

SOUTHERN ACIDS (M) BHD (64577-K)

Condensed Consolidated Income Statements
For the quarter ended 31st January, 2004

	2004 Current qtr Ended 31 Jan (RM)	2003 Comparative qtr Ended 31 Jan (RM)	2004 9 months Cumulative to date (RM)	2003 9 months Cumulative to date (RM)
Revenue	86,812,328	74,424,775	255,771,077	225,463,835
Operating Expenses	(82,107,229)	(69,168,383)	(243,990,874)	(206,390,951)
Other Operating income	<u>57,667</u>	<u>47,148</u>	<u>137,667</u>	<u>157,279</u>
Profit from Operations	4,762,766	5,303,540	11,917,870	19,230,163
Finance costs	(247,694)	(117,119)	(459,476)	(344,814)
Investing Results	<u>555,946</u>	<u>335,159</u>	<u>1,007,719</u>	<u>2,167,342</u>
Profit before tax	5,071,018	5,521,580	12,466,113	21,052,691
Taxation	<u>(107,805)</u>	<u>(93,889)</u>	<u>(288,807)</u>	<u>(382,071)</u>
Profit after tax	4,963,213	5,427,691	12,177,306	20,670,620
Minority Interest	<u>(726,232)</u>	<u>49,129</u>	<u>(1,269,670)</u>	<u>(356,489)</u>
Net Profit for the period	<u>4,236,981</u>	<u>5,476,820</u>	<u>10,907,636</u>	<u>20,314,131</u>
EPS - Basic (in sen)	<u>3.09</u>	<u>5.22</u>	<u>7.97</u>	<u>19.37</u>
- Diluted (in sen)	<u>3.09</u>	<u>4.25</u>	<u>7.97</u>	<u>15.59</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 30th April 2003)

SOUTHERN ACIDS (M) BHD (64577-K)

Condensed Consolidated Balance Sheets
As at 31st January, 2004

	Quarter ended 31 Jan. 2004 (RM)	Year ended 30 Apr. 2003 (RM)
Property, Plant & Equipment	279,275,107	260,711,083
Goodwill on Consolidation	3,793,528	0
Other deferred expenditure	1,813,846	1,807,603
Investments in Associate and Joint Ventures	6,068,998	5,690,687
Other Investments	17,145,210	15,207,326
Current Assets		
Inventories	39,720,461	32,343,107
Debtors	49,001,442	45,639,301
Amount owing by associated company	663,829	1,767,000
Cash & Cash Equivalents	29,777,816	24,395,780
	<u>119,163,548</u>	<u>104,145,188</u>
Current Liabilities		
Trade & Other Creditors	(39,862,741)	(31,724,972)
Overdraft & Short Term Borrowings	(7,266,289)	(1,733,009)
Amount owing to directors	(1,059,327)	(765,435)
Provision for taxation	(243,368)	(192,915)
Dividend Payable	(121,500)	(121,500)
	<u>(48,553,225)</u>	<u>(34,537,831)</u>
Net Current Assets	<u>70,610,323</u>	<u>69,607,357</u>
	<u>378,707,012</u>	<u>353,024,056</u>
Share Capital	136,934,132	104,873,187
Reserves	213,383,020	234,562,007
Shareholders' Fund	<u>350,317,152</u>	<u>339,435,194</u>
Minorities Interest	5,219,749	2,266,329
Long Term Liabilities		
Borrowings	20,708,513	9,023,513
Other deferred liabilities	2,461,598	2,299,020
	<u>23,170,111</u>	<u>11,322,533</u>
	<u>378,707,012</u>	<u>353,024,056</u>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 30th April 2003)

Condensed Consolidated Cash Flow Statements
For the quarter ended 31st January, 2004

