

SOUTHERN ACIDS (M) BHD (64577-K)**Condensed Consolidated Income Statement****For the 6 month ended 31 October 2005**

(The figures have not been audited)

	2005 Current qtr Ended 31 Oct (RM)	2004 Comparative qtr Ended 31 Oct (RM)	2005 6 months Cumulative to date (RM)	2004 Comparative 6 months Cumulative to date (RM)
Revenue	90,448,511	102,425,393	171,812,028	205,413,045
Operating Expenses	(89,224,054)	(100,503,495)	(168,292,334)	(202,771,425)
Other Operating income	41,668	172,468	57,754	172,998
Profit from Operations	1,266,125	2,094,366	3,577,448	2,814,618
Finance costs	(425,034)	(359,076)	(883,935)	(517,057)
Investing Results	337,760	477,077	575,356	909,232
Profit before tax	1,178,851	2,212,367	3,268,869	3,206,793
Taxation	(374,784)	(379,590)	(418,347)	(955,850)
Profit or (loss) after tax	804,067	1,832,777	2,850,522	2,250,943
Minority Interest	108,227	(446,361)	157,608	(923,725)
Net Profit / (loss) for the period	912,294	1,386,416	3,008,130	1,327,218
EPS - Basic - in sen	0.67	1.01	2.20	0.97
- 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 October 2005

	Unaudited As at 31 Oct.. 2005 (RM)	Audited As at 30 Apr. 2005 (RM)
Property, Plant & Equipment	269,352,179	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	761,678	3,977,112
Other Investments	22,764,971	22,764,971
Current Assets		
Inventories	35,361,785	39,159,303
Trade and other receivables	37,037,737	37,068,762
Amount owing by associated company	462,000	462,000
Fixed deposits, short term placements, cash & bank balances	51,652,515	41,152,373
	<u>124,514,037</u>	<u>117,842,438</u>
Current Liabilities		
Trade and other payables	(38,142,194)	(40,612,863)
Overdraft and short term borrowings	(6,870,691)	(4,897,328)
Amount owing to directors	(84,561)	(74,786)
Tax liabilities	(22,489)	(334,211)
Dividend payable	(121,500)	(121,500)
	<u>(45,241,435)</u>	<u>(46,040,688)</u>
Net Current Assets	<u>79,272,602</u>	<u>71,801,750</u>
	<u>394,344,677</u>	<u>390,879,271</u>
Share Capital	136,934,132	136,934,132
Reserves	232,277,443	230,410,449
Shareholders' Equity	<u>369,211,575</u>	<u>367,344,581</u>
Minority Interests	4,693,741	4,851,349
Long Term Liabilities		
Term loan	17,674,730	16,038,313
Other deferred liabilities	2,764,631	2,645,028
	<u>394,344,677</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 October 2005

	Unaudited <u>2005</u> 6 months ended 31 Oct. (RM)	Unaudited <u>2004</u> 6 months ended 31 Oct. (RM)
Profit before tax	3,268,869	3,206,793
Adjustment for non-cash flow:-		
Non-cash items	7,978,683	8,081,494
Non-operating items (which are investing / financing)	<u>(896,872)</u>	<u>(1,292,399)</u>
Operating Profit Before Changes In Working Capital	10,350,680	9,995,888
Changes in working capital		
Net change in current assets	4,782,098	(274,236)
Net change in current liabilities	<u>(2,036,916)</u>	<u>1,138,189</u>
Net cash flows from operating activities	<u>13,095,862</u>	<u>10,859,841</u>
Investing Activities		
- Dividend received	690,056	642,425
- Equity Investments	0	0
- Other investments	<u>(6,801,258)</u>	<u>(4,302,171)</u>
	<u>(6,111,202)</u>	<u>(3,659,746)</u>
Financing Activities		
- Proceed from term loan	3,569,539	0
- Repayment of bank borrowings	<u>(2,058,466)</u>	<u>(950,000)</u>
- Dividend paid	0	0
	<u>1,511,073</u>	<u>(950,000)</u>
Net Change in Cash and Cash Equivalents	8,495,733	6,250,095
Cash and Cash Equivalents at 1 May 2005 and 1 May 2004	40,936,645	41,844,429
Cash and Cash Equivalents at 31 Oct. 2005 and 31. Oct 2004 (Note 1)	<u>49,432,378</u>	<u>48,094,524</u>

Note 1

Cash and Cash Equivalents comprises of:-

	as at 31 Oct. 2005 <u>RM</u>	as at 31 Oct. 2004 <u>RM</u>
Fixed deposits, short term placements, cash & bank balances	51,562,515	52,462,649
Bank overdrafts	<u>(2,220,137)</u>	<u>(4,368,125)</u>
	<u>49,342,378</u>	<u>48,094,524</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 6 month ended 31 October 2005

Unaudited	Share Capital	Reserve	Reserve	Retained Profits	Total
	(RM)	Attributable To	Attributable To	(RM)	(RM)
		Capital	Revenue		
		(RM)	(RM)		
<u>6 months ended 31 Oct. 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	(1,141,136)	0	3,008,130	1,866,994
Balance at 31 Oct. 2005	136,934,132	40,523,088	0	191,754,355	369,211,575
Audited	Share Capital	Reserve	Reserve	Retained Profits	Total
	(RM)	Attributable To	Attributable To	(RM)	(RM)
		Capital	Revenue		
		(RM)	(RM)		
<u>6 months 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 31 Oct. 2004	136,934,132	42,888,465	0	184,895,130	364,717,727

