

**SOUTHERN ACIDS (M) BHD (64577-K)****Condensed Consolidated Income Statement****For the 9 months ended 31 January 2006**

(The figures have not been audited)

	2006 Current qtr Ended 31 Jan  (RM)	2005 Comparative qtr Ended 31 Jan  (RM)	2006 9 months Cumulative to date  (RM)	2005 Comparative 9 months Cumulative to date  (RM)
Revenue	78,630,526	88,703,241	250,442,554	294,116,286
Operating Expenses	(78,564,710)	(86,756,417)	(246,857,044)	(289,527,842)
Other Operating income	<u>8,925</u>	<u>3,781</u>	<u>66,679</u>	<u>176,779</u>
Profit from Operations	74,741	1,950,605	3,652,189	4,765,223
Finance costs	(478,139)	(356,348)	(1,362,074)	(873,405)
Investing Results	<u>245,997</u>	<u>366,939</u>	<u>821,353</u>	<u>1,276,171</u>
(Loss) / profit before tax	(157,401)	1,961,196	3,111,468	5,167,989
Taxation	<u>(746,580)</u>	<u>(96,285)</u>	<u>(1,164,927)</u>	<u>(1,052,135)</u>
(Loss) / profit after tax	(903,981)	1,864,911	1,946,541	4,115,854
Minority Interest	<u>(751,366)</u>	<u>(212,209)</u>	<u>(593,758)</u>	<u>(1,135,934)</u>
Net (loss) / profit for the period	<u>(1,655,347)</u>	<u>1,652,702</u>	<u>1,352,783</u>	<u>2,979,920</u>
EPS - Basic - in sen	<u>(1.21)</u>	<u>1.21</u>	<u>0.99</u>	<u>2.18</u>
- Diluted - in sen	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(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 January 2006**

	Unaudited As at 31 Jan. 2006 (RM)	Audited As at 30 Apr. 2005 (RM)
Property, Plant & Equipment	269,042,048	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	4,079,805	3,977,112
Other Investments	22,764,971	22,764,971
Current Assets		
Inventories	35,260,201	39,159,303
Trade and other receivables	36,274,809	37,068,762
Amount owing by associated company	462,000	462,000
Fixed deposits, short term placements, cash & bank balances	41,231,501	41,152,373
	<u>113,228,511</u>	<u>117,842,438</u>
Current Liabilities		
Trade and other payables	(38,907,618)	(40,612,863)
Overdraft and short term borrowings	(6,461,609)	(4,897,328)
Amount owing to directors	0	(74,786)
Tax liabilities	(33,957)	(334,211)
Dividend payable	(121,500)	(121,500)
	<u>(45,524,684)</u>	<u>(46,040,688)</u>
Net Current Assets	<u>67,703,827</u>	<u>71,801,750</u>
	<u>385,783,898</u>	<u>390,879,271</u>
Share Capital	136,934,132	136,934,132
Reserves	224,154,799	230,410,449
Shareholders' Equity	<u>361,088,931</u>	<u>367,344,581</u>
Minority Interests	5,445,107	4,851,349
Long Term Liabilities		
Term loan	16,438,549	16,038,313
Other deferred liabilities	2,811,311	2,645,028
	<u>385,783,898</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)

**SOUTHERN ACIDS (M) BHD (64577-K)****(Indirect method)****Condensed Consolidated Cash Flow Statement**  
**For the 9 months ended 31 January 2006**

