

The Summary of Key Matters discussed at Southern Acids (M) Berhad (“SAB”) 38th Annual General Meeting held on 30 August 2019.

No	Question Raised	Reply by SAB
1	<p>The Company has three (3) segments, i.e. Oleochemical Segment, Milling & Estate Segment and Healthcare Segment. As reported in the Annual Report and Quarterly Results, it appears that the Oleochemical Segment did poorly, Milling and Estate moderately; however, the Healthcare Segment delivered the best results to-date for the Company.</p> <p>Moving forward, what is the plan for the Healthcare Segment, whether to expand and grow the business further so that it will contribute positively to the Group’s overall performance?</p>	<p>Healthcare is capital intensive segment, hence any new expansion, business/new venture will need due consideration and careful evaluation taking into account the cash flow requirements of the Group.</p>
2	<p>(i) What is the status with regards to the transfer of land title to the Company?</p> <p>(ii) Will the Company suffer financial loss from this land issue?</p> <p>(iii) Is the Company taking any legal action to rectify the situation on the transfer of land title or is the Company still in discussions over this issue?</p>	<p>(i) The land title is still in the name of the vendor, Southern Realty (Malaya) Sdn Berhad and to safeguard its interest, the Company lodged a caveat on the land in the year 2016 which will be in effect until the year 2022. Given that this transfer is taking quite a long time to resolve due to the transaction being done some years ago - the determination of the valuation at that point of time compared to presently requires caution to be exercised. However, we will try our best to conclude the transfer as soon as possible.</p> <p>(ii) We do not foresee that the Company will suffer any financial loss arising from this land issue.</p> <p>(iii) The Company is not taking legal action and is still in liaison with the vendor, Southern Realty (Malaya) Sdn Berhad. The discussion is handled by our Senior Independent Director.</p>

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3	<p>(i) What is the Company's top three (3) investment in quoted equities?</p> <p>(ii) What is the Board's position or strategy with regards to the Company's holdings in PCB?</p>	<p>(i) The top three (3) quoted investments are as follows:</p> <p>(a) Paramount Corporation Berhad ("PCB") (b) CIMB Group Holding Berhad (c) Sime Darby Berhad</p> <p>(ii) The investment in PCB is a decision made by the previous Board.</p>
4	<p>With regards to the capital expenditure of RM250 million to RM300 million for the ageing oleochemical plant, what is the time horizon for the capital expenditure and the financial position to require to fund the capital expenditure?</p>	<p>At the present moment, we are looking at upgrading and improving efficiency and automation as we grow progressively over the next few years. We are utilising RM10 million to RM20 million for capital expenditure every year. Currently, the management is evaluating the viability of a complete replacement. As oleochemical has changed over the last 10 to 20 years in particular, we are looking at least 12 to 24 months to thoroughly evaluate and determine the viability.</p>
5	<p>(i) In Oleochemical, with the price of palm oil coming down, the cost of raw materials should be cheaper, what is the reason for not making profit?</p> <p>(ii) The Oleochemical asset is about RM172 million and incurring loss of about RM3 million, what is the reason that the Company continues to invest in the segment when it is not even generating a decent return (with no borrowings on the assets)?</p> <p>(iii) What are the matters affecting the oleochemical industry and whether the Company has explored other options as an alternative to the investment of RM250 million into the oleochemical plant and incurring unnecessary capital expenditure?</p>	<p>(i) The raw material price is going down but selling price is also dependent on market fluctuations. Glycerine price and fatty acids price is on a downward trend at a faster pace than the price of crude palm oil ("CPO"), therefore the margins are come down in tandem.</p> <p>(ii) Currently, we are not expanding but upgrading and improving the efficiency and maintaining the existing plant.</p> <p>(iii) Over the last 12 months, there is a clear cut trade war between US and China which also impacted the business. Our clients in oleochemical are very end users, such as cosmetic companies and tyre companies from Japan, Europe, China and America and 15% of our sales of oleochemical are from America, 6 % from Europe and 30% from Japan.</p>

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6	<p>(i) Regards the Thangamallay land matter, who approved the access road and when was the proposal made and whether there are any terms and conditions for the developer on usage of the access road?</p> <p>(ii) Whose responsibility for the maintenance and repair of access road?</p> <p>(iii) Is there any issue of public liability from usage of the access road and the possibility of the public taking legal action against the owner of the land (from risk management point of view)</p>	<p>(i) The last queries we had was in 2016 from Bursa Malaysia Securities Beard (“Bursa Securities”) and Bursa Securities has cleared the Company and that it was a commercial decision and as of to-date, there was no surrender of the road. We believe in this process of being friendly with our neighbours, i.e. IJM Land, Gamuda Land and Eco World and it is a win-win situation for all in the event that we do decide to develop the land, we will them as our allies.</p> <p>(ii) It is definitely not SAB.</p> <p>(iii) The management has looked into this issue.</p>
7	<p>(i) What is the insight of oleochemical industry?</p> <p>(ii) whether the competitors in this line of business are still making profit</p>	<p>(i) Oleochemical is an industrial chemical product. We ventured into this business since 1990s, at that time there was a very big opportunity and therefore this market was available to the palm oil industry players. We are actually evaluating this whole Segment and whether it is worth investing capital expenditure of RM250 million to RM300 million. At this moment, we are still in this business and it remains profitable thus, we need to carry out the necessary upgrades to increase the efficiency and automation for the existing plant. We are one (1) of the smallest plant in Malaysia and therefore we are actually looking into improving ourselves. We will looking into this whole issue very deeply and will definitely update the shareholders in due course.</p> <p>(ii) Most of the competitors in the oleochemical industry are making very small margins as well.</p>

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8	<p>(i) What is the amount of Directors' Fee approved in last year's Annual General Meeting</p> <p>(ii) There is more than a 20% to 30% increase in Directors' Fee, however; there has been no increase in dividend payment.</p> <p>(iii) With the Company's earnings per share ("EPS") over the last five (5) years, the Company should be able to declare a higher dividend than 5 Sen per share.</p> <p>(iv) Is there is any dividend policy or Key Performance Indicator ("KPI") for the dividend payout, i.e. higher profit higher dividend?</p>	<p>(i) The Directors' Fee for financial year 2018 was about RM470,000.</p> <p>(ii) the responsibilities of directors of public listed companies have increased with the implementation of the Companies Act 2016 and the directors have to be remunerated and rewarded accordingly</p> <p>(iii) The Chairman noted all the shareholders would like to have higher dividend, however the Company need to maintain the cash/funds for refurbishment and operations. However, the Board will look into the matter.</p> <p>(iv) Currently there is no clear cut dividend policy but the Company has maintained a dividend payout at 5 Sen per share. The Board is aware of the cash availability and the dividend payout issue and noted that the Group have three (3) segments and the proposed investment in the Oleochemical Segment would require about RM250 million to RM300 million. If the Company propose to invest further into the Healthcare Segment, the cash may not be sufficient and the Company may have to raise additional funds through issuance of new shares should the Company decided to invest, However the Board will balance all these issues in the interest of the Company.</p>