

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

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>31.10.2006</b>	<b>31.10.2005</b>	<b>31.10.2006</b>	<b>31.10.2005</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
		<b>(restated)</b>		<b>(restated)</b>
<b>Revenue</b>	89,001,991	90,448,511	182,915,554	171,812,028
Cost of Sales	(71,963,881)	(80,274,430)	(150,596,941)	(148,790,426)
<b>Gross profit</b>	<u>17,038,110</u>	<u>10,174,081</u>	<u>32,318,613</u>	<u>23,021,602</u>
Other income	480,014	764,126	918,586	1,017,808
Distribution costs	(2,860,965)	(2,476,044)	(5,895,930)	(5,289,356)
Administrative expenses	(5,189,778)	(4,297,810)	(10,222,737)	(8,884,339)
Other expenses	(2,670,732)	(2,560,468)	(7,721,431)	(5,712,911)
Finance cost	(437,187)	(425,034)	(899,932)	(883,935)
Share of loss of associate	(693,908)	0	(693,908)	0
<b>Profit before tax</b>	<u>5,665,554</u>	<u>1,178,851</u>	<u>7,803,261</u>	<u>3,268,869</u>
Income tax expense	(910,674)	(374,784)	(1,668,531)	(418,347)
<b>Profit for the period</b>	<u>4,754,880</u>	<u>804,067</u>	<u>6,134,730</u>	<u>2,850,522</u>
<b>Attributable to:</b>				
<b>Equity holders of the parent</b>	3,801,573	912,294	4,390,517	3,008,130
<b>Minority interest</b>	953,307	(108,227)	1,744,213	(157,608)
<b>Earnings per share, attributable to equity holders of the parent (sen)</b>				
- Basic	2.78	0.67	3.21	2.20
- 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 October 2006**

	<b>As at 31.10.2006 RM</b>	<b>As at 30.4.2006 RM (restated)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	125,236,374	128,021,619
Land held for property development	136,353,900	136,353,900
Property development expenditure	3,935,714	4,098,630
Investment in associated company	4,483,610	5,177,518
Other investments	21,934,639	23,574,955
Deferred tax assets	14,971,008	14,971,008
	<u>306,915,245</u>	<u>312,197,630</u>
<b>Current assets</b>		
Inventories	45,768,113	38,799,642
Trade receivables	31,273,181	31,125,895
Other receivables	10,444,289	9,195,624
Amount owing by associated company	462,000	462,000
Cash and cash equivalents	40,680,244	41,776,054
	<u>128,627,827</u>	<u>121,359,215</u>
<b>TOTAL ASSETS</b>	<u>435,543,072</u>	<u>433,556,845</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	136,934,132	136,934,132
Share premium reserves	34,321,050	34,321,050
Retained profits	192,873,579	189,167,227
	<u>364,128,761</u>	<u>360,422,409</u>
<b>Minority Interests</b>	6,582,772	4,838,560
<b>Total equity</b>	<u>370,711,533</u>	<u>365,260,969</u>
<b>Non-current liabilities</b>		
Term loans	9,751,099	11,961,674
Provision for retirement benefits	2,652,957	3,080,641
	<u>12,404,056</u>	<u>15,042,315</u>
<b>Current liabilities</b>		
Trade payables	16,583,505	17,123,961
Other payables	26,196,177	27,043,946
Amount owing to directors	76,026	53,846
Bank overdraft	1,130,267	589,804
Term loans	8,316,566	8,286,447
Tax liabilities	3,442	34,057
Dividend payable	121,500	121,500
	<u>52,427,483</u>	<u>53,253,561</u>
<b>Total liabilities</b>	<u>64,831,539</u>	<u>68,295,876</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>435,543,072</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 October 2006 - Unaudited**