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 6 month ended 31 October 2005**

	2005 6 months cumulative to date (RM)	2004 6 months cumulative to date (RM)
Surplus / (deficit) on revaluation	0	0
Exchange differences arising on translation of foreign controlled entities	<u>(1,141,136)</u>	<u>(2,146,300)</u>
Net (losses) not recognised in the income statement	(1,141,136)	(2,146,300)
Net Profit or (loss) - Cumulative	3,008,130	1,327,218
Total recognised gains or (losses)	<u>1,866,994</u>	<u>(819,082)</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)

	Six Months Ended 31 October 2005	
	Revenue	Profit/(Loss) before tax
	RM'000	RM'000
Manufacturing and Marketing	107,056	2,026
Warehouse and Bulk Conveyor Operation	2,640	892
Development, Managing and Operating of Private Hospital	19,881	(366)
Plantation	40,864	(2)
Others	1,371	719
	<u>171,812</u>	<u>3,269</u>
Group's Share in Associated Company	-	-
	<u>171,812</u>	<u>3,269</u>

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 October 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 revenue of RM171.81 million for the six months ended 31 October 2005, compared to RM205.41 million for the corresponding period of the previous financial year, a reduction of RM33.60 million or 16.36%. Lower sales volume by the oleochemical division and the Indonesian palm oil mill resulted in the reduced revenue.

In spite of the lower revenue, Group profit before taxation improved marginally to RM3.269 million from the RM3.206 million registered in 2004.

The oleochemical division registered a profit before taxation of RM2.076 million against a loss before taxation of RM1.53 million in 2004 on the back of improved profit margin. Improved results were also recorded by PT Wanasari Nusantara whose profit before taxation of RM1.167 million is a marked improvement from the RM0.771 million loss before taxation registered in 2004.

The Group results were however affected by the losses registered by PT Mustika Agro Sari. The Company registered a loss before taxation of RM1.510 million against a profit before taxation of RM3.644 million in 2004. The Company has had to provide for an unrealised foreign exchange loss of RM1.054 million in 2005 on its US Dollar denominated term loans in view of the depreciation of the Rupiah against the US Dollar. The keen competition for fresh fruit bunches among the palm oil mills around the vicinity of the Company's mill in Indonesia has also driven up raw materials cost and eroded its profit margin..

B2. Variation of Results to Pre ceding Quarter

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

(RM ' 000)	Current Quarter	Immediate Preceding Quarter	+ / (-)
Manufacturing & Marketing	382	1,645	(1,263)
Warehouse and Bulk Conveyor Operation	547	346	201
Development, Manag ing and Operating of Private Hospital	(194)	(173)	(21)
Plantation	(21)	18	(39)
Others	465	254	211
	1,179	2,090	(911)
Group's Share In Associated Company	0	0	0
Profit Before Tax	1,179	2,090	(911)

The Group profit before taxation of RM1.179 million for the current quarter was lower than the RM2.090 million recorded in the immediate preceding quarter.

Profit before taxation for the oleochemical division reduced to RM0.441 million in the current quarter against RMRM1.635 million in the immediate preceding quarter because of lower margin earned on sales and higher energy costs.

The Plantation division results during the current quarter included a RM0.547 million (RM0.507 million in the immediate preceding quarter) provision for unrealised foreign exchange loss arising from PT Mustika Agro Sari US Dollar denominated term loans because of the weak Rupiah against US Dollars. Without accounting for the exchange loss, PT Mustika Agro Sari results has improved from a loss before taxation of RM0.644 million in the immediate preceding quarter to a profit before taxation of RM0.209 million in the current quarter. The improvement here was offset by PT Wanasari Nusantara results whose profit before taxation had fallen from the RM0.970 million in the immediate preceding quarter to RM0.193 million in the current quarter primarily because of scheduled fertilisation expenses and higher road maintenance expenses.

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 gas pipeline installation by the oleochemical division is at its tail end and when commissioned should bring about costs savings to the division. 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 Oct.2005 RM '000	6 Months Ended 31 Oct.2005 RM '000
Current year's provision	<u>374</u>	<u>418</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 October 2005 were as follows:-

	<u>RM</u>
Long-term investments:	
- At Cost	27,201,931
- At Carrying Value	22,308,971
- At Market Value	23,857,480

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 October 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 4,650,554)	Secured
(b) <u>Long Term</u>		
(i) Term Loan (due above 1 year)	USD4,666,000 (RM 17,674,730)	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.

There were no off balance sheet forward foreign exchange sales contracts outstanding as at 21 December 2005 (being a date not earlier than 7 days from the date of the quarterly report)

B11. Material Litigation

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

B12. Dividend

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 was approved by the shareholders at the Annual General Meeting held on 27 October 2005 and has been paid on 29 November 2005.

B13. Earnings Per Share

	3 MONTHS ENDED 31 OCT		6 MONTHS ENDED 31 OCT	
	2005	2004	2005	2004
a) Basic				
Net profit	RM 912,294	1,386,416	3,008,130	1,327,218
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 0.67	1.01	2.20	0.97

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 27 December 2005.