

SOUTHERN ACIDS (M) BHD (64577-K)

Condensed Consolidated Income Statements
For the three month period ended 31 October 2004

	2004 Current qtr Ended 31 Oct (RM)	2003 Comparative qtr Ended 31 Oct (RM)	2004 6 months Cumulative to date (RM)	2003 6 months Cumulative to date (RM)
Revenue	102,425,393	85,038,964	205,413,045	168,958,749
Operating Expenses	(100,503,495)	(80,923,749)	(202,771,425)	(161,883,645)
Other Operating income	172,468	76,130	172,998	80,000
Profit from Operations	2,094,366	4,191,345	2,814,618	7,155,104
Finance costs	(359,076)	(129,655)	(517,057)	(211,782)
Investing Results	477,077	258,134	909,232	451,773
Profit before tax	2,212,367	4,319,824	3,206,793	7,395,095
Taxation	(379,590)	(100,094)	(955,850)	(181,002)
Profit after tax	1,832,777	4,219,730	2,250,943	7,214,093
Minority Interest	(446,361)	(111,974)	(923,725)	(543,438)
Net Profit for the period	1,386,416	4,107,756	1,327,218	6,670,655
EPS - Basic - in sen	1.01	3.91	0.97	6.36
- Diluted - in sen	1.01	3.20	0.97	5.29

(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 Sheet
As at 31 October 2004

	As at 31 Oct. 2004 (RM)	As at 30 Apr. 2004 (RM)
Property, Plant & Equipment	274,013,847	280,292,822
Deferred Tax Assets	13,317,000	13,313,400
Investment In Associated Company	6,561,420	6,218,384
Property Development Expenditure	3,694,916	3,601,851
Other Investments	13,543,873	13,543,873
Current Assets		
Inventories	37,288,225	38,353,796
Trade and other receivables	42,507,792	41,187,589
Amount owing by associated company	663,829	663,829
Fixed deposits, short term placements, cash & bank balances	52,462,649	45,293,286
	<u>132,922,495</u>	<u>125,498,500</u>
Current Liabilities		
Trade and other payables	(44,142,367)	(42,826,673)
Overdraft and short term borrowings	(7,890,725)	(5,580,657)
Amount owing to directors	(6,868)	(463,500)
Tax liabilities	(705,075)	(79,263)
Dividend payable	(121,500)	(121,500)
	<u>(52,866,535)</u>	<u>(49,071,593)</u>
Net Current Assets	<u>80,055,960</u>	<u>76,426,907</u>
	<u>391,187,016</u>	<u>393,397,237</u>
Share Capital	136,934,132	136,934,132
Reserves	227,783,595	228,602,677
Shareholders' Equity	<u>364,717,727</u>	<u>365,536,809</u>
Minority Interests	5,328,575	4,404,850
Long Term Liabilities		
Term loan	18,610,913	20,951,713
Other deferred liabilities	2,529,801	2,503,865
	<u>391,187,016</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)

SOUTHERN ACIDS (M) BHD (64577-K)

(Indirect method)

Condensed Consolidated Cash Flow Statement
For the 6 month period ended 31 October 2004

	<u>2004</u> 6 months ended 31 Oct (RM)	<u>2003</u> 6 months ended 31 Oct (RM)
Net profit before tax	3,206,793	7,395,095
Adjustment for non-cash flow:-		
Non-cash items	8,081,494	7,972,487
Non-operating items (which are investing / financing)	<u>(1,292,399)</u>	<u>(137,782)</u>
Operating Profit Before Changes In Working Capital	9,995,888	15,229,800
Changes in working capital		
Net change in current assets	(274,236)	(12,490,419)
Net change in current liabilities	<u>(2,384,411)</u>	<u>(4,498,974)</u>
Net cash flows from operating activities	<u>7,337,241</u>	<u>(1,759,593)</u>
Investing Activities		
- Dividend received	642,425	0
- Other investments	<u>(4,302,171)</u>	<u>(6,598,534)</u>
	<u>(3,659,746)</u>	<u>(6,598,534)</u>
Financing Activities		
- Proceeds from term loan	0	11,698,705
- Repayment of term loan	(950,000)	0
- Proceeds from exercise of warrants	0	95,093
- Dividend paid	0	0
	<u>(950,000)</u>	<u>11,793,798</u>
Net Change in Cash and Cash Equivalents	2,727,495	3,435,671
Cash and Cash Equivalents at 1 May 2004 and 1 May 2003	41,844,429	23,137,771
Cash and Cash Equivalents at 31 Oct. 2004 and 31 Oct. 2003 (Note 1)	<u>44,571,924</u>	<u>26,573,442</u>

Note 1

Cash and Cash Equivalents comprises of:-

	as at 31 Oct. 2004	as at 31 Oct. 2003
	<u>RM</u>	<u>RM</u>
Cash and bank balances	52,462,649	33,607,740
Bank overdrafts	(4,368,125)	(5,609,298)
Term loan payable within 1 year	<u>(3,522,600)</u>	<u>(1,425,000)</u>
	<u>44,571,924</u>	<u>26,573,442</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 6 month period ended 31 October 2004

	<u>Share Capital</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Retained Profits</u>	<u>Total</u>
	(RM)	Attributable To	Attributable To	(RM)	(RM)
		Capital	Revenue		
		(RM)	(RM)		
<u>6 months quarter</u> <u>ended 31 Oct. 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	(2,146,300)	0	1,327,218	(819,082)
Balance at end period	<u>136,934,132</u>	<u>42,888,465</u>	<u>0</u>	<u>184,895,130</u>	<u>364,717,727</u>
	<u>Share Capital</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Retained Profits</u>	<u>Total</u>
	(RM)	Attributable To	Attributable To	(RM)	(RM)
		Capital	Revenue		
		(RM)	(RM)		

