

SOUTHERN ACIDS (M) BERHAD (Company No. 64577-K)**Condensed Consolidated Income Statement****for the quarter and financial period ended 31 July 2006 - Unaudited**

	3 months ended		3 months ended	
	31.7.2006	31.7.2005	31.7.2006	31.7.2005
	RM	RM	RM	RM
		(restated)		(restated)
Revenue	93,913,563	81,363,517	93,913,563	81,363,517
Cost of Sales	(78,633,060)	(68,515,996)	(78,633,060)	(68,515,996)
Gross profit	15,280,503	12,847,521	15,280,503	12,847,521
Other income	438,572	253,682	438,572	253,682
Distribution costs	(3,034,965)	(2,813,312)	(3,034,965)	(2,813,312)
Administrative expenses	(5,032,959)	(4,586,529)	(5,032,959)	(4,586,529)
Other expenses	(5,050,699)	(3,152,443)	(5,050,699)	(3,152,443)
Finance cost	(462,745)	(458,901)	(462,745)	(458,901)
Share of profit/(loss) of associates	0	0	0	0
Profit before tax	2,137,707	2,090,018	2,137,707	2,090,018
Income tax expense	(757,857)	(43,563)	(757,857)	(43,563)
Profit for the period	1,379,850	2,046,455	1,379,850	2,046,455
Attributable to:				
Equity holders of the parent	588,944	2,095,836	588,944	2,095,836
Minority interest	790,906	(49,381)	790,906	(49,381)
Earnings per share, attributable to equity holders of the parent (sen)				
- Basic	0.43	1.53	0.43	1.53
- Diluted	N/A	N/A	N/A	N/A

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 30 April 2006 and the accompanying explanatory notes attached to the interim financial statements.

SOUTHERN ACIDS (M) BERHAD (Company No. 64577-K)**Condensed Consolidated Balance Sheet
As At 31 July 2006**

	As at 31.7.2006 RM	As at 30.4.2006 RM (restated)
ASSETS		
Non-current assets		
Property, plant & equipment	126,757,700	128,021,619
Land held for property development	136,353,900	136,353,900
Property development expenditure	4,099,230	4,098,630
Investment in associated company	5,177,518	5,177,518
Other investments	21,934,639	23,574,955
Deferred tax assets	14,971,008	14,971,008
	<u>309,293,995</u>	<u>312,197,630</u>
Current assets		
Inventories	38,564,713	38,799,642
Trade receivables	31,389,283	31,125,895
Other receivables	8,069,937	9,195,624
Amount owing by associated company	462,000	462,000
Cash and cash equivalents	44,315,111	41,776,054
	<u>122,801,044</u>	<u>121,359,215</u>
TOTAL ASSETS	<u>432,095,039</u>	<u>433,556,845</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	136,934,132	136,934,132
Share premium reserves	34,321,050	34,321,050
Retained profits	189,182,211	189,167,227
	<u>360,437,393</u>	<u>360,422,409</u>
Minority Interest	5,629,466	4,838,560
Total equity	<u>366,066,859</u>	<u>365,260,969</u>
Non-current liabilities		
Term loan borrowings	11,051,251	11,961,674
Provision for retirement benefits	2,606,527	3,080,641
	<u>13,657,778</u>	<u>15,042,315</u>
Current liabilities		
Trade payables	16,969,775	17,123,961
Other payables	26,113,755	27,043,946
Amount owing to directors	7,318	53,846
Bank overdraft	1,000,000	589,804
Current portion of term loans	8,154,612	8,286,447
Current tax payable	3,442	34,057
Dividends payable	121,500	121,500
	<u>52,370,402</u>	<u>53,253,561</u>
Total liabilities	<u>66,028,180</u>	<u>68,295,876</u>
TOTAL EQUITY AND LIABILITIES	<u>432,095,039</u>	<u>433,556,845</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 April 2006 and the accompanying explanatory notes attached to the interim financial statements.

SOUTHERN ACIDS (M) BERHAD (Company No. 64577-K)

**Condensed Consolidated Statement of Changes in Equity
for the quarter and financial period ended 31 July 2006 - Unaudited**

