



SOUTHERN ACIDS (M) BERHAD

**36TH ANNUAL
GENERAL MEETING**

23 AUGUST 2017

**Replies to
MSWG's Questions**





Strategy/Financial - Question (1) (a) Oleochemical

During the year under review, the division registered a substantial increase in revenue by 28.6% from RM284.0 million in FY2016 to RM365.2 million in FY2017 due to higher average selling price and sales volume.

What is the outlook for this division and does the Board foresee that it would be able to continue enjoying higher average selling price and sales volume in FY2018?

Answer:

Our products are exported all over the world hence the sales volume and the average selling prices are subject to international competition as well as world economic outlook.

The division remains focused on enhancing operational efficiencies.



Strategy/Financial - Question (1) (b) Oleochemical

To-date, how much budget had been utilised for the upgrading of its plant and is the plant progressing within the allocated budget? What is the efficiency level?

Answer:

Due to the operating life span, the following capex were budgeted in FY2017:-

- a. RM1.9 million new cooling tower; and**
- b. RM8.5 million new hydrogen plant.**

As at 31 March 2017, 56.7% of the budgeted amount have been realised. It is expected to be completed by 2nd Quarter of FY2018 and upon completion, it will mitigate the operating downtime hence improving the plant's efficiency level.



Strategy/Financial - Question (2) (a) Plantation & Milling

What is the current plantation landbank that the Group has and is there any plan to acquire more plantation landbank in the next few years?

Answer:

The following table shows the division landbank and its age profile:-

Age Profile	Hectare	%
Immature (0 – 3 years)	1,587	34%
Young (4 – 7 years)	174	4%
Prime (8 – 17 years)	1,341	29%
Old (Above 17 years)	1,520	33%
Total	4,622	100%

The Board is considering increasing the plantation operation landbank.



Strategy/Financial - Question (2) (b) (i) Plantation & Milling

As reported in the Management Discussion and Analysis, as part of the long term plan to reduce dependency of externally sourced FFB, the Group is exploring all options available.

Please brief on the initiatives taken to explore all options, risks and mitigating measures.

Answer:

The following are the considerations:-

- **Potential landbank location; it must be located within our palm oil mill (“POM”) location as FFB must be processed as soon as possible or within 48 hours;**
- **Acquisition price; the price is reasonable and within the prevailing market price;**
- **Own human resources; this is required to manage/control the operations; and**
- **Financial viability; acquisition must be viable to the division.**



Strategy/Financial - Question (2) (b) (ii) Plantation & Milling

What is the targeted composition between internal and external sourced FFB that the Group aspired to achieve in the next few years?

Answer:

Strategically, the ratio of internal and external sourced FFB must comply to all regulations and to optimise profitability of the mills.

In the current situation we are targeting 30:70 over the next couple of years.



Strategy/Financial - Question (3) (a) Healthcare

We noted that the Group had strategised to expand specialist services, patient base as well as further enhanced customer services.

How much budget has been utilised for the initiatives?

Answer:

As mentioned in AR 2017, this division has budgeted RM26.4 million capex for FY2018, out of which RM20 million was meant for the expansion for one of the hospital's core specialist services.

In FY2017, the budgeted amount was RM4.6 million, out of which RM2.0 million was utilised in FY2017. The remaining balance is expected to be utilised in Quarter 1 of FY2018.



Strategy/Financial - Question (3) (b) Healthcare

Please elaborate on the effectiveness of the strategies adopted.

Answer:

Comparing FY2016 with FY2017, the division registered an improvement to its bed occupancy rate from 59% to 61% while maintaining its market share. Both number of inpatients as well as number of outpatients recorded marginal differences. This is despite competition from new hospitals.



Strategy/Financial - Question (4)

What were the reasons for the significant drop in share of results of associate by more than 100%, delivering a negative figure of RM1.1 million in FY2017 (2016: Profit of RM364k)?

Answer:

The operating loss for FY2017 was mainly due to lower revenue as of result of machinery breakdown and higher operational costs.



Strategy/Financial - Question (5)

At the previous AGM held in 2016, shareholders raised concerns over a piece of land (2.2 km part) which would be eventually be surrendered to the local authorities. Please update shareholders on the matters.

Answer:

There is no further update since our last announcement to Bursa on 23 August 2016. The negotiation process will take time, and may involve other relevant parties. The Company will make the necessary announcement to Bursa once it is formalised.

Meanwhile, the said land (2.2 km part) still belong to the Company.



Corporate Governance - Question (1) Directors' Remuneration

In FY2017, Non-Executive Directors were paid with allowances and benefits in kind.

However, there is no resolution tabled pertaining to the approval of payment of directors' other benefits pursuant to Section 230 (1) of the Companies Act 2016.

Does it mean that during FY2018 no allowances or benefits-in-kind would be paid to the directors until a resolution is tabled at the AGM in 2018 and shareholders' approval obtained? Please explain.

Answer:

Yes, Directors' allowances for FY2018 will be paid together with their fees after the shareholders' approval in next year AGM.



Corporate Governance - Question (2) AGM Matter

Chapter 9, Paragraph 9.21 (2) of the Main Market Listing Requirements requires companies to publish the summary of key matters discussed at the AGMs onto the companies' websites for AGMs held on or after 1 July 2016. In line with this, we hope the Board would publish the summary of proceedings for this AGM on the Company's website.

Answer:

The Board is of the view that the Company is in compliance with the Main Market Listing Requirements.



Corporate Governance - Question (3) Company's Constitution

Publishing a copy of Constitution on the Company's website in line with the spirit of transparency and good corporate governance based on the ASEAN CG Scorecard which is being used to assess the level of CG standards of PLCs in Malaysia by MSWG.

Answer:

The Board will consider the request of MSWG after amendments of the Company's Constitution whilst incorporating Bursa Main Market Listing Requirements in compliance with Companies Act 2016.



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Thank you