<u>6 months quarter</u> <u>ended 31 Oct. 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)	59,433	878,702	0	6,670,655	7,608,790
Balance at end period	<u>104,932,620</u>	<u>26,890,957</u>	<u>0</u>	<u>215,220,407</u>	<u>347,043,984</u>

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 the 6 month period ended 31 October 2004**

	2004 6 months cumulative to date (RM)	2003 6 months cumulative to date (RM)
Surplus / (deficit) on revaluation	0	0
Exchange differences arising on translation of foreign controlled entities	<u>(2,146,300)</u>	<u>843,042</u>
Net (losses) or gains not recognised in the income statement	(2,146,300)	843,042
Net Profit - Cumulative	1,327,218	6,670,655
Total recognised (losses) or gains	<u>(819,082)</u>	<u>7,513,697</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

There was no dividend paid during the current quarter.

A8. Segmental Reporting (Analysis by Business Segments)

	Six Months Ended 31 October 2004	
	Revenue	Profit/Loss before tax
	RM'000	RM'000
Manufacturing and Marketing	126,738	(1,518)
Warehouse and Bulk Conveyor Operation	1,788	389
Development, Managing and Operating of Private Hospital	20,063	(6)
Plantation	55,565	3,344
Others	1,259	655
	<u>205,413</u>	<u>2,864</u>
Group's Share in Associated Company	-	343
	<u>205,413</u>	<u>3,207</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 ended 30 April 2004.

A10. Events Subsequent to Balance Sheet Date

There were no material events subsequent to 31 October 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 recorded a turnover of RM102.43 million for the current quarter as compared to RM85.04 million for the corresponding quarter last year. Higher sales from the manufacturing and plantation divisions contributed to the increase in revenue.

However, second quarter Group profit before taxation of RM2.21 million was RM2.11 million lower than the RM4.32 million recorded during the same period last year. The decrease arose mainly from the poorer set of results registered by the oleochemical division. Higher raw materials and fuel costs in the current quarter against the corresponding period last year coupled with the division's restricted ability to transfer these increased costs to its customers in the form of higher selling prices has adversely affected the division's profit margin. However, the Group results were cushioned by increased earnings from the Indonesian operations and improved results 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	366	(1,883)	2,249
Warehouse and Bulk Conveyor Operation	172	217	(45)
Healthcare	(118)	111	(229)
Plantation	1,542	1,802	(260)
Others	77	578	(501)
	2,039	825	1,214
Group's Share In Associated Company	173	169	4
Profit Before Tax	2,212	994	1,218

The Group profit before taxation of RM2.21 million for the current quarter was higher than the RM0.99 million recorded in the immediate preceding quarter. This was mainly due to the improvement in results registered by the oleochemical division against the last quarter. Sales in this quarter yielded far better margins against the immediate preceding period as raw materials prices have eased. However, lower contributions were recorded by other business segments in the Group. The competition for fresh fruit bunches among palm oil mills in the vicinity of our mill in Indonesia has adversely affected the plantation division profit margin. Lower dividend income was also recorded from the Group's quoted shares in the current quarter.

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. Raw materials prices for the oleochemical division have eased and selling prices have stabilized. If this persists, it should augur well for the Group. The plantation results will depend largely on the supply and prices 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 Oct. 2004 RM '000	Cumulative Current Year-To-Date 31 Oct. 2004 RM '000
Tax on non-exempt business income	369	938
Tax on interest income	11	18
	<u>380</u>	<u>956</u>

The effective tax rate of the Group for the current quarter 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 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 October 2004 were as follows:-

	<u>RM</u>
Long-term investments:	
- At Cost	25,554,090
- At Carrying Value	13,087,873
- At Market Value	23,118,722

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 October 2004 was as follows:-

<u>(a) Short Term</u>	<u>Amount</u>	<u>Nature</u>
(i) Term Loan (due within 1 year)	USD 927,000 (RM 3,522,600)	Secured
<u>(b) Long Term</u>		
(i) Term Loan (due above 1 year)	USD 4,898,000 (RM 18,612,400)	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 17 December 2004 (being a date not earlier than 7 days from the date of the quarterly report) in Ringgit equivalent was RM 11.5 million. The maturity period of these contracts ranged from November 2004 and 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 dealt with through the income statements upon maturity.

B11. Material Litigation

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

B12. Dividend

A final dividend of 7.5%, less tax in respect of the financial year ended 30 April 2004 was approved by the shareholders at the Annual General Meeting held on 29 October 2004 and has been paid on 29 November 2004.

B13. Earnings Per Share

		3 MONTHS ENDED 31 OCT		6 MONTHS ENDED 31 OCT	
		2004	2003	2004	2003
a) Basic					
Profit attributable to shareholders	RM	<u>1,386,416</u>	4,107,756	<u>1,327,218</u>	6,670,655
Weighted average number of ordinary shares in issue		<u>136,934,132</u>	104,932,620	<u>136,934,132</u>	104,932,620
Basic earnings per share	sen	<u>1.01</u>	3.91	<u>0.97</u>	6.36
b) Diluted					
Profit attributable to shareholders	RM	<u>1,386,416</u>	4,408,585	<u>1,327,218</u>	7,272,313
Weighted average number of ordinary shares in issue		<u>136,934,132</u>	104,932,620	<u>136,934,132</u>	104,932,620
Adjusted for warrants 1999/2003		<u>0</u>	32,642,009	<u>0</u>	32,642,009
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>1.01</u>	3.20	<u>0.97</u>	5.29

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 24 December 2004.