company	-	-	-	-	-	-	(1,826)	(1,826)
As at 30 September 2023	171,255	(4,633)	(322)	10,393	595,308	772,001	123,663	895,664

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 2023, and the accompanying notes attached to these interim financial statements.



SOUTHERN ACIDS (M) BERHAD
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FINANCIAL YEAR ENDING 31 MARCH 2024
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023

	Cumulative 6-months ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	21,346	51,303
Adjustments for:		
Depreciation of property, plant and equipment	11,122	11,209
Depreciation of right-of-use assets	682	738
Unrealised gain on foreign exchange	(599)	(2,661)
Provision for retirement benefits	582	572
Net fair value change in biological assets	(212)	1,518
(Loss)/Gain on disposal of property, plant and equipment	17	(41)
Impairment losses on trade receivables	225	313
Reversal of impairment losses on trade receivables no longer required	(5)	-
Inventories written off	8	4
Inventories written down	123	8,693
Finance costs	448	657
Property, plant and equipment written off	17	3
Share of results of an associate company	801	(110)
Changes in fair value of derivatives	920	20,772
Dividend income	(1,832)	(1,601)
Interest income	(5,917)	(2,649)
Operating Profit Before Working Capital Changes	27,726	88,720
(Increase)/Decrease in:		
Inventories	12,564	(27,271)
Trade receivables	3,372	7,349
Other receivables, deposits and prepaid expenses	(7,856)	(6,343)
Amount owing by an associate company	269	168
Increase/(Decrease) in:		
Trade payables	3,583	(12,035)
Other payables and accrued expenses	(3,409)	8,335
Contract liabilities	(3,393)	(1,949)
Cash Generated From Operations carried forward	32,856	56,974



SOUTHERN ACIDS (M) BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023

	Cumulative 6-months ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (cont'd)		
Cash Generated From Operations		
brought forward	32,856	56,974
Retirement benefits paid	(341)	(395)
Income tax refunded	1,342	-
Income tax paid	(16,100)	(20,779)
	<hr/>	<hr/>
Net Cash From Operating Activities	17,757	35,800
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest income received	5,917	2,649
Dividends received	1,832	1,505
Additional to investment property	(634)	-
Proceeds from disposal of property, plant and equipment	13	57
Proceeds from disposal of other investments	223	-
Additions to property, plant and equipment	(13,639)	(7,929)
Amount recovered for /(Additional to) KKPA program	39	(1,081)
	<hr/>	<hr/>
Net Cash Used In Investing Activities	(6,249)	(4,799)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of loans and borrowings - net	9,400	20,900
Repayment of hire purchase payables	(308)	(136)
Repayment of lease liabilities	(675)	(761)
Dividend paid by:		
- Subsidiary company to non-controlling interests	(1,826)	-
Finance costs paid	(448)	(657)
	<hr/>	<hr/>
Net Cash From Financing Activities	6,143	19,346



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023

	Cumulative 6-months ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,651	50,347
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	385,581	322,288
EFFECT OF TRANSLATION DIFFERENCES	6,427	6,116
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	409,659	378,751
Composition of Cash and Cash Equivalents:		
Cash and bank balances	203,725	235,081
Fixed deposits with licensed banks	52,250	49,208
Short-term placements	153,684	94,462
	409,659	378,751

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2023, and the accompanying notes attached to these interim financial statements.



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SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023
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 2023 (“FY2023”). 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 FY2023.

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 FY2023, except for the adoption of the Amendments to MFRSs effective on or after 1 April 2023.

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 2023:

MFRS 17	Insurance Contracts
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 112	International Tax Reform - Pillar Two Model Rules

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 these interim financial statements but are not yet effective for the Group:

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 16	Lease Liability in a Sale and Leaseback ¹
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ¹
Amendments to MFRS 101	Non-current Liabilities with Covenants ¹
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements ¹
Amendments to MFRS 121	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2025, with earlier application permitted.

³ Effective date deferred to a date to be determined and announced, with earlier application permitted.