	Attributable to equity holders of the parent					Minority Interest	Total equity	
	Share Capital	Share Premium	Capital Reserve	Foreign Exchange Reserve	Retained Profits			Sub-total
3 months ended 31 July 2005								
Balance as at 30 April 2005	136,934,132	34,321,050	7,220,556	122,618	188,746,225	367,344,581	4,851,349	372,195,930
Transfers (from) to reserves			(7,220,556)	(122,618)	7,343,174	0	0	0
Restated Balance as at 30 April 2005	136,934,132	34,321,050	0	0	196,089,399	367,344,581	4,851,349	372,195,930
Foreign currency translation	-	-	-	(673,298)	-	(673,298)	-	(673,298)
Profit/(Loss) for the period	-	-	-	-	2,095,836	2,095,836	(49,381)	2,046,455
Transfers (from) to reserves	-	-	-	673,298	(673,298)	-	-	0
Total recognised income/(expense) for the period	-	-	-	-	1,422,538	1,422,538	(49,381)	1,373,157
Balance as at 31 July 2005	136,934,132	34,321,050	0	0	197,511,937	368,767,119	4,801,968	373,569,087
3 months ended 31 July 2006								
Balance as at 30 April 2006	136,934,132	34,321,050	7,220,556	522,812	181,423,859	360,422,409	4,838,560	365,260,969
Transfers (from) to reserves			(7,220,556)	(522,812)	7,743,368	0	0	0
Restated Balance as at 30 April 2006	136,934,132	34,321,050	0	0	189,167,227	360,422,409	4,838,560	365,260,969
Foreign currency translation	-	-	-	(573,960)	-	(573,960)	-	(573,960)
Profit/(Loss) for the period	-	-	-	-	588,944	588,944	790,906	1,379,850
Transfers (from) to reserves	-	-	-	573,960	(573,960)	-	-	0
Total recognised income/(expense) for the period	-	-	-	-	14,984	14,984	790,906	805,890
Balance as at 31 July 2006	136,934,132	34,321,050	0	0	189,182,211	360,437,393	5,629,466	366,066,859

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 April 2006 and the accompanying explanatory notes attached to the interim financial statements.

SOUTHERN ACIDS (M) BERHAD (Company No. 64577-K)

**Condensed Consolidated Cash Flow Statements
for the financial period ended 31 July 2006 - Unaudited**

	3 months ended	
	31.7.2006	31.7.2005
	RM	RM
Net cash generated from / (used in) operating activities	6,382,333	10,550,858
Net cash (used in) / generated from investing activities	(3,025,456)	(3,468,942)
Net cash (used in) / generated from financing activities	(1,144,542)	2,522,312
Net increase / (decrease) in cash and cash equivalents	2,212,335	9,604,228
Cash and cash equivalents at beginning of financial period	41,186,250	40,936,645
Effects of changes in exchange rates	(83,474)	(41,416)
Cash and cash equivalents at end of financial period	<u>43,315,111</u>	<u>50,499,457</u>

Cash and cash equivalents at the end of the financial period comprise the following:-

	As at	As at
	31.7.2006	31.7.2005
	RM	RM
Fixed deposits, short term placements, cash & bank balances	44,315,111	52,307,045
Bank overdraft	(1,000,000)	(1,807,588)
	<u>43,315,111</u>	<u>50,499,457</u>

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 30 April 2006 and the accompanying explanatory notes attached to the interim financial statements.

Notes to Interim Financial Report

A. EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of Preparations

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 : Interim Financial Reporting and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 April 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 April 2006.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 30 April 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRSs”) effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payments
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimate and Errors
FRS 110	Events after Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interest in Joint Ventures
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 201	Properties Development Activities

The adoption of the FRSs listed above, other than those stated below, does not have any significant impact on the Group. The principal effects of changes in accounting policies resulting from the adoption of the new/revised FRSs are as follows :

a) FRS 3 : Business Combinations

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in the profit or loss. Prior to 30 April 2006, the Company has employed the use of the merger relief method under section 60(4)(a) of the Companies Act, 1965 to account for negative goodwill as capital reserve which represents the accretion in net attributable assets of the Group arising from the acquisition of additional equity interests from minority interests in subsidiaries companies. In accordance with the transitional provisions of FRS 3, the capital reserve as at 30 April 2006 and 30 April 2005 of RM 7,220,556 was derecognised with a corresponding increase in retained earnings.

b) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosure. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statement is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

c) FRS 121 : The Effect of Changes in Foreign Exchange Rates

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Under the revised FRS 121, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are to be recognised in profit or loss in the consolidated financial statements. Previously, such exchange differences were taken to equity. This change in accounting policy has been accounted for retrospectively and has resulted in the following :

	As at 1.5.2006 RM	As at 1.5.2005 RM
Increase in retained earnings	522,812	122,618
Decrease in foreign exchange reserve	(522,812)	(122,618)
	<hr/>	<hr/>
	3 months ended 1.7.2006 RM	1.7.2005 RM
Decrease in profit for the period	(573,960)	(673,298)
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As disclosed in Note A3, certain comparatives have been restated due to this change in accounting policy.

d) FRS 201 : Properties Development Activities

Under FRS 201, land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land are classified as non-current assets and are stated at their historical cost of acquisition including all related costs incurred subsequent to the acquisition on activities necessary to prepare the land for its intended use less any accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

	Previously stated RM	FRS 3 (Note A2(a)) RM	FRS 121 (Note A2(c)) RM	Restated RM
At 1 May 2006				
Retained earnings	181,423,859	7,220,556	522,812	189,167,227
Other reserves	42,064,418	(7,220,556)	(522,812)	34,321,050

A3. Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRSs :

	Previously stated RM	Reclassification FRS 201 (Note A2(d)) RM	Restated RM
At 1 May 2006			
Property, plant and equipment	264,375,519	(136,353,900)	128,021,619
Land held for property development	-	136,353,900	136,353,900

A4. Status of Audit Qualifications

The auditors' report on the financial statements for the financial year ended 30 April 2006 was not qualified.

