

**SOUTHERN ACIDS (M) BHD (64577-K)**

**Condensed Consolidated Income Statements**  
**For the quarter ended 31 July 2004**

	2004 Current qtr Ended 31 July (RM)	2003 Comparative qtr Ended 31 July (RM)	2004 3 months Cumulative to date (RM)	2003 3 months Cumulative to date (RM)
Revenue	102,987,652	83,919,785	102,987,652	83,919,785
Operating Expenses	(102,267,930)	(80,959,896)	(102,267,930)	(80,959,896)
Other Operating income	530	3,870	530	3,870
Profit from Operations	720,252	2,963,759	720,252	2,963,759
Finance costs	(157,981)	(82,127)	(157,981)	(82,127)
Investing Results	432,155	193,639	432,155	193,639
Profit before tax	994,426	3,075,271	994,426	3,075,271
Taxation	(576,260)	(80,908)	(576,260)	(80,908)
Profit after tax	418,166	2,994,363	418,166	2,994,363
Minority Interest	(477,364)	(431,464)	(477,364)	(431,464)
Net (Loss) / Profit for the period	(59,198)	2,562,899	(59,198)	2,562,899
EPS - Basic - in sen	(0.04)	2.44	(0.04)	2.44
- Diluted - in sen	(0.04)	2.08	(0.04)	2.08

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 30 April 2004)

**SOUTHERN ACIDS (M) BHD (64577-K)**

**Condensed Consolidated Balance Sheets**  
**As at 31 July 2004**

	Quarter ended 31 July. 2004 (RM)	Year ended 30 Apr. 2004 (RM)
Property, Plant & Equipment	275,356,056	280,292,822
Deferred tax assets	13,317,000	13,313,400
Investment in associated company	6,387,816	6,218,384
Other Investments	17,150,789	17,145,724
<b>Current Assets</b>		
Inventories	38,142,528	38,353,796
Trade & other receivables	43,791,706	41,187,589
Amount owing by associated company	663,829	663,829
Cash & Cash Equivalents	44,066,372	45,293,286
	<u>126,664,435</u>	<u>125,498,500</u>
<b>Current Liabilities</b>		
Trade & other payables	(42,656,145)	(42,826,673)
Overdraft & short term borrowings	(4,912,934)	(5,580,657)
Amount owing to directors	(465,371)	(463,500)
Tax liabilities	(511,424)	(79,263)
Dividend payable	(121,500)	(121,500)
	<u>(48,667,374)</u>	<u>(49,071,593)</u>
<b>Net Current Assets</b>	<u>77,997,061</u>	<u>76,426,907</u>
	<u>390,208,722</u>	<u>393,397,237</u>
<b>Share Capital</b>	136,934,132	136,934,132
<b>Reserves</b>	226,072,296	228,602,677
<b>Shareholders' Fund</b>	<u>363,006,428</u>	<u>365,536,809</u>
<b>Minority Interests</b>	4,882,214	4,404,850
<b>Long Term Liabilities</b>		
Term loan	19,781,313	20,951,713
Other deferred liabilities	2,538,767	2,503,865
	<u>390,208,722</u>	<u>393,397,237</u>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 30 April 2004)

**Condensed Consolidated Cash Flow Statements**  
**For the quarter ended 31 July 2004**

	<u>2004</u> 3 months ended 31 July (RM)	<u>2003</u> 3 months ended 31 July (RM)
Net Profit before tax	994,426	3,075,271
Adjustment for non-cash flow:-		
Non-cash items	2,932,814	3,892,715
Non-operating items (which are investing / financing)	(847,611)	(3,229,050)
Operating profit before changes in working capital	3,079,629	3,738,936
Changes in working capital		
Net Change in current assets	(2,539,277)	(11,849,614)
Net Change in current liabilities	(1,340,250)	(6,156,804)
Net cash flows from operating activities	<u>(799,898)</u>	<u>(14,267,482)</u>
Investing Activities		
- Dividend received	582,700	424,020
- Other investments	(1,987,188)	(2,925,396)
	<u>(1,404,488)</u>	<u>(2,501,376)</u>
Financing Activities		
- Proceeds from term loan	0	5,353,671
- Repayment of term loan	(486,605)	0
- Proceeds from exercise of warrants	0	10,240
- Dividend paid	0	0
	<u>(486,605)</u>	<u>5,363,911</u>
Net Change in Cash & Cash Equivalents	(2,690,991)	(11,404,947)
Cash & Cash Equivalents at 1 May 2004 and 1 May 2003	41,844,429	23,137,771
Cash & Cash Equivalents at 31 July 2004 and 31 July 2003 (Note 1)	<u>39,153,438</u>	<u>11,732,824</u>