	<u>2004</u> 9 months ended 31 Jan (RM)	<u>2003</u> 9 months ended 31 Jan (RM)
Net Profit before tax	12,466,113	21,052,691
Adjustment for non-cash flow:-		
Non-cash items	11,666,643	11,608,050
Non-operating items (which are investing / financing)	2,396,509	1,292,981
Operating profit before changes in working capital	26,529,265	33,953,722
Changes in working capital		
Net Change in current assets	(766,958)	(19,862,591)
Net Change in current liabilities	8,431,661	(14,264,969)
Net cash flows from operating activities	<u>34,193,968</u>	<u>(173,838)</u>
Investing Activities		
- Equity investments	(15,949,308)	1,341,196
- Other investments	(29,164,872)	(5,189,602)
	<u>(45,114,180)</u>	<u>(3,848,406)</u>
Financing Activities		
- Bank borrowings	11,461,871	1,520,962
- Proceeds from exercise of warrants	51,297,512	0
- Payment of dividend	(52,465,415)	(5,243,659)
	<u>10,293,968</u>	<u>(3,722,697)</u>
Net Change in Cash & Cash Equivalents	(626,244)	(7,744,941)
Cash & Cash Equivalents at 1 May 2003	23,137,771	16,315,688
Cash & Cash Equivalents at 31 January, 2004 (Note 1)	<u>22,511,527</u>	<u>8,570,747</u>

Note 1

Cash & Cash Equivalents comprises of:-

	<u>RM</u>
Cash & Bank Balances	29,777,816
Bank Overdrafts	(4,416,289)
Term loan payable within 1 year	(2,850,000)
	<u>22,511,527</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30th April 2003)

SOUTHERN ACIDS (M) BHD (64577-K)

Condensed Consolidated Statements of Changes in Equity
For the quarter ended 31st January, 2004

	Share Capital (RM)	Reserve attributable to Capital (RM)	Reserve attributable to revenue (RM)	Retained Profits (RM)	Total (RM)
<u>9 months quarter ended 31 Jan. 2004</u>					
Balance at beginning of year	104,873,187	26,012,255	0	208,549,752	339,435,194
Movements during the period (cumulative)	32,060,945	20,378,792	0	(41,557,779)	10,881,958
Balance at end period	<u>136,934,132</u>	<u>46,391,047</u>	<u>0</u>	<u>166,991,973</u>	<u>350,317,152</u>

	Share Capital (RM)	Reserve attributable to Capital (RM)	Reserve attributable to revenue (RM)	Retained Profits (RM)	Total (RM)
<u>9 months quarter ended 31 Jan. 2003</u>					
Balance at beginning of year	104,873,187	25,841,589	0	186,941,618	317,656,394
Movements during the period (cumulative)	0	1,839,424	0	17,692,302	19,531,726
Balance at end period	<u>104,873,187</u>	<u>27,681,013</u>	<u>0</u>	<u>204,633,920</u>	<u>337,188,120</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30th April 2003)

SOUTHERN ACIDS (M) BHD (64577-K)

**Condensed Consolidated Statement of
Recognised Gains and Losses
For quarter ended 31st January, 2004**

	2004 9 months cumulative to date (RM)	2003 9 months cumulative to date (RM)
Surplus / (deficit) on revaluation	0	0
Exchange differences arising on translation of foreign controlled entities	<u>1,142,225</u>	<u>1,839,434</u>
Net gains (losses) not recognised in the income statement	1,142,225	1,839,434
Net Profit (Cumulative)	(41,557,779)	20,314,132
Total recognised gains and losses	<u>(40,415,554)</u>	<u>22,153,566</u>

(The Condensed Consolidated Statement of Recognised Gains and Losses should be read in conjunction with the Annual Financial Report for the year ended 30th April 2003)

SOUTHERN ACIDS (M) BHD
(64577-K)
(Incorporated in Malaysia)

Notes to Interim Financial Reports

A. EXPLANATORY NOTES AS PER MASB 26 REQUIREMENTS

A1. Accounting Policies

This interim financial report is unaudited and has been prepared in compliance with Malaysian Accounting Standards Board 26 “Interim Financial Reporting” and Paragraph 9.22 of the Malaysia Securities Exchange Berhad (“MSEB”) Listing Requirements and should be read in conjunction with the Group’s annual financial statements for the year ended 30 April 2003.

The accounting policies and method of computation used in the preparation of the interim financial report are consistent with that of the annual financial statements ended 30 April 2003.

A2. Status of Audit Qualifications

There was no audit qualification on the annual financial statements for year ended 30 April 2003.

A3. Seasonal or Cyclical Factors

The principal subsidiary, Pofachem (M) Sdn Bhd is subject to cyclical prices in their raw material supplies. The principal raw materials are crude palm oil, crude palm stearine, RBD stearine and palm kernel oil.

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

Saved as disclosed in Note A11, there was no unusual item affecting assets, liabilities, equity, net income or cash flows that is unusual because of its nature, size or incidence for the financial period under review.

