

Summary of Key Matters at Southern Acids (M) Berhad (“SAB”)

42nd Annual General Meeting held on 30 August 2023

No	Question	Reply
1.	Why there is no more printed hard copy of Company’s Annual Report.	The Company follows the Company’s sustainability initiative to reduce the use of paper. However, the Company still allows shareholders to request a printed copy of the Company’s Annual Report from the Company Secretary, and they will be delivered to their address.
2.	When the Company will revert to physical AGM?	The Company is currently evaluating and reviewing all AGM practices to identify the most efficient way of conducting AGM moving forward. The Management takes note of the convenience of online meetings for the investors, and at the same time, the Management recognizes the importance of in-person communication.
3.	How much does the Company spend on this virtual AGM?	A total cost of RM22,900/- was spent for this virtual AGM which was same as the previous year’s AGM cost.
4.	According to Bursa Malaysia’s ruling to have at least one women female represented in the Board of Directors starting from 1 June 2023, with the resignation of Madam Leong So Seh recently, what is the Company’s plan to comply with Bursa Malaysia’s ruling?	<p>Madam Leong So Seh vacated office on 1 June 2023 after serving the Company for more than 12 years. The reason that Madam Leong had to vacate or stepped down was due to the ruling introduced by Bursa Malaysia which was effective on 1 June 2023 whereby no Independent Director shall sit on the Board for more than 12 years.</p> <p>The Board of Directors of SAB have always been looking into diversity in terms of gender and the Board of Directors will take necessary action to ensure that the female director is on board and announcement will be made in few days’ time.</p>

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5.	What is the projected Capital Expenditure spending for FY 2024?	<p>The Directors had approved a budget to spend a substantial amount into the three units as follows :-</p> <p>(a) Oleochemical Manufacturing - approximately RM6.7million.</p> <p>(b) Milling & Cultivation - approximately RM53.1 million into recovery of land as well as replanting of estate which are already passed the maturity as well as to improve the mill.</p> <p>(c) Healthcare Services - approximately RM16.5 million, to bring in new machines and upgrade facilities to meet the demand of current market.</p>
6.	Oleochemical has suffered losses for two consecutive seasons, and its sales are only half of what they were in the past. At this point, how will you review and implement measure to improve its value?	<p>The Management is aware of the losses suffered by Oleochemical Manufacturing over the last few quarters and the management is looking closely into it.</p> <p>In terms of sales volume, it has been dropping for a few years but it did not drop by 50%. Over the 5 years, the sales volume dropped by 20%. The reason for the drop in sales revenue was mainly due to the fluctuation in commodity prices. The price of CPO was down from RM8,000 to RM4,000 last year, which impacted the selling price.</p> <p>The Management is aware of the issues faced by the Oleochemical Manufacturing, i.e. high cost of electricity, strong competition, more supply than demand, etc. and the Management is currently looking into new market share and the ways to become more efficient in energy consumption and inventory control.</p>
7.	Do you have any plans for the 584 acre Thangamallay Estate located at Jalan Kebun, Kampung Jawa, Selangor?	<p>Currently the Board does not have any plans on the Thangamallay Land. Currently the land is currently planted with oil palm trees, and they are about prime age at the moment, the Company will continue to harvest the FFB. When the market is ready for further exercise, the Board will review and consider other possible ventures into Thangamallay Land.</p>

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8.	<p>It came out in the newspaper that SAB are the top 10 listed companies which have the lowest bank borrowings. On top of that, there are fixed deposits with amounts to RM300 million. Do kindly explain the low rate of 5% dividend.</p>	<p>The cash amount of RM300 million was collectively from the three units and the majority are from the Indonesian subsidiaries, Milling & Cultivation unit. As highlighted earlier, the Management is planning to spend approximately RM54 million this year and approximately RM150 million next year for the replanting exercise as well as to increase the land planted area and also to improve the milling facilities.</p> <p>At the same time, the Management is also planning on expenditures in the Healthcare Services unit and Oleochemical Manufacturing unit.</p> <p>The Company has been consistently declaring 5sen per share every year, with the intention to ensure the Shareholders receive consistent revenue and the additional funds maintained by the Company to be used to bring more value for the Company and to actually grow the Company and prepare the Company to face the future challenges.</p>
9.	<p>From the FY2024 Q1 quarterly report, company's cash and Cash equivalent has increased to around RM395 million, why is the Company not declaring better dividend for the shareholders? The share price has not been performing and dividend has been kept for the same last decade. This is quite a frustration for minority shareholders. Could the board please provide a good explanation on this, apart from telling the minority shareholders to sell the shares?</p>	<p>In terms of cash, over the last three years, there was an anticipation that the Oleochemical Manufacturing will be more competitive and more factories will be coming online especially in Indonesia. By virtue of having the additional funds available, it has allowed the Company to go through the headwind over the last two three years as expected. The Board opined that the cash availability is good for the Company to make sure that the Company remains healthy and sustainable over the next few years.</p> <p>The Board is looking at long term and not short term, by virtue of having the additional funds available, to make sure the Company can grow and have opportunity to go into new ventures whenever available.</p>

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10.	May I know the Company Future Outlook?	<p>The Management believes that the Company will remain stable and continue to grow, and the Company will be able to face all headwinds without struggle.</p> <p>Oleochemical Manufacturing</p> <p>Oleochemical Manufacturing will continue to face very highly competitive global market There are now many suppliers in the market as compared to the past, and the margin has come down. The Management will need to find ways to be more competitive in terms of efficiency and manpower. Last year, when the government increased the policy of minimum wages and at the same time decreased the working hours, that had led to the increase in labour cost to the Company. The Management will need to find new ways to improve whether through automation or having new plants which are more efficient and to find new market where margin are bigger and stronger. At the same time to maintain the relationship with customers by offering them more products to maintain them as our long-term customers.</p> <p>Milling & Cultivation</p> <p>In terms of Milling & Cultivation, the Management believes that palm oil will still be in need in the long term. However, the size of planted acreage in Indonesia is small and not in economical scale. Therefore, the Management is looking to continue to increase the size of the planted area to approximately 10,000 hectares. This will definitely need cashflow and will maintain the corporation outlook of Palm Oil business to be strong and stronger in the near future.</p> <p>Healthcare Services</p> <p>The Management will continue to upgrade the services to retain the existing clients as well as to look into new segments to target new customers and new patients.</p> <p>For example, the improvement of the oncology centre has brought in new revenue for the Healthcare Services unit in the last two years.</p> <p>In short, SAB and its subsidiaries remain cautious as there are huge headwinds, but the Board of Directors is comfortable enough to face the headwinds and continue to thrive.</p>