	Unaudited <u>2006</u> 9 months ended 31 Jan. (RM)	Unaudited <u>2005</u> 9 months ended 31 Jan. (RM)
Profit before tax	3,111,468	5,167,989
Adjustment for non-cash flow:-		
Non-cash items	12,219,277	12,220,890
Non-operating items (which are investing / financing)	<u>(3,513,263)</u>	<u>(4,221,456)</u>
Operating Profit Before Changes In Working Capital	11,817,482	13,167,423
Changes in working capital		
Net change in current assets	5,815,653	1,138,956
Net change in current liabilities	<u>(2,672,745)</u>	<u>811,324</u>
Net cash flows from operating activities	<u>14,960,390</u>	<u>15,117,703</u>
Investing Activities		
- Dividend received	1,512,569	1,200,360
- Equity Investments	0	(1,647,841)
- Other investments	<u>(10,858,437)</u>	<u>(7,693,806)</u>
	<u>(9,345,868)</u>	<u>(8,141,287)</u>
Financing Activities		
- Proceed from term loan	3,827,923	0
- Repayment of bank borrowings	<u>(3,427,267)</u>	<u>(1,438,546)</u>
- Dividend paid	<u>(7,531,377)</u>	<u>(7,394,443)</u>
	<u>(7,130,721)</u>	<u>(8,832,989)</u>
Net Change in Cash and Cash Equivalents	(1,516,199)	(1,856,573)
Cash and Cash Equivalents at 1 May 2005 and 1 May 2004	40,936,645	41,844,429
Cash and Cash Equivalents at 31 Jan. 2006 and 31. Jan. 2005 (Note 1)	<u>39,420,446</u>	<u>39,987,856</u>

**Note 1**

Cash and Cash Equivalents comprises of:-

	as at 31 Jan. 2006 RM	as at 31 Jan. 2005 RM
Fixed deposits, short term placements, cash & bank balances	41,231,501	42,526,128
Bank overdrafts	<u>(1,811,055)</u>	<u>(2,538,272)</u>
	<u>39,420,446</u>	<u>39,987,856</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 9 months ended 31 January 2006**

Unaudited	<u>Share Capital</u>	<u>Reserve</u> <u>Attributable To</u> <u>Capital</u>	<u>Reserve</u> <u>Attributable To</u> <u>Revenue</u>	<u>Retained Profits</u>	<u>Total</u>
	(RM)	(RM)	(RM)	(RM)	(RM)
<u>9 months</u> <u>ended 31 Jan. 2006</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	(77,056)	0	(6,178,594)	(6,255,650)
Balance at 31 Jan. 2006	<u>136,934,132</u>	<u>41,587,168</u>	<u>0</u>	<u>182,567,631</u>	<u>361,088,931</u>
Audited	<u>Share Capital</u>	<u>Reserve</u> <u>Attributable To</u> <u>Capital</u>	<u>Reserve</u> <u>Attributable To</u> <u>Revenue</u>	<u>Retained Profits</u>	<u>Total</u>
	(RM)	(RM)	(RM)	(RM)	(RM)
<u>9 months</u> <u>ended 31 Jan. 2005</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	(2,466,198)	0	(4,414,523)	(6,880,721)
Balance at 31 Jan. 2005	<u>136,934,132</u>	<u>42,568,567</u>	<u>0</u>	<u>179,153,389</u>	<u>358,656,088</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 9 months ended 31 January 2006**

	2006 9 months cumulative to date (RM)	2005 9 months cumulative to date (RM)
Surplus / (deficit) on revaluation	0	0
Exchange differences arising on translation of foreign controlled entities	<u>(77,056)</u>	<u>(2,466,198)</u>
Net (losses) not recognised in the income statement	(77,056)	(2,466,198)
Net (loss) - Cumulative	(6,178,594)	(4,414,523)
Total recognised (losses)	<u>(6,255,650)</u>	<u>(6,880,721)</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**

A 5.50% tax exempt dividend in respect of the financial year-ended 30 April 2005 amounting to RM7,531,377 was paid on 29 November 2005.

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

	<b>Nine Months Ended 31 January 2006</b>	
	Revenue	Profit/(Loss) before tax
	RM'000	RM'000
Manufacturing and Marketing	151,811	(1,029)
Warehouse and Bulk Conveyor Operation	3,491	940
Development, Managing and Operating of Private Hospital	31,044	(728)
Plantation	61,578	2,494
Others	2,519	1,434
	<u>250,443</u>	<u>3,111</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 January 2006 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 RM250.44 million for the nine months ended 31 January 2006 as compared with RM294.12 million for the corresponding period in the previous financial year. Lower sales volume by the oleochemical division and the palm oil mill in Indonesia accounted for much of the reduced revenue.