	Attributable to equity holders of the parent					Minority Interests	Total equity	
	Share Capital	Share Premium	Capital Reserve	Foreign Exchange Reserve	Retained Profits			Sub-total
<b>6 months ended 31 October 2005</b>								
<b>Balance as at 30 April 2005</b>	136,934,132	34,321,050	7,220,556	122,618	188,746,225	367,344,581	4,851,349	372,195,930
<b>Transfers (from)/ to reserves</b>			(7,220,556)	(122,618)	7,343,174	0	0	0
<b>Restated Balance as at 30 April 2005</b>	136,934,132	34,321,050	0	0	196,089,399	367,344,581	4,851,349	372,195,930
<b>Foreign currency translation</b>	-	-	-	(1,141,136)	-	(1,141,136)	-	(1,141,136)
<b>Profit/(Loss) for the period</b>	-	-	-	-	3,008,130	3,008,130	(157,608)	2,850,522
<b>Transfers to/(from) reserves</b>	-	-	-	1,141,136	(1,141,136)	-	-	0
<b>Total recognised income/(expense) for the period</b>	-	-	-	-	1,866,994	1,866,994	(157,608)	1,709,386
<b>Balance as at 31 October 2005</b>	136,934,132	34,321,050	0	0	197,956,393	369,211,575	4,693,741	373,905,316
<b>6 months ended 31 October 2006</b>								
<b>Balance as at 30 April 2006</b>	136,934,132	34,321,050	7,220,556	522,812	181,423,859	360,422,409	4,838,560	365,260,969
<b>Transfers (from)/ to reserves</b>			(7,220,556)	(522,812)	7,743,368	0	0	0
<b>Restated Balance as at 30 April 2006</b>	136,934,132	34,321,050	0	0	189,167,227	360,422,409	4,838,560	365,260,969
<b>Foreign currency translation</b>	-	-	-	(684,165)	-	(684,165)	-	(684,165)
<b>Profit/(Loss) for the period</b>	-	-	-	-	4,390,517	4,390,517	1,744,212	6,134,729
<b>Transfers to/(from) reserves</b>	-	-	-	684,165	(684,165)	-	-	0
<b>Total recognised income for the period</b>	-	-	-	-	3,706,352	3,706,352	1,744,212	5,450,564
<b>Balance as at 31 October 2006</b>	136,934,132	34,321,050	0	0	192,873,579	364,128,761	6,582,772	370,711,533

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 October 2006 - Unaudited**

	<b>6 months ended</b>	
	<b>31.10.2006</b>	<b>31.10.2005</b>
	<b>RM</b>	<b>RM</b>
Net cash generated from operating activities	5,544,893	12,754,144
Net cash used in investing activities	(4,077,468)	(6,111,202)
Net cash (used in) / generated from financing activities	(2,260,902)	1,511,073
Net (decrease) / increase in cash and cash equivalents	(793,477)	8,154,015
Cash and cash equivalents at beginning of financial period	41,186,250	40,936,645
Effects of changes in exchange rates	(842,796)	341,718
Cash and cash equivalents at end of financial period	<u>39,549,977</u>	<u>49,432,378</u>

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

	<b>As at</b>	<b>As at</b>
	<b>31.10.2006</b>	<b>31.10.2005</b>
	<b>RM</b>	<b>RM</b>
Fixed deposits, short term placements, cash & bank balances	40,680,244	51,652,515
Bank overdraft	(1,130,267)	(2,220,137)
	<u>39,549,977</u>	<u>49,432,378</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 :

	<b>As at 1.5.2006 RM</b>	<b>As at 1.5.2005 RM</b>
Increase in retained earnings	522,812	122,618
Decrease in foreign exchange reserve	(522,812)	(122,618)
	<hr/>	<hr/>
	<b>6 months ended 31.10.2006 RM</b>	<b>31.10.2005 RM</b>
Decrease in profit for the period	(684,165)	(1,141,136)
	<hr/>	<hr/>

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.

	<b>Previously stated RM</b>	<b>FRS 3 (Note A2(a)) RM</b>	<b>FRS 121 (Note A2(c)) RM</b>	<b>Restated RM</b>
<b>At 1 May 2006</b>				
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 :

	<b>Previously stated RM</b>	<b>Reclassification FRS 201 (Note A2(d)) RM</b>	<b>Restated RM</b>
<b>At 1 May 2006</b>			
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.