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 & Cultivation is affected by seasonal crop production, seasonal external supply of fresh fruits bunch and fluctuating commodity prices whereas the Group's Oleochemical Manufacturing 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 was no issuance, cancellation, repurchases, resale and/or repayment of debt and equity securities during the financial period under review.

A7. Dividends Paid

No dividend was paid by the Company during the financial period under review.



A8. Segmental Information

(a) Results for the Quarter

	Oleochemical Manufacturing			Milling & Cultivation			Healthcare Services			Investment & Services			Consolidated		
	30.09.23 RM'000	30.09.22 RM'000	Changes %	30.09.23 RM'000	30.09.22 RM'000	Changes %	30.09.23 RM'000	30.09.22 RM'000	Changes %	30.09.23 RM'000	30.09.22 RM'000	Changes %	30.09.23 RM'000	30.09.22 RM'000	Changes %
Revenue															
Total revenue	84,161	134,880	-37.6%	113,233	111,899	1.2%	30,607	28,760	6.4%	6,424	6,484	-0.9%	234,425	282,023	-16.9%
Less:															
Inter-segment sales	-	-		-	-		-	-		(1,967)	(1,970)	0.2%	(1,967)	(1,970)	0.2%
External revenue	84,161	134,880	-37.6%	113,233	111,899	1.2%	30,607	28,760	6.4%	4,457	4,514	-1.3%	232,458	280,053	-17.0%
Results															
Segment results	(16,676)	(10,397)	-60.4%	10,295	29,596	-65.2%	11,654	9,523	22.4%	(1,915)	(1,733)	-10.5%	3,358	26,989	-87.6%
Finance costs	(157)	(310)	49.4%	(42)	(11)	<-100%	(23)	(30)	23.3%	(18)	(22)	18.2%	(240)	(373)	35.7%
Share of results of an associate company	-	-	-	-	-	-	-	-	-	(823)	18	<-100%	(823)	18	<-100%
(Loss)/Profit before tax	(16,833)	(10,707)	-57.2%	10,253	29,585	-65.3%	11,631	9,493	22.5%	(2,756)	(1,737)	-58.7%	2,295	26,634	-91.4%



A8. Segmental Information

(b) Results for the Year-to-date

	Oleochemical Manufacturing			Milling & Cultivation			Healthcare Services			Investment & Services			Consolidated		
	30.09.23 RM'000	30.09.22 RM'000	Changes %	30.09.23 RM'000	30.09.22 RM'000	Changes %	30.09.23 RM'000	30.09.22 RM'000	Changes %	30.09.23 RM'000	30.09.22 RM'000	Changes %	30.09.23 RM'000	30.09.22 RM'000	Changes %
Revenue															
Total revenue	166,993	299,721	-44.3%	214,596	212,795	0.8%	57,193	55,540	3.0%	12,912	12,980	-0.5%	451,694	581,036	-22.3%
Less:															
Inter-segment sales	-	-		-	-		-	-		(3,911)	(3,985)	1.9%	(3,911)	(3,985)	1.9%
External revenue	166,993	299,721	-44.3%	214,596	212,795	0.8%	57,193	55,540	3.0%	9,001	8,995	0.1%	447,783	577,051	-22.4%
Results															
Segment results	(24,927)	(8,913)	-179.7%	32,377	46,800	-30.8%	18,741	17,302	8.3%	(3,596)	(3,339)	-7.7%	22,595	51,850	-56.4%
Finance costs	(248)	(527)	52.9%	(113)	(25)	<-100%	(52)	(61)	14.8%	(35)	(44)	20.5%	(448)	(657)	31.8%
Share of results of an associate company	-	-	-	-	-	-	-	-	-	(801)	110	<-100%	(801)	110	<-100%
(Loss)/Profit before tax	(25,175)	(9,440)	-166.7%	32,264	46,775	-31.0%	18,689	17,241	8.4%	(4,432)	(3,273)	-35.4%	21,346	51,303	-58.4%
Assets															
Segment assets	172,050	282,045	-39.0%	553,359	504,240	9.7%	140,867	115,676	21.8%	139,723	146,490	-4.6%	1,005,999	1,048,451	-4.0%
Liabilities															
Segment liabilities	38,478	91,772	58.1%	36,326	50,114	27.5%	24,338	27,115	10.2%	11,193	10,775	-3.9%	110,335	179,776	38.6%
Exchange Rate	Financial Position – Closing Rate			Profit or Loss – Average Rate											
	30.09.23	30.09.22	Changes	30.09.23	30.09.22	Changes									
USD : RM	4.6920	4.6340	1.3%	4.5799	4.4206	3.6%									
IDR : RM	0.0003040	0.0003040	0.0%	0.0003043	0.0002996	1.6%									
HKD : RM	0.5993	0.5903	1.5%	0.5849	0.5633	3.8%									