Group profit before taxation for the nine months ended 31 January 2006 is also lower at RM3.11 million as compared with RM5.168 million in the same period during the last financial year due largely to the less favourable results posted by the oleochemical division and the Indonesian operations.

In the nine months ended 31 January 2006, the oleochemical division registered a loss before taxation of RM0.937 million as compared with a loss before taxation of RM0.571 million in the last financial year. The loss before taxation arose mainly because of the division's lower production and sales volume in the current financial period. The combined profit before tax from the Indonesian operations, on the other hand fell from RM3.31 million to RM2.08 million in the current financial period. PT Mustika Agro Sari results in this financial period have been adversely affected by high FFB prices from the stiff competition for FFB among the mills in its vicinity. On the other hand, PT Wanasari Nusantara results have improved during the nine months ended 31 January 2006 due to better yields and FFB prices.

### B2. Variation of Results to Preceding Quarter

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

(RM '000)	Current Quarter	Immediate Preceding Quarter	+ / (-)
Manufacturing & Marketing	(3,056)	382	(3,438)
Warehouse and Bulk Conveyor Operation	47	547	(500)
Development, Managing and Operating of Private Hospital	(361)	(194)	(167)
Plantation	2,497	(21)	2,518
Others	716	465	251
	(157)	1,179	(1,336)
Group's Share In Associated Company	0	0	0
Profit Before Tax	(157)	1,179	(1,336)

For the quarter under review, the Group registered a loss before taxation of RM0.157 million as compared to the immediate preceding quarter's profit before taxation of RM1.179 million. This was mainly because of the loss posted by the oleochemical division, which recorded a loss before taxation of RM3.01 million in the current quarter against a profit before taxation of RM0.382 million in the immediate preceding quarter mainly because of lower production and sales volume. The loss here is somewhat mitigated by the Plantation division results, whose results improved by RM2.518 million when compared to the immediate preceding quarter's results on the back of

better earnings from both the mill and the estates in Indonesia and a stronger Rupiah against the US dollars which has reversed some of the unrealised loss on foreign exchange made previously.

### **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 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 Jan. 2006 RM '000	9 Months Ended 31 Jan. 2006 RM '000
Current year's provision	<u>747</u>	<u>1,165</u>

The effective tax rate of the Group for the current quarter and the year-to-date is higher than the statutory income tax rate due to the non-availability of group tax relief for the losses incurred by 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 January 2006 were as follows:-

	<u>RM</u>
Long-term investments:	
- At Cost	27,201,931
- At Carrying Value	22,308,971
- At Market Value	22,545,087

### **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 January 2006 were as follows:-

<u>(a) Short Term</u>	<u>Amount</u>	<u>Nature</u>
(i) Term Loan (due within 1 year)	USD1,232,000 (RM 4,650,554)	Secured
<u>(b) Long Term</u>		
(i) Term Loan (due above 1 year)	USD4,358,000 (RM 16,438,549)	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 22 March 2006 (being a date not earlier than 7 days from the date of the quarterly report) in Ringgit equivalent was RM14,864,600. The maturity period of these contracts ranged from March 2006 to April 2006.

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 (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		9 MONTHS ENDED		
	31 JAN		31 JAN		
	2006	2005	2006	2005	
a) <b>Basic</b>					
Net profit	RM	<u>(1,655,347)</u>	<u>1,652,702</u>	<u>1,352,783</u>	<u>2,979,920</u>
Weighted average number of ordinary shares in issue		<u>136,934,132</u>	<u>136,934,132</u>	<u>136,934,132</u>	<u>136,934,132</u>
Basic earnings per share	sen	<u>(1.21)</u>	<u>1.21</u>	<u>0.99</u>	<u>2.18</u>

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 authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 March 2006.