**A10. Segmental Reporting (Analysis by Business Segments)**

	<b>6 months ended 31 Oct. 2006</b>	
	<b>Revenue</b>	<b>Profit/(Loss)</b>
	<b>RM'000</b>	<b>before tax</b>
		<b>RM'000</b>
Manufacturing and Marketing	114,063	2,335
Warehouse and Bulk Conveyor Operation	2,481	755
Development, Managing and Operating Private Hospital	24,747	679
Plantation	39,753	5,528
Others	1,872	(800)
	<hr/>	<hr/>
	182,916	8,497
Group's share in associated company	-	(694)
	<hr/>	<hr/>
	182,916	7,803

**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 October 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 RM182.92 million for the six months ended 31 October 2006 compared to RM171.81 million in the corresponding period in the last financial year. Higher sales from the oleochemical division accounted for much of the increased in revenue.

Group profit before taxation for the six months ended 31 October 2006 was RM7.80 million; RM4.53 million higher than the RM3.27 million recorded in the corresponding period in the last financial year.

The improved results for the six months ended 31 October 2006 were driven mainly by better contributions from the plantation operations in Indonesia, the oleochemical division and the healthcare division. However, the improved results registered by these divisions were reduced by a RM1.65 million provision to write down the carrying value of the Company's quoted investment to reflect these investments at their lower of cost and net realizable value and also a RM0.694 million loss arising from the sale of the 51% stake in Yangzhong Changjiang Bridge Co. Ltd. by its associated company, JWS Projects Sdn Bhd.

### B2. Variation of Results to Preceding Quarter

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

	<b>Current Quarter RM'000</b>	<b>Immediate Preceding Quarter RM'000</b>	<b>+/(-) RM'000</b>
Manufacturing and Marketing	2,203	132	2,071
Warehouse and Bulk Conveyor Operation	361	394	(33)
Development, Managing and Operating of Private Hospital	109	570	(462)
Plantation	3,032	2,496	536
Others	654	(1,454)	2,109
	<hr/> 6,359	<hr/> 2,138	<hr/> 4,221
Share of loss in associated company	(694)	-	(694)
	<hr/> 5,665	<hr/> 2,138	<hr/> 3,527
Profit Before Tax	<hr/> <hr/> 5,665	<hr/> <hr/> 2,138	<hr/> <hr/> 3,527

For the quarter under review, the Group registered a profit before taxation of RM5.665 million against a profit before taxation of RM2.138 million in the immediate preceding quarter. Comparatively better results registered by the oleochemical division and the

Company (Southern Acids (M) Berhad) accounted for much of the improved performance.

However, current quarter's group results were affected by a RM0.694 million loss arising from the sale of the 51% stake in Yangzhong Changjiang Bridge Co. Ltd. by its associated company, JWS Projects Sdn Bhd.

### **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**

	<b>Current Quarter Ended 31 Oct. 2006 RM'000</b>	<b>6 Months Ended 31 Oct. 2006 RM'000</b>
Current year's corporate tax	911	1,669

The effective tax rate of the Group for the current quarter and the year-to-date 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 current period profit of 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 October 2006 were as follows :-

	<b>RM</b>
Investment in quoted securities :	
- At cost	27,201,931
- At carrying value	21,478,639
- At market value	22,753,925

## 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 2006 were as follows :-

	<u>Amount</u>	<u>Nature</u>
(a) <u>Short Term</u>		
Term Loan (due within 1 year)	USD2,232,000 (RM8,316,566)	Secured
(b) <u>Long Term</u>		
Term Loan (due above 1 year)	USD2,617,000 (RM9,751,099)	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 contract outstanding as at 18 December 2006 (being a date not earlier than 7 days from the date of the quarterly report) in Ringgit equivalent was RM3,628,200. This contract will mature in December 2006.

There is minimal credit risk because this contract was entered into with a reputable bank. All gains and losses arising from forward foreign exchange contracts are dealt with through the income statement 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 3.50% per ordinary shares of RM1.00 each amounting to RM4,792,695 in respect of the financial year ended 30 April 2006 (2005 : 5.50% tax exempt) was approved by the shareholders at the Annual General Meeting of the Company held on 30 October 2006 and has been paid on 29 November 2006.

## B13. Earnings Per Share

	3 months ended 31 Oct.		6 months ended 31 Oct.	
	2006	2005	2006	2005
	RM	RM	RM	RM
(a) <b>Basic</b>				
Profit attributable to equity holders of the parent	3,801,573	912,294	4,390,517	3,008,130
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)	2.78	0.67	3.21	2.20
(b) <b>Diluted</b>				
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 22 December 2006.