A5. Material Changes in Estimates

There was no material change in estimates used in the preparation of the financial statements in the current financial quarter as compared with the previous financial quarters or previous financial year.

A6. Issuance or Repayment of Debts and Equity Securities

There were issuances of 32,001,512 ordinary shares of the Company by virtue of conversion of 32,001,512 Warrants 1999/2003 at a conversion price of RM1.60 per ordinary share. The newly issued shares were listed on the MSEB and rank pari passu in all respects with the existing shares of the Company.

A7. Dividends Paid

A Final tax-exempt dividend of 5 sen per ordinary share for the financial year ended 30 April 2003 and a Special Interim tax-exempt dividend of 35 sen per ordinary share for the financial year ending 30 April 2004, amounting to RM5,246,631 and RM47,218,783 respectively were paid on 29 November 2003.

A8. Segmental Reporting (Analysis by Business Segments)

	Revenue	Profit/Loss
	RM'000	before tax
	<u>RM'000</u>	<u>RM'000</u>
Manufacturing & Marketing	159,314	9,930
Warehouse & Bulk Conveyor Operation	2,082	598
Development, Managing & Operating of Private Hospital	27,927	(1,723)
Plantation	64,885	2,986
Others	<u>1,563</u>	<u>297</u>
	255,771	12,088
Group's Share in Associated Company	<u>-</u>	<u>378</u>
	<u>255,771</u>	<u>12,466</u>

A9. Valuations of Property, Plant and Equipment

There was no valuation of property, plant and equipment that have been brought forward without amendment from the previous financial statements.

A10. Events Subsequent to Balance Sheet Date

There was no material event subsequent to 31 January 2004 that has not been reflected in the financial statements.

A11. Changes in the Composition of the Group

During the quarter under review, P.T. Mustika Agro Sari ("PTMAS") which is a 70% owned subsidiary of First View Development Sdn Bhd, which in turn is a 80% owned subsidiary of the Company increased its paid up capital by Rupiah 12,500,000,000 (RM5.625 million) by the issuance of an additional 12,500 shares of Rupiah 1,000,000 (RM450) each in PTMAS.

The Company via PTMAS completed the acquisition of all the 13,000 ordinary shares in P.T. Wanasari Nusantara ("PTWANA") during the quarter under review. The principal activity of PTWANA is oil palm plantation operations. Following the completion of this acquisition, PTWANA is now a subsidiary of the Company.

The effect of the acquisition of PTWANA on the financial position of the Group as at 31 January 2004 are as follows:-

The assets and liabilities of PTWANA

	<u>Rupiah</u>	<u>RM Equivalent</u>
Land and Building	7,289,914,396	3,280,461
Plantations	38,721,743,784	17,424,785
Other Non Current Assets	1,515,706,576	682,068
Current Assets	4,199,095,263	1,889,593
Other Debtors	11,765,258,853	5,294,366
Amount Due to Shareholders	(12,357,345,024)	(5,560,805)
Other Current Liabilities	(18,904,091,747)	(8,506,841)
	<hr/>	<hr/>
Net Assets	32,230,282,101	14,503,627

	<u>Rupiah</u>	<u>RM Equivalent</u>
Goodwill on consolidation arising from the acquisition of subsidiary company i.e. PTWANA	8,430,062,356	3,793,528

A12. Changes in Contingent Liabilities or Contingent Assets

During the current quarter, there was no change in the composition of contingent liabilities or contingent assets. However, for the financial year to date, the Company has issued a corporate guarantee without security of USD 4.07 million to a local bank for credit facilities totalling USD 7.4 million granted to a subsidiary company.

B. ADDITIONAL INFORMATION REQUIRED BY THE MALAYSIA SECURITIES EXCHANGE BERHAD LISTING REQUIREMENTS

B1. Review of Performance

The Group reported a turnover of RM86.81 million and a net profit of RM4.24 million for the current quarter as compared to a turnover of RM74.42 million and a net profit of RM5.48 million for the corresponding quarter last year. The decrease in net profit is mainly due to lower profit margin as a result of higher raw material prices for the oleochemical manufacturing business. In addition, the profit is affected by the drop in sales volume of fatty acids coupled with the decrease in selling price as a result of keener competition.