**Note 1**

Cash &amp; Cash Equivalents comprises of:-

	as at 31 July 2004	as at 31 July 2003
	<u>RM</u>	<u>RM</u>
Cash & Bank Balances	44,066,372	20,206,934
Bank Overdrafts	(2,085,734)	(7,524,110)
Term loan payable within 1 year	(2,827,200)	(950,000)
	<u>39,153,438</u>	<u>11,732,824</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30 April 2004 )

**SOUTHERN ACIDS (M) BHD (64577-K)**

**Condensed Consolidated Statements of Changes in Equity**  
**For the quarter ended 31 July 2004**

	Share Capital (RM)	Reserve attributable to Capital (RM)	Reserve attributable to revenue (RM)	Retained Profits (RM)	Total (RM)
<u>3 months quarter ended 31 July 2004</u>					
Balance at beginning of year	136,934,132	45,034,765	0	183,567,912	365,536,809
Movements during the period (cumulative)	0	(2,471,183)	0	(59,198)	(2,530,381)
Balance at end period	136,934,132	42,563,582	0	183,508,714	363,006,428

	Share Capital (RM)	Reserve attributable to Capital (RM)	Reserve attributable to revenue (RM)	Retained Profits (RM)	Total (RM)
<u>3 months quarter ended 31 July 2003</u>					
Balance at beginning of year	104,873,187	26,012,255	0	208,549,752	339,435,194
Movements during the period (cumulative)	6,400	909,531	0	2,562,899	3,478,830
Balance at end period	104,879,587	26,921,786	0	211,112,651	342,914,024

**Note**

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 April 2004)

**SOUTHERN ACIDS (M) BHD (64577-K)**

**Condensed Consolidated Statement of  
Recognised Gains and Losses  
For quarter ended 31 July 2004**

	2004 3 months cumulative to date (RM)	2003 3 months cumulative to date (RM)
Surplus / (deficit) on revaluation	0	0
Exchange differences arising on translation of foreign controlled entities	<u>(2,471,183)</u>	<u>905,691</u>
Net (losses) or gains not recognised in the income statement	(2,471,183)	905,691
Net (Loss) or Profit - Cumulative	(59,198)	2,562,899
Total recognised (losses) or gains	<u>(2,530,381)</u>	<u>3,468,590</u>

(The Condensed Consolidated Statement of Recognised Gains and Losses should be read in conjunction with the Annual Financial Report for the year ended 30 April 2004)

**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 Bursa Malaysia Securities Berhad (“BMSB”) Listing Requirements and should be read in conjunction with the audited financial statements for the year ended 30 April 2004.

The accounting policies and method of computation used in the preparation of this interim financial report are consistent with that of the annual financial statements ended 30 April 2004.

**A2. Status of Audit Qualifications**

The auditors’ report on the financial statements for year ended 30 April 2004 was not qualified.

**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 Due To their Nature, Size Or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter.

**A5. Material Changes in Estimates**

There were no material changes in estimates that have had a material effect in the current quarter results.

**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 during the current quarter.

#### **A7. Dividends Paid**

- a) A final tax-exempt dividend of 5% per ordinary share in respect of the financial year ended 30 April 2003 amounting to RM 5,243,659 was approved by the shareholders of the Company at the Annual General Meeting held on 28 October 2003 and has been paid on 29 November 2003.
- b) An interim dividend of 35%, tax exempt amounting to RM 47,218,784 was paid on 29 November 2003 for the financial year ended 30 April 2004.

#### **A8. Segmental Reporting (Analysis by Business Segments)**

	Revenue	Profit/Loss
	RM'000	before tax RM'000
Manufacturing & Marketing	63,751	(1,883)
Warehouse & Bulk Conveyor Operation	841	217
Development, Managing & Operating of Private Hospital	10,140	111
Plantation	27,356	1,802
Others	900	578
	<hr/> 102,988	<hr/> 825
Group's Share in Associated Company	-	169
	<hr/> 102,988	<hr/> 994

#### **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 ended 30 April 2004.

#### **A10. Events Subsequent to Balance Sheet Date**

There were no material events subsequent to 31 July 2004 that has not been reflected in the interim financial statements.

#### **A11. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter.

#### **A12. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent assets or contingent liabilities since the last annual balance sheet as at 30 April 2004.

## **B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

### **B1. Review of Performance**

The Group reported a turnover of RM102.99 million and a profit before tax of RM994,426 for the current quarter as compared to a turnover and profit before tax of RM83.92 million and RM3.075 million for the corresponding quarter last year. The decrease in profit is mainly attributed to the poor results registered by the oleochemical division. The high raw material and fuel costs coupled with the division's restricted ability to transfer these increased costs to its customers in the form of higher selling prices has eroded the division's profit margin.

