

SOUTHERN ACIDS (M) BHD (64577-K)

Condensed Consolidated Income Statement

For the 3 month ended 31 July 2005

(The figures have not been audited)

	2005 Current qtr Ended 31 Jul (RM)	2004 Comparative qtr Ended 31 Jul (RM)	2005 3 months Cumulative to date (RM)	2004 Comparative 3 months Cumulative to date (RM)
Revenue	81,363,517	102,987,652	81,363,517	102,987,652
Operating Expenses	(79,068,280)	(102,267,930)	(79,068,280)	(102,267,930)
Other Operating income	16,086	530	16,086	530
Profit from Operations	2,311,323	720,252	2,311,323	720,252
Finance costs	(458,901)	(157,981)	(458,901)	(157,981)
Investing Results	237,596	432,155	237,596	432,155
Profit before tax	2,090,018	994,426	2,090,018	994,426
Taxation	(43,563)	(576,260)	(43,563)	(576,260)
Profit or (loss) after tax	2,046,455	418,166	2,046,455	418,166
Minority Interest	49,381	(477,364)	49,381	(477,364)
Net Profit / (loss) for the period	2,095,836	(59,198)	2,095,836	(59,198)
EPS - Basic - in sen	1.53	(0.04)	1.53	(0.04)
- Diluted - in sen	N/A	N/A	N/A	N/A

(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 30 April 2005)

SOUTHERN ACIDS (M) BHD (64577-K)

Condensed Consolidated Balance Sheet
As at 31 July 2005

	Unaudited As at 31 Jul. 2005 (RM)	Audited As at 30 Apr. 2005 (RM)
Property, Plant & Equipment	268,197,375	270,142,191
Deferred Tax Assets	15,550,291	15,550,291
Investment In Associated Company	6,642,956	6,642,956
Property Development Expenditure	3,995,805	3,977,112
Other Investments	22,625,572	22,764,971
Current Assets		
Inventories	39,214,932	39,159,303
Trade and other receivables	33,260,532	37,068,762
Amount owing by associated company	462,000	462,000
Fixed deposits, short term placements, cash & bank balances	52,307,045	41,152,373
	<u>125,244,509</u>	<u>117,842,438</u>
Current Liabilities		
Trade and other payables	(40,733,905)	(40,612,863)
Overdraft and short term borrowings	(6,428,204)	(4,897,328)
Amount owing to directors	(125,352)	(74,786)
Tax liabilities	(6,825)	(334,211)
Dividend payable	(121,500)	(121,500)
	<u>(47,415,786)</u>	<u>(46,040,688)</u>
Net Current Assets	<u>77,828,723</u>	<u>71,801,750</u>
	<u>394,840,722</u>	<u>390,879,271</u>
Share Capital	136,934,132	136,934,132
Reserves	231,832,987	230,410,449
Shareholders' Equity	<u>368,767,119</u>	<u>367,344,581</u>
Minority Interests	4,801,968	4,851,349
Long Term Liabilities		
Term loan	18,548,470	16,038,313
Other deferred liabilities	2,723,165	2,645,028
	<u>394,840,722</u>	<u>390,879,271</u>

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30 April 2005)

Condensed Consolidated Cash Flow Statement
For the year ended 31 July 2005

	Unaudited <u>2005</u> 3 months ended 31 Jul. (RM)	Unaudited <u>2004</u> 3 months ended 31 Jul. (RM)
Profit before tax	2,090,018	994,426
Adjustment for non-cash flow:-		
Non-cash items	3,937,484	2,932,814
Non-operating items (which are investing / financing)	<u>(390,271)</u>	<u>(847,611)</u>
Operating Profit Before Changes In Working Capital	5,637,231	3,079,629
Changes in working capital		
Net change in current assets	4,441,970	(2,539,277)
Net change in current liabilities	430,241	1,486,950
Net cash flows from operating activities	<u>10,509,442</u>	<u>2,027,302</u>
Investing Activities		
- Dividend received	351,998	582,700
- Equity Investments	0	0
- Other investments	<u>(3,820,940)</u>	<u>(1,987,188)</u>
	<u>(3,468,942)</u>	<u>(1,404,488)</u>
Financing Activities		
- Proceed from term loan	3,655,667	0
- Repayment of bank borrowings	(1,133,355)	(486,605)
- Dividend paid	0	0
	<u>2,522,312</u>	<u>(486,605)</u>
Net Change in Cash and Cash Equivalents	9,562,812	136,209
Cash and Cash Equivalents at 1 May 2005 and 1 May 2004	40,936,645	41,844,429
Cash and Cash Equivalents at 31 Jul. 2005 and 31. Jul 2004 (Note 1)	<u>50,499,457</u>	<u>41,980,638</u>