B2. Variation of Results to Preceding Quarter

Profit before taxation (by business segment):

(RM ' 000)	Current Quarter	Immediate Preceding Quarter	+ / (-)
Oleochemical manufacturing	3,184	4,946	(1,762)
Warehouse & Bulk Conveyor Operation	265	105	160
Healthcare	(639)	(791)	152
Plantation	1,675	328	1,347
Others	333	(314)	647
	4,818	4,274	544
Group's share in associated company	253	46	207
Profit Before Tax	5,071	4,320	751

The profit before tax of RM5.071 million for the quarter under review is higher than the profit before tax of RM4.320 million recorded in the immediate preceding quarter. The slight improvement in profit is mainly due to higher contribution from the plantation segment.

B3. Current Financial Year Prospects

Although the performance of the palm oil milling business is expected to improve in the current financial year, the Directors are of the opinion that the oleochemical business will remain competitive and the profit margin will be lower as compared to last year.

B4. Profit Forecast and Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee.

B5. Tax Expense

	Current Year Quarter 31 Jan 2004 RM '000	Cumulative Current Year-To-Date 31 Jan 2004 RM'000
Tax on non-exempt business income	105	169
Tax on Interest Income	3	120
	<u>108</u>	<u>289</u>

The effective tax rate of the Group for the current quarter and financial year-to-date is lower than the statutory income tax rate due to the availability of unabsorbed tax losses and tax allowances brought forward to set-off against the profit for the current period of certain subsidiary companies.

B6. Sale of Unquoted Investments and Properties

There is no sale of any unquoted investment or properties for the current quarter.

B7. Quoted Securities

(a) There were no purchases or disposals of quoted securities for the current financial quarter and year-to-date.

(b) Investments in quoted securities as at 31 January 2004 were as follows:-

	<u>RM</u>
Long-term investments:	
- At Cost	25,554,090
- At Carrying Value	13,087,873
- At Market Value	18,854,025

B8. Status of Corporate Proposals

As disclosed in Note A11, the acquisition of P.T. Wanasari Nusantara was completed in the current quarter and there is no outstanding corporate proposal.

B9. Group Borrowings and Debt Securities

The status of Group borrowings as at 31 January 2004 was as follows:-

(a) <u>Short Term</u>	<u>Amount</u>	<u>Nature</u>
(i) Bankers Acceptance and Overdraft	RM 4,416,289	Unsecured
(ii) Term Loan (due within 1 year)	USD 750,000 (RM 2,850,000)	Secured
(b) <u>Long Term</u>		
(i) Term Loan (due above 1 year)	USD 5,450,000 (RM 20,708,513)	Secured

B10. Financial Instruments with Off Balance Sheet Risk

As at the date of this report, the Group does not have any financial instruments with off balance sheet risk.

B11. Material Litigation

There is no pending material litigation as at date of this report.

B12. Dividend

The total dividend declared and paid for the financial period ended 31 January 2004 is 40 sen per ordinary share comprising:-

- (i) Final tax-exempt dividend of 5 sen per ordinary share; and
- (ii) Special Interim tax exempt dividend of 35 sen per ordinary share

B13. Earnings Per Share

		3 MONTHS ENDED 31 JAN		9 MONTHS ENDED 31 JAN	
		2004	2003	2004	2003
a) Basic					
Profit attributable to shareholders	(RM)	<u>4,236,981</u>	<u>5,476,820</u>	<u>10,907,636</u>	<u>20,314,131</u>
Weighted average number of ordinary shares in issue		<u>136,934,132</u>	<u>104,873,187</u>	<u>136,934,132</u>	<u>104,873,187</u>
Basic earnings per share	(sen)	<u>3.09</u>	<u>5.22</u>	<u>7.97</u>	<u>19.37</u>
b) Diluted					
Profit attributable to shareholders	(RM)	<u>4,236,981</u>	<u>5,853,541</u>	<u>10,907,636</u>	<u>21,444,293</u>
Weighted average number of ordinary shares in issue		<u>136,934,132</u>	<u>104,873,187</u>	<u>136,934,132</u>	<u>104,873,187</u>
Adjusted for warrants 1999/2003		<u>0</u>	<u>32,701,442</u>	<u>0</u>	<u>32,701,442</u>
Adjusted weighted average number of ordinary shares in issue and issuable		<u>136,934,132</u>	<u>137,574,629</u>	<u>136,934,132</u>	<u>137,574,629</u>
Fully diluted earnings per share	(sen)	<u>3.09</u>	<u>4.25</u>	<u>7.97</u>	<u>15.59</u>