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 FY2023.

A13. Capital Commitments

The capital commitments not recognised in the interim financial statements as at 30 September 2023 amounted to RM22.4 million.

A14. Related Party Transactions

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

	Cumulative 6-months ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
Administrative charges received/receivable	4,249	3,717
Advisory fee paid/payable	(75)	(150)
Lease rental paid/payable	(481)	(527)
Plantation advisory fee paid/payable	(48)	(48)
Purchase of goods	(4,875)	(11,285)



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	Second Quarter ended			
	30.09.2023	30.09.2022	Changes	Changes
	RM'000	RM'000	RM'000	%
Revenue	232,458	280,053	(47,595)	-17.0%
Operation profit	3,358	26,989	(23,631)	-87.6%
Profit before interest and tax	2,535	27,007	(24,472)	-90.6%
Profit before tax	2,295	26,634	(24,339)	-91.4%
(Loss)/Profit after tax	(2,711)	19,489	(22,200)	<-100%
(Loss)/Profit attributable to equity holders of the Company	(5,378)	11,160	(16,538)	<-100%

In the second quarter of our financial year ending 31 March 2024 (“FY2024”), Group revenue declined 17.0% to RM232.5 million from RM280.1 million recorded in the corresponding quarter of FY2023. This was mainly due to lower revenue contribution from Oleochemical Manufacturing.

Group profit before tax (“PBT”) declined 91.4% to RM2.3 million from RM26.6 million achieved in the corresponding quarter of FY2023. The decline was mainly due to loss before tax (“LBT”) incurred in Oleochemical Manufacturing and lower PBT contribution from Milling & Cultivation.



Oleochemical Manufacturing

	Second Quarter ended			
	30.09.2023	30.09.2022	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	84,161	134,880	(50,719)	-37.6%
Operation loss	(16,676)	(10,397)	(6,279)	-60.4%
Loss before interest and tax	(16,676)	(10,397)	(6,279)	-60.4%
Loss before tax	(16,833)	(10,707)	(6,126)	-57.2%
(B) Non-Financial Highlights:				
Production capacity (MT)	24,000	24,000	-	-
Production utilisation (%)	71.9%	79.1%	-7.2%	-9.1%
Quantity sold (MT)	17,740	19,141	(1,401)	-7.3%
Gross loss margin (%)	-19.6%	-8.6%	-11.0%	<-100%

Revenue in Oleochemical Manufacturing declined 37.6% to RM84.2 million from RM134.9 million reported in the second quarter of FY2023. Average Selling Price (“ASP”) of fatty acids and glycerine fell 33.2% and 31.3% respectively during the quarter under review. Sales volume dropped 7.3% to 17,740 metric tonnes (“MT”). In line with the decline in sales volume, production utilisation decreased to 71.9% from 79.1% achieved in the preceding second quarter of FY2023.

Oleochemical Manufacturing recorded a LBT of RM16.8 million, compared to a LBT of RM10.7 million reported in the preceding second quarter of FY2023. Oleochemical Manufacturing LBT comprised mainly core LBT of RM17.8 million and non-core PBT of RM1.0 million. The non-core PBT was mainly derived from realised and unrealised gain on foreign exchange as well as unrealised gain on CPO futures contracts.



