

SOUTHERN ACIDS (M) BHD (64577-K)

Condensed Consolidated Income Statements
For the quarter ended 30 April, 2004

	2004 Current qtr Ended 30 April (RM)	2003 Comparative qtr Ended 30 April (RM)	2004 12 months Cumulative to date (RM)	2003 12 months Cumulative to date (RM)
Revenue	102,857,526	82,678,114	358,628,603	308,067,599
Operating Expenses	(100,333,847)	(80,187,483)	(344,324,721)	(286,578,434)
Other Operating income	487,988	1,654,299	625,655	3,433,716
Profit from Operations	3,011,667	4,144,930	14,929,537	24,922,881
Finance costs	(407,242)	(158,967)	(866,718)	(503,781)
Investing Results	117,661	176,194	1,125,380	795,748
Profit before tax	2,722,086	4,162,157	15,188,199	25,214,848
Taxation	(4,158,217)	146,986	(4,447,024)	(235,085)
(Loss) / Profit after tax	(1,436,131)	4,309,143	10,741,175	24,979,763
Minority Interest	557,091	(393,310)	(712,579)	(749,799)
Net (Loss) / Profit for the period	(879,040)	3,915,833	10,028,596	24,229,964
EPS - Basic - in sen	(0.64)	3.73	7.32	23.10
- Diluted - in sen	(0.64)	3.12	7.32	18.71

(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 30 April, 2004

	Quarter ended 30 Apr. 2004 (RM)	Year ended 30 Apr. 2003 (RM)
Property, Plant & Equipment	280,256,830	260,711,083
Deferred tax assets	13,388,000	17,366,000
Investments in Associate and Joint Ventures	6,218,385	5,690,687
Other Investments	17,145,724	17,014,929
Current Assets		
Inventories	38,352,765	32,343,107
Debtors	41,532,652	45,639,301
Amount owing by associated company	663,829	1,767,000
Cash & Cash Equivalents	32,782,396	24,395,780
	<u>113,331,642</u>	<u>104,145,188</u>
Current Liabilities		
Trade & Other Creditors	(33,998,905)	(31,724,972)
Overdraft & Short Term Borrowings	(1,979,460)	(1,733,009)
Amount owing to directors	(463,500)	(765,435)
Provision for taxation	(39,491)	(192,915)
Dividend Payable	(121,500)	(121,500)
	<u>(36,602,856)</u>	<u>(34,537,831)</u>
Net Current Assets	<u>76,728,786</u>	<u>69,607,357</u>
	<u>393,737,725</u>	<u>370,390,056</u>
Share Capital	136,934,132	104,873,187
Reserves	228,513,504	251,928,007
Shareholders' Fund	<u>365,447,636</u>	<u>356,801,194</u>
Minority Interests	4,662,658	2,266,329
Long Term Liabilities		
Borrowings	21,119,966	9,023,513
Other deferred liabilities	2,507,465	2,299,020
	<u>23,627,431</u>	<u>11,322,533</u>
	<u>393,737,725</u>	<u>370,390,056</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 30 April, 2004

	<u>2004</u> 12 months ended 30 April (RM)	<u>2003</u> 12 months ended 30 April (RM)
Net Profit before tax	15,188,199	25,214,848
Adjustment for non-cash flow:-		
Non-cash items	16,001,652	13,603,915
Non-operating items (which are investing / financing)	1,400,464	(2,183,988)
Operating profit before changes in working capital	32,590,315	36,634,775
Changes in working capital		
Net Change in current assets	946,901	(7,269,503)
Net Change in current liabilities	1,818,574	(1,094,635)
Net cash flows from operating activities	<u>35,355,790</u>	<u>28,270,637</u>
Investing Activities		
- Equity investments	(15,461,988)	5,427,907
- Other investments	(24,645,734)	(6,847,295)
	<u>(40,107,722)</u>	<u>(1,419,388)</u>
Financing Activities		
- Bank borrowings	13,585,000	(11,997,920)
- Proceeds from exercise of warrants	51,297,512	0
- Payment of dividend	(52,465,415)	(7,865,489)
	<u>12,417,097</u>	<u>(19,863,409)</u>
Net Change in Cash & Cash Equivalents	7,665,165	6,987,840
Cash & Cash Equivalents at 1 May 2003	23,137,771	16,149,931
Cash & Cash Equivalents at 30 April, 2004 (Note 1)	<u>30,802,936</u>	<u>23,137,771</u>

Note 1

Cash & Cash Equivalents comprises of:-

	<u>RM</u>
Cash & Bank Balances	32,782,396
Bank Overdrafts	(15,913)
Term loan payable within 1 year	(1,963,547)
	<u>30,802,936</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 30 April, 2004

