

Summary of Key Matters at Southern Acids (M) Berhad (“SAB”) 39th Annual General Meeting held on 25 September 2020

	Questions Raised	Reponses by SAB
1	<p>(a) On the Plantation & Milling Segment, please enlighten the shareholders on the FFB yield per hectare vs Industrial Standard.</p> <p>(b) Milling Operation, what is the CPO extraction rate versus Industrial Standard?</p> <p>(c) Oleochemical Plant, the plant is very old, why the Company don't want to find a new piece of land to build the new plant instead of modernising the existing plant as the plant is currently sitting on the land that belong to affiliate parties and do not belong to the Company?</p> <p>There is a risk that the lease agreement is not renewed as the renewal period is only for three years, opinion is sought from the auditors whether any impairment has been done on the current book value in the event if the lease agreement is not renewed.</p>	<p>(a) SAB Group do not compare with any plantation players in the industry as SAB Group only owns 4,214 hectare of cultivation land while other plantation players have more than 200,000 hectares of land. As for the FFB yield, as reported in the Annual Report, it is about 21.5 tonnes per hectare.</p> <p>(b) CPO extraction rate for the two mills of the Group is around 21% to 24%. In milling, it is similar with other competitors.</p> <p>(c) In regard to the impairment in Southern Acids Industries Sdn Bhd (“SAI”), as highlighted in the Auditors’ Report as at 31 March 2020, there is no impairment done and on Page 111 of the Annual Report, it was highlighted that there is possibility of impairment of an amount of RM31 million in the event the lease agreement is not renewed.</p> <p>The Board is aware of the above issue over the last twenty years and in regard to oleochemical industry, when SAI first venture into oleochemical, SAI was amongst the first few pioneers, but currently there are so many oleochemical industry players in the market, both in Malaysia and Indonesia where some of their plants are double/triple SAI’s capacity.</p> <p>A proper study to evaluate the capacity and size of the proposed new plant as well as the suitable location for the plant need to be done. The Board has been evaluating this and will continue to do so to have the best solution for the Oleochemical Segment in the long run in order to give the benefits to the shareholders.</p> <p>The Senior Independent Director is in communication with the land owner on the issue involving the two pieces of land, in relation to transfer of the land title to Noble Interest Sdn Bhd and renewal of the tenancy in SAI.</p> <p>Currently, SAB Group will still continue to renew the tenancy and the management believe that it is still feasible while the</p>

	(d) Has the title issue on Thagamallay land resolved?	<p>Management look into the long term solution for the Oleochemical plant.</p> <p>Thagamallay land is registered in the name of Pembinaan Gejati Sdn Bhd, hence there is no land title issue.</p>
2	What is the impact of the COVID-19 to the Company moving forward?	<p>COVID-19 has created a mess in the global economy. The Healthcare Segment suffered the impact in the first quarter and expect there will be lesser profit in the first quarter. The hospital teams are working to ensure that the cost is being monitored and strive that the hospital continue as the No.1 tertiary hospital in Klang.</p> <p>In Milling & Estate Segment, there is a risk that the estate may be facing a lockdown as Indonesia has been having huge number of cases over the last two to three weeks. The operations are currently running well as all standard operational procedures to prevent the spread of COVID-19 are put in place.</p> <p>In the Oleochemical Segment, as the sales are mainly from overseas clients, demand has dropped in many different sectors. The marketing team is focusing to source for new markets locally as well as other different countries. The last quarter showed improvement in sales.</p>
3	<p>(a) With reference to the CFO's response on MSWG's queries that the capex amount of RM250 million to RM350 million was in consideration to upgrading of the whole plant and should not to be mixed up with the improvement works done periodically to the existing plant, what is the difference of major upgrade and periodical upgrade of the plant, and has the RM250 million been spent to upgrade the whole plant?</p> <p>(b) The profitability of the hospital operation is 25 % of the Group's gross profit margin, what is the plan of SAB on the operation of hospital, whether the Group has any plan to expand in Bandar Klang?</p>	<p>(a) The Oleochemical Plant would require RM250 million to RM350 million to upgrade the whole plant and would need very detailed study. In addition, we need to look at the potential size and the team has been set up to look into the full upgrade.</p> <p>In the meantime, to improve the efficiency and to be competitive, improvement have been continuously done on the current plant, i.e. upgrading the hydrogen plant, improving the thermal heating system and to reduce the electricity cost.</p> <p>(b) Sri Kota is actually the first full fledge tertiary healthcare hospital in Klang and will continue to try to maintain to be number one tertiary hospital in Klang. Currently, there are three big players emerging in Klang, such as Manipal, Columbia and KPJ, while Pantai Hospital is upgrading. Moving forward if any opportunity arises, the Board will look at expansion.</p>
4	The dividend has been maintained for 5 sen for many years and in the previous year, the	The Board's duty is to protect the Company as a whole. The Capex and working capital

	Company mentioned on wanting to upgrading the plant, but however, there was no upgrading done and proposed that since the Company is not spending the money, to distribute as dividend to the Shareholders.	for each Segment is very huge and to ensure that sufficient cash is available for the Company to be in a position to function well and to protect the interest of all shareholders of the Company.
5	The Company is involved in many businesses and the size of Board is actually quite small which only comprised two Executive Directors and enquired whether the Board is able to cope with so many business segments and any intention to enlarge the board composition with more expertise moving forward?	Currently the Board comprised of 6 directors. SAB Group have varied business segments and we need to restructure ourselves and to source the correct human resources and attract the expertise to the Board and to remunerate them appropriately.
6	How the Company is looking investing in the people in terms of capabilities and make sure the Company can be driven forward?	The Management is looking into having the correct personnel and proper succession planning. The Management is looking to hire more personnel with expertise in different areas, e.g. project team in Oleochemical Segment, more healthcare staff.