

Summary of Key Matters at Southern Acids (M) Berhad (“SAB”) 40th Annual General Meeting held on 27 August 2021

	Question	Reply
1.	<p>The Oleochemical Segment posted a pre-tax loss of RM0.5 million as compared to a pre-tax loss of RM3.2 million for the year before. The lower segmental loss posted in FY2021 was due to higher average selling prices for fatty acids and glycerin, notwithstanding lower sales and production capacity utilization.</p> <p>Is the performance of the Oleochemical Segment expected to improve in FY2022? What is the guidance on revenue and profit/loss before tax?</p>	<p>The performance of the Oleochemical Segment is expected to show slow improvement in FY2022.</p> <p>The management is forecasting a slight profit before tax for FY2022 based on all the assumptions made.</p>
2.	<p>On Healthcare Segment, is the declining in trend of outpatient and inpatient visits to Sri Kota Specialist Medical Centre (“SKSMC”) expected to be rebound in FY2022?</p> <p>If so, what are the catalysts for the expected improvement?</p>	<p>The operating environment in SKSMC has also been challenged with the current pandemic situation. However, the management is assured that with our value-based healthcare system, and as the nation is heading towards achieving herd immunity against Covid-19 by December 2021, we will be able to combat the crisis and see a positive improvement in Q2 of 2022. The primary strength will be in Cancer Treatment, Cardiology and Orthopaedic disciplines which are the catalyst to fuel the numbers to achieve the hospital’s objectives.</p> <p>Equally, the strategy is also to maximize our credible relationship with patients, customers and related stakeholders to achieve the best clinical outcomes at affordable prices. Together with our consultants, SKSMC family strives to focus towards a patient-centered approach, and as the preferred hospital of choice to the public.</p>
3.	<p>How much is the cost saving for this virtual AGM as compared to the physical one?</p>	<p>The cost savings on this virtual AGM was about RM25,000 including service tax which is much lower compared to physical AGM.</p>
4.	<p>In the accounts, Other Operating Income for the group was RM 15,424,000. What does the Other Operating Income consist of?</p>	<p>Out of the RM15.4 million, RM12 million was from Milling & Estate Segment and RM 10.5 million was from the sale of palm kernel shell. This may be changed to the main operating income for FY2022. The balance of the Other Operating Income were contributed from forex and interest income.</p>
5.	<p>On the Bursa Announcement, the total crude palm oil (“CPO”) volume is always larger than fresh fruit bunches (“FFB”) production. Is there an error or mistake on reporting?</p>	<p>There is no error on the reporting. We have larger CPO volume produced regularly. We have two mills with output of 100MT per hour and our internal hectarage is only approximately 4,500 hectares planted, therefore our internal FFB production is only 17% of our total FFB processed. We considered ourselves as a milling company more than a plantation company as our</p>

		<p>Company focuses more on milling. The amount of FFB production from the 4,500 hectares of land is actually pretty small. That is why the CPO volume is always larger than the FFB production number.</p>
6.	<p>With the Group's exposure in the healthcare industry, does the management see the pandemic situation in Malaysia getting better and activities returning to normalcy going into 2022?</p>	<p>The Group's exposure in the healthcare industry during this pandemic situation is considered as unconventional or out of the norm in the past twelve to eighteen months. This is the first time our Healthcare Segment suffered a drop across the board which is also experienced by most of the other healthcare industry players such as IHH, KPJ, etc. Everyone suffered quite badly last year with a low profit record. Moving forward, we will be seeing light in the end of the tunnel in this unprecedented pandemic but it will definitely take some time and not immediate. Healthcare in the long term is still required in Malaysia. Things will gradually be returning to normalcy by end of the year in 2022.</p>
7.	<p>What is the Company's future outlook? How is the impact of MCO to the company?</p>	<p>The Company's future outlook in the three core segments are as follows:-</p> <p>On the Oleochemical Segment, we are expecting difficult times ahead. The environment is pretty competitive and we considered ourselves as a small producer compared to many other big players competitors in the market. Despite saying that, we are looking into improving our systems to be fully automated and to focus on product customization and thereafter to strengthen our relationship with the customers.</p> <p>For the Milling & Estate Segment, we have been replanting the older trees in the last two years. Similarly, new areas of about 360 hectares have been replanted in the last six months. These replanting activities have thereafter increased the total planted areas in the estate. In term of opportunities, we are also looking at purchasing any potential land in close proximities to our current area. Most of estate cultivation and mills are located in Riau, Indonesia that is also facing some sort of lockdown, but it is fortunate that the cultivation activities is allowed to operate and the impact is not as bad. The rising price of commodities pushed the total revenue up and the profit for Milling & Estate Segment in Riau.</p> <p>The Healthcare Segment is facing downturn over the last twelve months but the Board expects recovery moving forward and the future of the Company to continue to grow slowly. Patients were afraid to go to the hospitals due to fear of contracting Covid-19. Occupancy rate for inpatients dropped from 60% to about 20%. Outpatients refused to attend for their regular</p>