However, the Group's results is cushioned by increased earnings from our Indonesian operations and the improved performance from the healthcare division.

### **B2. Variation of Results to Preceding Quarter**

Profit before taxation (by business segment):

(RM ' 000)	Current Quarter	Immediate Preceding Quarter	+ / (-)
Manufacturing & Marketing	(1,883)	4,870	(6,753)
Warehouse & Bulk Conveyor Operation	217	29	188
Healthcare	111	(1,191)	1,302
Plantation	1,802	(933)	2,735
Others	578	(202)	780
	825	2,573	(1,748)
Group's share in associated company	169	149	20
Profit Before Tax	994	2,722	(1,728)

The profit before tax of RM 994,426 for the current quarter is lower than the profit before tax of RM2.722 million recorded in the immediate preceding quarter. This is mainly due to the poor results registered by the Group's oleochemical division. Rising raw materials and fuel costs coupled with the division's restricted ability to transfer these increased costs to its customers in the form of higher selling prices has eroded its profit margin.

### **B3. Commentary on Prospects**

The Directors are of the view that the overall performance of the Group will hinge substantially on the oleochemical and plantation businesses. The oleochemical division is experiencing high raw materials and fuel costs and its results will depend very much on its ability to transfer these increased costs into higher selling prices. The plantation results will depend on the supply of fresh fruit bunches, the oil extraction rate and crude palm oil prices.



#### B4. Profit Forecast and Profit Guarantee

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

#### B5. Tax Expense

	Current Year Quarter 31 July 2004 RM '000	Cumulative Current Year-To-Date 31 July 2004 RM '000
Tax on non-exempt business income	569	569
Tax on interest income	7	7
	<u>576</u>	<u>576</u>

The effective tax rate of the Group for the current quarter and financial year-to-date is higher than the statutory income tax rate due to the non-availability of group tax relief for losses incurred by a certain subsidiary.

#### 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 31 July 2004 were as follows:-

	<u>RM</u>
Long-term investments:	
- At Cost	25,554,090
- At Carrying Value	13,087,873
- At Market Value	24,022,796

#### B8. Status of Corporate Proposals

There were no corporate proposals announced during the current quarter.

#### B9. Group Borrowings and Debt Securities

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

(a) <u>Short Term</u>	<u>Amount</u>	<u>Nature</u>
(i) Term Loan (due within 1 year)	USD 744,000 (RM 2,827,200)	Secured
(b) <u>Long Term</u>		
(i) Term Loan (due above 1 year)	USD 5,205,609 (RM 19,781,313)	Secured

## **B10. Financial Instruments with Off Balance Sheet Risk**

The Group entered into forward foreign exchange contracts to limit the exposure to potential changes in foreign currency exchange rates with respect to the Group's foreign currency denominated estimated receipts.

Total off balance sheet forward foreign exchange sales contracts outstanding as at 24 September 2004 (being a date not earlier than 7 days from the date of the quarterly report) in Ringgit equivalent was RM 12 million. The maturity period of these contracts ranged from September 2004 to December 2004.

There is minimal credit risk because these contracts were entered into with a reputable bank. All gains and losses arising from forward foreign exchange contracts are with through the income statements upon maturity.

## **B11. Material Litigation**

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

## **B12. Dividend**

The Board of Directors proposed a final dividend of 7.5%, less tax amounting to RM 7,394,443 in respect of the current financial year on the issued and paid-up ordinary shares of the Company. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting.

For the previous corresponding period, the total dividend declared was 7.5% per ordinary share.

### B13. Earnings Per Share

		3 MONTHS ENDED		3 MONTHS ENDED	
		31 JULY		31 JULY	
		2004	2003	2004	2003
a) <b>Basic</b>					
Profit attributable to shareholders	<b>RM</b>	<u>(59,198)</u>	2,562,899	<u>(59,198)</u>	2,562,899
Weighted average number of ordinary shares in issue		<u>136,934,132</u>	104,879,587	<u>136,934,132</u>	104,879,587
Basic earnings per share	<b>sen</b>	<u>(0.04)</u>	2.44	<u>(0.04)</u>	2.44
b) <b>Diluted</b>					
Profit attributable to shareholders	<b>RM</b>	<u>(59,198)</u>	2,864,217	<u>(59,198)</u>	2,864,217
Weighted average number of ordinary shares in issue		<u>136,934,132</u>	104,879,587	<u>136,934,132</u>	104,879,587
Adjusted for warrants 1999/2003		<u>0</u>	32,695,042	<u>0</u>	32,695,042
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	<b>sen</b>	<u>(0.04)</u>	2.08	<u>(0.04)</u>	2.08

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 29 September 2004.