Milling & Cultivation

	Second Quarter ended			
	30.09.2023	30.09.2022	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	113,233	111,899	1,334	1.2%
Operation profit	10,295	29,596	(19,301)	-65.2%
Profit before interest and tax	10,295	29,596	(19,301)	-65.2%
Profit before tax	10,253	29,585	(19,332)	-65.3%
(B) Non-Financial Highlights:				
FFB processed (MT)	147,589	146,676	913	0.6%
FFB production (MT)	24,949	26,183	(1,234)	-4.7%
CPO sales volume (MT)	30,978	32,152	(1,174)	-3.7%
PK sales volume (MT)	7,926	7,469	457	6.1%
Average CPO selling price per MT (RM)	3,232	3,062	170	5.6%
Average PK selling price per MT (RM)	1,502	1,653	(151)	-9.1%

Revenue in Milling & Cultivation increased marginally by 1.2% to RM113.2 million from RM111.9 million achieved in the second quarter of FY2023. ASP for Crude Palm Oil (“CPO”) rose 5.6%, whilst the ASP for Palm Kernel (“PK”) declined 9.1%, as compared to the preceding corresponding quarter of FY2023. Sales volume for CPO decreased 3.7% to 30,978 MT and sales volume for PK rose 6.1% to 7,926 MT.

Processed Fresh Fruit Bunches (“FFB”) rose marginally by 0.6% to 147,589 MT from 146,676 MT reported in the preceding second quarter of FY2023.

Milling & Cultivation PBT declined 65.3% to RM10.3 million from RM29.6 million reported in the preceding second quarter of FY2023. This comprised core PBT of RM4.0 million and non-core PBT of RM6.3 million. The non-core PBT was mainly derived from sales proceeds from the disposal of PK shells and sludge oil as well as interest income.



Healthcare Services

	Second Quarter ended			
	30.09.2023	30.09.2022	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Data:				
Revenue	30,607	28,760	1,847	6.4%
Operation profit	11,654	9,523	2,131	22.4%
Profit before interest and tax	11,654	9,523	2,131	22.4%
Profit before tax	11,631	9,493	2,138	22.5%
(B) Statistics:				
Number of patients:				
a. Outpatient	19,138	22,516	(3,378)	-15.0%
b. Inpatient	3,187	3,114	73	2.3%

Revenue in our Healthcare Services grew 6.4% to RM30.6 million, compared to RM28.8 million reported in the second quarter of FY2023. In the quarter, the number of registered outpatients fell 15.0%, whilst the number of inpatient increased 2.3%.

Healthcare Services PBT rose 22.5% to RM11.6 million as compared to RM9.5 million achieved in the same quarter of FY2023. This comprised core PBT of RM10.8 million and non-core PBT of RM0.8 million. The non-core PBT was mainly derived from interest income and rental income.



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

The Group	Cumulative 6-months ended			
	30.09.2023 RM'000	30.09.2022 RM'000	Changes RM'000	Changes %
Revenue	447,783	577,051	(129,268)	-22.4%
Operation profit	22,595	51,850	(29,255)	-56.4%
Profit before interest and tax	21,794	51,960	(30,166)	-58.1%
Profit before tax	21,346	51,303	(29,957)	-58.4%
Profit after tax	10,134	39,263	(29,129)	-74.2%
Profit attributable to equity holders of the Company	3,751	26,009	(22,258)	-85.6%

In the cumulative 6-month period of FY2024, Group revenue decreased 22.4% to RM447.8 million from RM577.1 million recorded in the corresponding period of FY2023. This was mainly attributed to the lower revenue contribution from our Oleochemical Manufacturing.

Group PBT declined 58.4% to RM21.3 million from RM51.3 million achieved in the preceding corresponding period. Lower Group PBT was mainly due to LBT incurred in our Oleochemical Manufacturing and lower PBT contribution from Milling and Cultivation.