		<p>medical check-up for three to six months with their specialists for fear of exposing themselves to the Covid virus thereby causing the low number of inpatients and outpatients in the hospital. During this period, the management spent expenses on purchasing Covid safety related equipments such as personal protective equipments, masks, face shields, body covers to protect our employees hence resulting in lower profit than before.</p> <p>MCO impacted the Company in many other ways, majority of the companies in Malaysia suffer great setback. In respect to SAB Group, Oleochemical Segment suffered a drop in production as well as in demand especially as seen in the 1st Quarter. Without the unprecedented MCO and Covid-19 pandemic, we would have expected the sales and production for FYE 31 March 2021 to be better than FYE 31 March 2020. It was only because of the 1st quarter production and sales that was pushed slightly below than of the year before.</p>
8.	<p>Has SKSMC received decanted patient from government hospitals as one of the measures to clear wards in government hospitals for Covid-19 cases? How many patients have been received? What are the patients/cases/procedures accepted by Sri Kota? How are the charges as compared to normal charges?</p>	<p>SKSMC over the last few months have received decanted patients from the government hospitals as one of the measures to clear wards, especially from Hospital Tengku Ampuan Rahimah which was unable to cope with their regular patients with the massive outbreak of Covid-19 cases. Those decanted patients were mostly non-Covid patients. There are service contracts signed between the respective KKM Hospital in Selangor with our hospital. There was a cap set as per the press release by the Ministry, ie. RM45,000 for surgical cases and RM25,000 for medical cases per admission. The Government will only subsidize up to the amount set in the cap. Any amount in excess of the cap set will not be paid. As at to-date, there were twenty-five patients received so far in the field of cardio, orthopedic, medical and gynae. For these patients, majority of the charges were within the capped amount. The charges are normal rate. However, there was a request from Banting Hospital for certain discounts for the patients admitted.</p>
9.	<p>Would the management consider exiting the Oleochemical business given the opportunity?</p>	<p>At this present moment, the management is not considering to exit the Oleochemical business. The management has seen improvement over the last few years. There is a potential in the market to catch on.</p>
10.	<p>What should investors / shareholders expect from the company when the market cap lingers around ~RM500m mark since 2014 i.e. barely any growth, while Dividend yields less than ~1.5%? We have a solid company, but shareholders' are not generating any return.</p>	<p>The main focus of the Board at the moment is to find the core and to streamline and strengthen the position of the Company as this is necessary to ensure the growth of the Company. The process</p>

		will take time. The shareholders will get their return at the end of the day.
11.	The early surrender of 20.83 acres to authorities for RM10 million from IJM Plant. Is this a fair amount?	There was an announcement disclosed to Bursa at the end of June when the Company entered into an agreement with Bandar Rimbayu Sdn Bhd. The early surrender is only for part of 20.83 acres. The Board had discussed and agreed that this is a very fair amount to be collected by Pembinaan Gejati Sdn Bhd for the early surrender.