	Share Capital (RM)	Reserve attributable to Capital (RM)	Reserve attributable to revenue (RM)	Retained Profits (RM)	Total (RM)
<u>12 months quarter ended 30 Apr. 2004</u>					
Balance at beginning of year	104,873,187	26,012,255	0	225,915,752	356,801,194
Movements during the period					
- cumulative	32,060,945	19,022,316	0	(42,436,819)	8,646,442
Balance at end period	136,934,132	45,034,571	0	183,478,933	365,447,636

	Share Capital (RM)	Reserve attributable to Capital (RM)	Reserve attributable to revenue (RM)	Retained Profits (RM)	Total (RM)
<u>12 months quarter ended 30 Apr. 2003</u>					
Balance at beginning of year	104,873,187	25,841,589	0	202,488,618	333,203,394
Movements during the period					
- cumulative	0	170,666	0	23,427,134	23,597,800
Balance at end period	104,873,187	26,012,255	0	225,915,752	356,801,194

Note

The retained profits as at 30 April 2002 and 30 April 2003 of RM 186,941,618 and RM 208,549,752, have been restated to RM 202,488,618 and RM 225,915,752 respectively due to the recognition of deferred tax assets under MASB 25 (which has been applied retrospectively via a prior year adjustment).

(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 30 April, 2004**

	2004 12 months cumulative to date (RM)	2003 12 months cumulative to date (RM)
Surplus / (deficit) on revaluation	0	0
Exchange differences arising on translation of foreign controlled entities	<u>(214,251)</u>	<u>170,666</u>
Net (losses) / gains not recognised in the income statement	(214,251)	170,666
Net (Loss) or Profit - Cumulative	(42,436,819)	21,869,134
Total recognised (losses) or gains	<u>(42,651,070)</u>	<u>22,039,800</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 PURSUANT TO MASB 26

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.

During the current quarter, the Group adopted the accounting policy on income taxes in compliance with MASB 25, Income Taxes. The adoption of this standard has given rise to a deferred tax charge of RM3.98 million which has been adjusted in this quarter. The policy change has also been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustments in the interim financial report:

Retained Profits:	<u>2003</u>	<u>2002</u>
	<u>RM</u>	<u>RM</u>
At 1 May, as previously reported	208,549,752	186,941,618
Effects of changes in accounting policy	<u>17,366,000</u>	<u>15,547,000</u>
At 1 May, as restated	<u>225,915,752</u>	<u>202,488,618</u>

Saved for the above, 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

During the current quarter, the goodwill on consolidation which arose from PT Mustika Agro Sari's (PTMAS) acquisition of PT Wanasari Nusantara (PTWANA) was written-off to the Group's income statement. This is consistent with the Company's and Group's accounting policy in relation to "Goodwill / (Reserve) On Consolidation." Besides this and the acquisition of PTWANA, as disclosed in Note A11 to this report, there were no other unusual items affecting assets, liabilities, equity, net income or cash flows that are unusual because of its nature, size or incidence for the financial year 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 no issuance and repayment of debts and equity securities, share buy-backs, share cancellation, shares held as treasury shares or resale of treasury shares for the current quarter.

However, during the financial year 32,001,512 ordinary shares of the Company were issued from the 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

An interim tax-exempt and final tax-exempt dividend of 2.5 sen and 5 sen per ordinary share respectively for the financial year ended 30 April 2003 amounting to RM2,621,829 and 5,246,631 were paid on 21 February 2003 and 29 November 2003.

A Special Interim tax-exempt dividend of 35 sen per ordinary share for the financial year ending 30 April 2004, amounting to RM47,218,783 were paid on 29 November 2003.

A8. Segmental Reporting (Analysis by Business Segments)

	Revenue	Profit/Loss before tax
	RM'000	RM'000
Manufacturing & Marketing	216,069	14,799
Warehouse & Bulk Conveyor Operation	3,526	628
Development, Managing & Operating of Private Hospital	37,308	(2,914)
Plantation	99,079	2,052
Others	2,647	95
	<u>358,629</u>	<u>14,660</u>
Group's Share in Associated Company	-	528
	<u>358,629</u>	<u>15,188</u>

A9. Valuations of Property, Plant and Equipment

The valuation of property, plant and equipment have been brought forward without amendment from the financial statements for the year ending 30 April 2003.

A10. Events Subsequent to Balance Sheet Date

There was no material event subsequent to 30 April 2004 that has not been reflected in the interim financial statements.

A11. Changes in the Composition of the Group

During the current quarter, there were no changes in the composition of the Group including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

During the financial year under review, PTMAS 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 PTWANA during the financial year 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.