Oleochemical Manufacturing

	Cumulative 6-months ended			
	30.09.2023	30.09.2022	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	166,993	299,721	(132,728)	-44.3%
Operation loss	(24,927)	(8,913)	(16,014)	<-100%
Loss before interest and tax	(24,927)	(8,913)	(16,014)	<-100%
Loss before tax	(25,175)	(9,440)	(15,735)	<-100%
(B) Non-Financial Highlights:				
Production capacity (MT)	48,000	48,000	-	-
Production utilisation (%)	70.6%	81.0%	-10.4%	-12.8%
Quantity sold (MT)	33,921	39,679	(5,758)	-14.5%
Gross profit margin (%)	-14.4%	2.8%	-17.2%	<-100%

Revenue in our Oleochemical Manufacturing declined 44.3% to RM167.0 million from RM299.7 million recorded in the preceding corresponding period of FY2023. During the 6-month period under review, ASP for both fatty acids and glycerine decreased 35.5% and 54.7% respectively. Overall sales volume during the period under review dropped 14.5% to 33,921 MT and production utilisation was lower at 70.6% from 81.0% previously.

The Oleochemical Manufacturing incurred LBT of RM25.2 million, as compared to LBT of RM9.4 million recorded in the corresponding period of FY2023. Oleochemical Manufacturing LBT comprised core LBT of RM26.8 million, whilst non-core PBT was RM1.6 million. Non-core PBT was mainly derived from unrealised loss on CPO futures contracts, unrealised loss on forward foreign exchange contracts, as well as realised and unrealised gains on foreign exchange.



Milling & Cultivation

	Cumulative 6-months ended			
	30.09.2023	30.09.2022	Changes	Changes
	RM'000	RM'000	RM'000	%
(A) Financial Highlights:				
Revenue	214,596	212,795	1,801	0.8%
Operation profit	32,377	46,800	(14,423)	-30.8%
Profit before interest and tax	32,377	46,800	(14,423)	-30.8%
Profit before tax	32,264	46,775	(14,511)	-31.0%
(B) Non-Financial Highlights:				
FFB processed (MT)	292,740	280,496	12,244	4.4%
FFB production (MT)	45,815	51,004	(5,189)	-10.2%
CPO sales volume (MT)	58,413	50,554	7,859	15.5%
PK sales volume (MT)	15,281	14,110	1,171	8.3%
Average CPO selling price per MT (RM)	3,226	3,488	(262)	-7.5%
Average PK selling price per MT (RM)	1,573	2,393	(820)	-34.3%

Revenue in our Milling & Cultivation increased marginally by 0.8% to RM214.6 million from RM212.9 million recorded in the preceding corresponding period of FY2023. Sales volume for both CPO and PK rose 15.5% and 8.3% respectively during the 6-month period under review. ASP of CPO declined 7.5%, whilst ASP of PK was 34.3% lower as compared to the preceding corresponding period. Meanwhile, processed FFB rose 4.4% to 292,740 MT compared to 280,496 MT in the corresponding period of FY2023.

Milling & Cultivation PBT declined 31.0% to RM32.3 million from RM46.8 million recorded in the corresponding 6-month period of FY2023. This comprised core PBT of RM9.0 million and non-core PBT of RM23.2 million. The non-core PBT was mainly derived from sale proceeds from the disposal of PK shells and sludge oil as well as interest income.



Healthcare Services

	Cumulative 6-months ended			
	30.09.2023 RM'000	30.09.2022 RM'000	Changes RM'000	Changes %
(A) Financial Data:				
Revenue	57,193	55,540	1,653	3.0%
Operation profit	18,741	17,302	1,439	8.3%
Profit before interest and tax	18,741	17,302	1,439	8.3%
Profit before tax	18,689	17,241	1,448	8.4%
(B) Statistics:				
Number of patients:				
a. Outpatient	35,975	42,642	(6,667)	-15.6%
b. Inpatient	5,788	5,867	(79)	-1.3%

Revenue in the Healthcare Services increased 3.0% to RM57.2 million from RM55.5 million recorded in the preceding corresponding period of FY2023. In the 6-month period, the number of registered outpatients and inpatients fell 15.6% and 1.3% respectively.

Healthcare Services PBT improved 8.4% to RM18.7 million as compared to RM17.2 million recorded in the preceding corresponding period of FY2023. This comprised core PBT of RM17.2 million and non-core PBT of RM1.5 million. The non-core PBT was mainly derived from rental income and interest income.