A5. 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.

A6. 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.

A7. Material Changes in Estimate

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

A8. 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.

A9. Dividend Paid

There was no dividend paid during the current quarter. 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.

A10. Segmental Reporting (Analysis by Business Segments)

	3 months ended 31 July 2006	
	Revenue	Profit/(Loss)
	RM'000	before tax
		RM'000
Manufacturing and Marketing	56,151	132
Warehouse and Bulk Conveyor Operation	1,152	394
Development, Managing and Operating of Private Hospital	12,621	570
Plantation	23,310	2,496
Others	680	(1,454)
	<hr/>	<hr/>
	93,914	2,138
	<hr/>	<hr/>

A11. 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 2006.

A12. Events Subsequent to Balance Sheet Date

There have not arisen in the interval between 31 July 2006 and the date of this announcement any material events that have not been reflected in the interim financial statements.

A13. Changes in the Composition of the Group

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

A14. Changes in Contingent Assets or Contingent Liabilities

There were no changes in contingent assets or liabilities since the last annual Balance Sheet as at 30 April 2006.

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

B1. Review of Performance

The Group recorded a revenue of RM93.914 million for the three months ended 31 July 2006 as compared with RM81.363 million in the corresponding quarter in the last financial year. Higher sales from the oleochemical division, the hospital and both the palm oil mill and oil palm estates in Indonesia accounted for much of the increased revenue.

Group profit before taxation was RM2.138 million, marginally higher than the the RM2.09 million recorded in the corresponding quarter in the last financial year. Comparatively better results were registered by the plantation operations in Indonesia and the hospital in the current quarter; of which profits before taxation have increased by RM2.55 million and RM0.757 million respectively against 2005 results. However, contribution from the oleochemical division was lower by RM1.465 million. The Group results was also affected by a RM1.65 million write down of provision for diminution in value of the Company's quoted investment to recognise the decline in value of the investments.

B2. Variation of Results to Preceding Quarter

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

	Current Quarter RM'000	Immediate Preceding Quarter RM'000 (restated)	+/(-) RM'000
Manufacturing and Marketing	132	(2,246)	2,378
Warehouse and Bulk Conveyor Operation	394	(77)	471
Development, Managing and Operating of Private Hospital	570	1,001	(431)
Plantation	2,496	(1,491)	3,987
Others	(1,454)	3,212	(4,666)
	<u>2,138</u>	<u>399</u>	<u>1,739</u>
Group's Share in Associated Company	-	(1,465)	1,465
Profit Before Tax	<u>2,138</u>	<u>(1,066)</u>	<u>3,204</u>

For the quarter under review, the Group registered a profit before taxation of RM2.138 million against a loss before taxation of RM1.066 million in the immediate preceding quarter. Comparatively better results were registered by the oleochemical division and the Indonesian operations in the current quarter. However, current quarter's group results were affected by a RM1.64 million write down of provision for diminution in value of the Company's quoted investment to recognise the decline in value of the investments. On

the other hand, the immediate preceding quarter's results were affected by a RM1.465 million write down in the cost of the Company's investment in the Company's associated company, JWS Projects Sdn. Bhd. to recognise the potential impairment form the disposal of our 51% stake in Yangzhong Changjiang Bridge Co. Ltd.

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 business. 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 July 2006 RM'000	3 Months Ended 31 July 2006 RM'000
Current year's corporate tax	758	758

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 Investment 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) Investment in quoted securities as at 31 July 2006 were as follows :-

	RM
Investment in quoted securities :	
- At cost	27,201,931
- At carrying value	21,478,639
- At market value	22,646,984

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 2006 were as follows :-

	<u>Amount</u>	<u>Nature</u>
(a) <u>Short Term</u>		
Term Loan (due within 1 year)	USD2,232,000 (RM8,154,612)	Secured
(b) <u>Long Term</u>		
Term Loan (due above 1 year)	USD3,024,840 (RM11,051,251)	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 September 2006 (being a date not earlier than 7 days from the date of the quarterly report) in Ringgit equivalent was RM15,939,010. These contracts will mature in October 2006.

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 3.50% per ordinary shares or RM1.00 each amounting to RM4,792,695 in respect of the financial year ended 30 April 2006 (2005 : 5.50% tax exempt). This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company.

B13. Earnings Per Share

	3 months ended 31 July		3 months ended 31 July	
	2006	2005	2006	2005
	RM	RM	RM	RM
(a) Basic				
Profit attributable to equity holders of the parent	588,944	2,095,836	588,944	2,095,836
Weighted average number of ordinary shares in issue	136,934,132	136,934,132	136,934,132	136,934,132
Basic earning per share (Sen)	0.43	1.53	0.43	1.53

(b) **Diluted**

No diluted earnings per share is presented as the Company's dilutive potential ordinary shares, ESOS have expired on 15 April 2006.

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 September 2006.