A12. Changes in Contingent Liabilities or Contingent Assets

During the current quarter, the Company issued a corporate guarantee without security of USD 548,000 to a local bank for a credit facility of USD 3.7 million which is granted to a subsidiary company. In addition, the Company has also issued a corporate guarantee without security of USD 4.07 million to a local bank for credit facilities totaling 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 RM102.86 million and a net loss after tax and minority interest of RM0.88 million for the current quarter as compared to RM82.68 million and RM3.92 million (profit after tax and minority interests) for the corresponding quarter last year. The decrease in net profit is mainly due to the write-off of the goodwill on consolidation which arose from PTMAS acquisition of PTWANA and a deferred tax charge of RM3.98 million in Pofachem (M) Sdn Bhd (Pofachem) accounts with the adoption of MASB 25.

Earnings from PTMAS improved though and this had help to cushion the goodwill write-off and the deferred tax provision mentioned above.

B2. Variation of Results to Preceding Quarter

Profit before taxation (by business segment):

(RM ' 000)	Current Quarter	Immediate Preceding Quarter	+ / (-)
Manufacturing & Marketing	4,870	3,184	1,656
Warehouse & Bulk Conveyor Operation	29	265	(236)
Healthcare	(1,191)	(639)	(552)
Plantation	(933)	1,675	(2,608)
Others	(202)	333	(535)
	<u>2,573</u>	<u>4,818</u>	<u>(2,275)</u>
Group's share in associated company	149	253	(104)
Profit Before Tax	<u>2,722</u>	<u>5,071</u>	<u>(2,379)</u>

The profit before tax of RM2.722 million for the quarter under review is lower than the profit before tax of RM5.071 million recorded in the immediate preceding quarter. This is mainly due to the goodwill write-off disclosed in A4 and A11 above.

B3. Commentary on Prospects

The Directors are of the view that the overall performance of the Group will hinge substantially on the deochemical and palm oil mill businesses. The oleochemical division is experiencing high raw materials prices and its results will depend very much on its ability to transfer increase raw materials costs into higher selling prices. The palm oil milling results depend heavily on the availability of fresh fruit bunches for processing.

B4. Profit Forecast and Profit Guarantee

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

B5. Tax Expense

	Current Year Quarter 30 April 2004 RM '000	Cumulative Current Year-To-Date 30 April 2004 RM '000
Tax on non-exempt business income	133	302
Tax on interest income	47	167
Deferred tax expense	3,978	3,978
	<u>4,158</u>	<u>4,447</u>

B6. Sale of Unquoted Investments and Properties

There is no sale of any unquoted investment or properties for the current financial quarter and year-to-date.

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 30 April 2004 were as follows:-

	<u>RM</u>
Long-term investments:	
- At Cost	25,554,090
- At Carrying Value	13,087,873
- At Market Value	14,186,953

B8. Status of Corporate Proposals

As disclosed in Note A11, the acquisition of PTWANA was completed during the financial year.

B9. Group Borrowings and Debt Securities

The status of Group borrowings as at 30 April 2004 was as follows:-

<u>(a) Short Term</u>	<u>Amount</u>	<u>Nature</u>
(i) Bankers Acceptance and Overdraft	RM 15,913	Unsecured
(ii) Term Loan (due within 1 year)	USD 516,723 (RM 1,963,547)	Secured
<u>(b) Long Term</u>		
(i) Term Loan (due above 1 year)	USD 5,558,277 (RM 21,119,966)	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 Board of Directors recommend a final dividend of 7.5 sen less 28% tax per ordinary share to be declared for the financial year ending 30 April 2004 subject to approval by the shareholders of the Company at the forthcoming AGM. In addition to this, a Special Interim tax-exempt dividend of 35 sen per ordinary share for the financial year ending 30 April 2004, amounting to RM47,218,783 were paid on 29 November 2003.

For the previous corresponding period, an interim tax-exempt and final tax-exempt dividend of 2.5 sen and 5 sen per ordinary share were declared and paid on 21 February 2003 and 29 November 2003.

B13. Earnings Per Share

		3 MONTHS ENDED 30 APRIL		12 MONTHS ENDED 30 APRIL	
		2004	2003	2004	2003
a) Basic					
Profit attributable to shareholders	RM	<u>(879,040)</u>	3,915,833	<u>10,028,596</u>	24,229,964
Weighted average number of ordinary shares in issue		<u>136,934,132</u>	104,873,187	<u>136,934,132</u>	104,873,187
Basic earnings per share	sen	<u>(0.64)</u>	3.73	<u>7.32</u>	23.10
b) Diluted					
Profit attributable to shareholders	RM	<u>(879,040)</u>	4,292,554	<u>10,028,596</u>	25,736,846
Weighted average number of ordinary shares in issue		<u>136,934,132</u>	104,873,187	<u>136,934,132</u>	104,873,187
Adjusted for warrants 1999/2003		<u>0</u>	32,701,442	<u>0</u>	32,701,442
Adjusted weighted average number of ordinary shares in issue and issuable		<u>136,934,132</u>	137,574,629	<u>136,934,132</u>	137,574,629
Fully diluted earnings per share	sen	<u>(0.64)</u>	3.12	<u>7.32</u>	18.71

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 26 June 2004.