Note 1

Cash and Cash Equivalents comprises of:-

	as at 31 Jul. 2005 <u>RM</u>	as at 31 Jul. 2004 <u>RM</u>
Fixed deposits, short term placements, cash & bank balances	52,307,045	44,066,372
Bank overdrafts	<u>(1,807,588)</u>	<u>(2,085,734)</u>
	<u>50,499,457</u>	<u>41,980,638</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30 April 2005)

SOUTHERN ACIDS (M) BHD (64577-K)

Condensed Consolidated Statement of Changes in Equity
For the 3 month ended 31 July 2005

Unaudited	<u>Share Capital</u>	<u>Reserve Attributable To Capital</u>	<u>Reserve Attributable To Revenue</u>	<u>Retained Profits</u>	<u>Total</u>
	(RM)	(RM)	(RM)	(RM)	(RM)
<u>3 months ended 31 Jul. 2005</u>					
Balance at beginning of year	136,934,132	41,664,224	0	188,746,225	367,344,581
Movements during the period					
-cumulative	0	(673,298)	0	2,095,836	1,422,538
Balance at 31 July 2005	<u>136,934,132</u>	<u>40,990,926</u>	<u>0</u>	<u>190,842,061</u>	<u>368,767,119</u>

Audited	<u>Share Capital</u>	<u>Reserve Attributable To Capital</u>	<u>Reserve Attributable To Revenue</u>	<u>Retained Profits</u>	<u>Total</u>
	(RM)	(RM)	(RM)	(RM)	(RM)
<u>3 months ended 31 Jul. 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 31 July 2004	<u>136,934,132</u>	<u>42,563,582</u>	<u>0</u>	<u>183,508,714</u>	<u>363,006,428</u>

Note

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 April 2005)

SOUTHERN ACIDS (M) BHD (64577-K)

**Condensed Consolidated Statement of
Recognised Gains and Losses
For the 3 month ended 31 July 2005**

	2005 3 months cumulative to date (RM)	2004 3 months cumulative to date (RM)
Surplus / (deficit) on revaluation	0	0
Exchange differences arising on translation of foreign controlled entities	<u>(673,298)</u>	<u>(2,471,183)</u>
Net (losses) not recognised in the income statement	(673,298)	(2,471,183)
Net Profit or (loss) - Cumulative	2,095,836	(59,198)
Total recognised gains or (losses)	<u>1,422,538</u>	<u>(2,530,381)</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 2005)

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

Notes to Interim Financial Report

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 financial year ended 30 April 2005.

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 for the financial year ended 30 April 2005.

A2. Status of Audit Qualifications

The auditors’ report on the financial statements for the financial year ended 30 April 2005 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 were no dividends paid during the current quarter.

A8. Segmental Reporting (Analysis by Business Segments)

	Three Months Ended 31 July 2005	
	Revenue	Profit/(Loss)
		before tax
	RM'000	RM'000
Manufacturing and Marketing	50,894	1,645
Warehouse and Bulk Conveyor Operation	935	346
Development, Managing and Operating of Private Hospital	10,392	(173)
Plantation	18,449	18
Others	694	254
	81,364	2,090
Group's Share in Associated Company	-	-
	81,364	2,090

A9. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment have been brought forward without amendment from the financial statements for the financial year ended 30 April 2005.

A10. Events Subsequent to Balance Sheet Date

There have not arisen in the interval between 31 July 2005 and the date of this announcement any material events that have 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 Assets or Contingent Liabilities

There were no changes in contingent assets or contingent liabilities since the last annual balance sheet as at 30 April 2005.

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

B1. Review of Performance

The Group recorded a turnover of RM81.36 million for the current quarter. This is RM21.63 million lower than the RM102.99 million recorded during the corresponding quarter last year. Lower sales recorded by the oleochemical division and the palm oil mill in Indonesia contributed to the reduced revenue.

In spite of the lower revenue, current quarter Group profit before taxation of RM2.09 million was RM1.10 million higher than the RM0.99 million recorded during the same period in the last financial year.

Better results were registered by the oleochemical division during the current quarter on the back of improved profit margin.