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

The Group	Individual Quarter ended			
	30.09.2023 RM'000	31.06.2023 RM'000	Changes RM'000	Changes %
Revenue	232,458	215,325	17,133	8.0%
Operation profit	3,358	19,237	(15,879)	-82.5%
Profit before interest and tax	2,535	19,259	(16,724)	-86.8%
Profit before tax	2,295	19,051	(16,756)	-88.0%
(Loss)/Profit after tax	(2,711)	12,845	(15,556)	<-100%
(Loss)/Profit attributable to equity holders of the Company	(5,378)	9,129	(14,507)	<-100%

Compared to the immediate preceding quarter, our Group revenue rose 8.0% to RM232.5 million, compared to RM215.3 million achieved in first quarter of FY2024. The growth was mainly driven by higher revenue contributions across our three business segments during the quarter under review.

Group PBT declined 88.0% to RM2.3 million from RM19.1 million recorded in the immediate preceding first quarter of FY2024. The decline was primarily attributed to higher reported LBT from Oleochemical Manufacturing and lower PBT contribution from Milling & Cultivation. Nevertheless, it was cushioned by higher PBT contribution from our Healthcare Services.

B3. Prospect of the Group

Oleochemical Manufacturing

In the broader perspective, our Oleochemical Manufacturing remains active within an intensely competitive global market. Our current operational scale falls short of achieving the economies of scale in the global context. Additionally higher production costs, the ongoing instability in commodity prices, and the risk of reduced sales volume pose further challenges that could cloud the outlook for this business segment.

To further enhance our operational efficiency, we will continue to automate our processes and streamline our costs. The strategy of tailoring products to meet specific customer needs has proven effective, serving as a value-added approach to nurture and fortify our relationships with our loyal customers.



Milling & Cultivation

We remain cautious of the outlook in Milling & Cultivation. CPO prices have eased from 2022 highs, in line with the overall decrease in global commodity prices, including crude oil. According to Malaysian Palm Oil Board, CPO price has stabilised around RM3,650/MT currently. CPO prices are expected to remain volatile, impacted by various factors including global supply and demand, weather conditions, government policies of exporting countries as well as economic conditions.

Looking ahead, CPO prices are expected to find support with the anticipation of palm oil stockpiles in Malaysia and Indonesia reaching their peak soon, coupled with the potential impact of lower CPO production with the threat of El Nino.

Healthcare Services

Our Healthcare Services have successfully navigated the challenges of the pandemic and are now resuming regular operations. We remain vigilant, recognising the ongoing need for health measures to prevent a potential recurrence of the pandemic.

The overall outlook for private healthcare is promising, bolstered by the increasing awareness of health and the growing middle-income population. We are committed to providing top-tier healthcare services, enhancing our medical facilities to deliver exceptional medical care, and strengthening our pool of medical professionals to further elevate our standard of patient care.

As we move forward, we will continue to adapt and innovate to meet the evolving healthcare needs of our community, ensuring that we deliver exceptional medical care at all times.

Overall

The broader outlook remains challenging given the global backdrop of high interest rate environment and a deceleration in economic growth. In the near term, we will persist in our initiatives to reinforce our operational foundation and maintain a sound balance sheet as we navigate through these external challenges.

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-months ended	
	30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
Estimated tax payable				
- Malaysian tax expense	2,772	4,755	6,543	6,860
- Overseas tax expense	2,124	6,875	4,736	10,013
	4,896	11,630	11,279	16,873
Deferred tax				
- Current year	110	(4,485)	(67)	(4,833)
Total	5,006	7,145	11,212	12,040

The Group's effective tax rates for the financial period is higher than the statutory tax rate mainly due to certain expenses which are not allowable and deferred tax assets not recognised on losses in 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 30 September 2023: -