However, the plantation division results deteriorated during the quarter under review as increased competition for fresh fruit bunches among the palm oil mills around the vicinity of the Group's mill in Indonesia drove up raw materials cost and eroded profit margin. The plantation division results were also affected by an unrealised foreign exchange loss of RM0.507 million arising from its US\$ denominated term loans because of the weak Rupiah against US Dollars.

B2. Variation of Results to Preceding Quarter

Profit/(loss) before taxation (by business segment):

(RM ' 000)	Current Quarter	Immediate Preceding Quarter	+ / (-)
Manufacturing & Marketing	1,645	973	672
Warehouse and Bulk Conveyor Operation	346	96	250
Development, Managing and Operating of Private Hospital	(173)	(433)	260
Plantation	18	(409)	427
Others	254	7,508	(7,254)
	<u>2,090</u>	<u>7,735</u>	<u>(5,645)</u>
Group's Share In Associated Company	0	0	0
Profit Before Tax	<u>2,090</u>	<u>7,735</u>	<u>(5,645)</u>

The Group profit before taxation of RM2.09 million for the current quarter was lower than the RM7.74 million recorded in the immediate preceding quarter.

This is mainly because included in the results of the immediate preceding quarter is a RM7.57 million write back to the Income Statement to reflect the Company's quoted securities at their lower of costs and net realisable value at the end of the last quarter.

The Manufacturing and Marketing division recorded better performance during the current quarter on the back of better profit margin.

The Plantation division results during the current quarter included a RM0.507 million (RM1.294 million in the immediate preceding quarter) provision for unrealised foreign exchange loss arising from its US\$ denominated term loans because of the weak Rupiah against US Dollars. Without accounting for the unrealised foreign exchange loss, the division results have deteriorated from a profit before tax of RM0.885 million in the immediate preceding quarter to RM0.525 million in the current quarter. Less favourable results were reported by the Palm Oil Mill in Indonesia as increased competition for fresh fruit bunches among the palm oil mills around the vicinity of the Group's mill in Indonesia had driven up raw materials costs and eroded the division profit margin. The Estates in Indonesia, on the other hand reported an improved performance on the back of better harvest and prices of fresh fruit bunches.

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. Profit margin from the oleochemical division has improved over the last four quarters and 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 Quarter Ended 31 Jul.2005 RM '000	3 Months Ended 31 Jul.2005 RM '000
Current year's provision	<u>44</u>	<u>44</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 current period profits of certain subsidiary companies.

B6. Sale of Unquoted Investments and Properties

There were no sale of any unquoted investments and properties for the current financial quarter and year-to-date.

B7. Quoted Securities

(a) There were no additions or disposals of quoted securities in the current financial quarter.

(b) Investments in quoted securities as at 31 July 2005 were as follows:-

	<u>RM</u>
Long-term investments:	
- At Cost	27,201,931
- At Carrying Value	22,169,632
- At Market Value	22,425,221

B8. Status of Corporate Proposals

There were no corporate proposals announced during the current financial quarter.

B9. Group Borrowings and Debt Securities

The status of the Group borrowings as at 31 July 2005 were as follows:-

(a) <u>Short Term</u>	<u>Amount</u>	<u>Nature</u>
(i) Term Loan (due within 1 year)	USD1,232,000 (RM 4,620,616)	Secured
(b) <u>Long Term</u>		
(i) Term Loan (due above 1 year)	USD4,974,000 (RM 18,548,470)	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 21 September 2005 (being a date not earlier than 7 days from the date of the quarterly report) in Ringgit Malaysia equivalent amounted to RM29.405 million. The maturity period of these contracts ranged from September 2005 to October 2005.

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

The Directors recommend a final dividend (tax exempt) of 5.50% per ordinary shares of RM1.00 each amounting to RM7,531,377 in respect of the financial year ended 30 April 2005 (2004: 7.50% less 28% tax) to be paid on a date to be announced later.

B13. Earnings Per Share

	3 MONTHS ENDED 31 JULY		3 MONTHS ENDED 31 JULY		
	2005	2004	2005	2004	
a) Basic					
Net profit	RM	2,095,836	(59,198)	2,095,836	(59,198)
Weighted average number of ordinary shares in issue		136,934,132	136,934,132	136,934,132	136,934,132
Basic earnings per share	sen	1.53	(0.04)	1.53	(0.04)

b) **Diluted**

No diluted earnings per share is presented as the unexercised warrants 1999/2003 of 640,497 have expired on 16 December 2003.

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 28 September 2005.