	Unaudited		Audited	
	As at 30.09.2023 Foreign Currency IDR million	As at 30.09.2023 RM Equivalent RM'000	As at 31.03.2023 Foreign Currency IDR million	As at 31.03.2023 RM Equivalent RM'000
Short term				
<i>Unsecured</i>				
- Term loan	-	1,200	-	1,200
- Bankers' acceptance	-	10,000	-	-
<i>Secured</i>				
- Hire purchase payables denominated in IDR	1,511	459	1,357	400
Long term				
<i>Unsecured</i>				
- Term loan	-	300	-	900
<i>Secured</i>				
- Hire purchase payables denominated in IDR	2,081	633	1,477	436
Effective interest rate		4.03% to 13.11%		3.97% to 13.11%

B8. Financial Instruments

As at 30 September 2023, the fair values of the outstanding derivatives are as follows:

Types of Derivatives	Based Currency	Contract/Notional Value RM'000	Fair Value as at 30.09.2023 RM'000
(i) Forward foreign exchange contracts			
- Less than 1 year	USD	53,298	54,713
(ii) Commodity future contracts			
<i>Buy</i>			
- Less than 1 year	RM	14,844	14,907
<i>Sell</i>			
- Less than 1 year	RM	9,230	9,025



B8. Financial Instruments

Forward foreign exchange contracts

The forward foreign exchange contracts were entered into by the Group's Oleochemical Manufacturing 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 commodity future contracts are used to manage and hedge the Group's Oleochemical Manufacturing'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 FY2023:

- 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) 30.09.2023 RM'000
(i) Forward foreign exchange contracts - Less than 1 year	The difference between the contracted rates and the Bank Negara closing rates	(1,415)
(ii) Commodity future contracts - Less than 1 year	The difference between the contracted prices and the market forward prices	268

The fair value gain/(loss) 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 gain/(loss) 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 FY2023.

**B11. Dividends**

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

B12. (Loss)/Earnings per Share

	Second Quarter ended		Cumulative 6-months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
(Loss)/Profit attributable to equity holders of the Company (in RM'000)	(5,378)	11,160	3,751	26,009
Weighted average number of ordinary shares in issue (in '000)	136,934	136,934	136,934	136,934
(Loss)/Earnings per share (in sen) – basic and diluted	(3.93)	8.15	2.74	18.99

B13. Profit for the Period

	Cumulative 6-months ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
Profit for the period is arrived at after crediting /(debiting) the following income/(expenses):		
- Interest income	5,917	2,649
- Finance costs	(448)	(657)
- Depreciation of property, plant and equipment	(11,122)	(11,209)
- Depreciation of right-of-use assets	(682)	(738)
- Impairment losses on trade receivables	(225)	(313)
- Reversal of impairment losses on trade receivables no longer required	5	-
- Inventories written off	(8)	(4)
- Inventories written down	(123)	(8,693)
- Net fair value change in biological assets	212	(1,518)
- Gain on foreign exchange:		
Realised	1,166	2,764
Unrealised	599	2,661
- Changes in fair value of derivatives	(920)	(20,772)

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 30.09.2023 RM'000	Audited As at 31.03.2023 RM'000
Third parties	53,330	56,066
Related parties	1,474	1,628
Trade receivables	54,804	57,694
Less: Impairment losses	(1,507)	(1,287)
Trade receivables, net	<u>53,297</u>	<u>56,407</u>

The credit period granted on sales of goods and services rendered ranges from 7 to 90 days (2023: 7 to 90 days).

An allowance of RM1,507,000 (2023: RM1,287,000) for the Group has been made for estimated irrecoverable amounts from the sale of goods and services rendered. This allowance has been determined based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

The aging analysis of trade receivables is as follows:-

	Unaudited As at 30.09.2023 RM'000	Audited As at 31.03.2023 RM'000
Neither past due nor impaired	38,720	41,611
Past due but not impaired:		
30 days and below	6,777	3,917
31 – 60 days	5,622	7,144
61 – 90 days	1,691	2,800
91 – 120 days	487	935
121 – 150 days	-	-
	<u>14,577</u>	<u>14,796</u>
Past due and impaired	1,507	1,287
Trade receivables	<u>54,804</u>	<u>57,694</u>



B15. Auditors' Report on Preceding Annual Financial Statements

The audit report for the FY2023 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 2024 was authorised for issuance by the Board of Directors of the Company on 28 November 2023.