

**Summary of Key Matters at Southern Acids (M) Berhad (“SAB”) 41st Annual General Meeting held on 30 August 2022**

	<b>Question</b>	<b>Reply</b>
1.	<p>Why is the Company not paying higher dividend when making record profits? / The net profit increased more than double. The cash balance also increased from RM242 million to RM322 million, but the dividend remained at 5 cents. Can the Board consider paying higher dividend? / Is there a reason why the Company is keeping a relatively high level of cash balance?</p>	<p>The Board is of the opinion that the dividend of 5 cents per share is fair and good for the Company and its Shareholders as well. In terms of the cash position, amount is needed for working capital as the requirement for oleochemical manufacturing and milling &amp; cultivation is very high at present, especially last year when there was a very high CPO regime. The Company has also increased the utilization of banking facilities on top of the cash that is available. Moving forward, the Capex utilization is expected to continue to climb. The Company is increasing the planting area for the milling &amp; cultivation business unit.</p> <p>The Company’s Indonesian Subsidiaries’ Board had proposed a 50% decrease in its dividend payment this year despite record profit of RM38 million increasing to RM86 million because of the expectation of what the Company will be embarking on which is the increase in its Indonesian’s plantation hectareage size. The RM300 million cash position is a very small amount for a corporation which has 3 different business units which require high amount of cash. More cash is actually needed to enable the Company to be ready for expansion and also to remain competitive in the market.</p>
2.	<p>(a) Under the Balance Sheet, there is an item “Land Held for Property Development”. Can the Board please indicate why the property is listed under Page 173 for this item?</p> <p>(b) When is the Company expected to commence this exercise?</p>	<p>The property with net book value of more than 5% of the consolidated total assets of the Company is required to be listed under the listing of property. This is to comply with paragraph 25, part A, Appendix 9C of the Main Market Listing Requirements. Therefore, this property falls under the said category.</p> <p>At present, the Company has different types of business units under its arm. The Company must aim to streamline itself to be competitive in the market. Adding another business unit now will not be advantageous to the Company considering the current property market. There is an expectation that the Company might fall into a possible recession in the next few years. Hence, the Board may not embark on this particular property development in the near future.</p>
3.	<p>Is the Company doing anything to address the very illiquid share performance in the market?</p>	<p>In relation to the illiquid share performance in the market, majority of the Shareholders are holding on to their shares and not trading them. At present, the Board does not have any intention or plans to do any particular exercise in relation to the shares.</p>

4.	What is the Company's future outlook?	In general, the Company will have to focus on its key businesses and ensure that these businesses continue to grow and remain sustainable as the world is moving towards that direction. With the upcoming or potential China-Taiwan war, the Company will have to prepare itself for a potential reaction to the market as well. The Company will be taking a safer route to ensure that Shareholders do not suffer the adverse effects from the Company's performance.
5.	<p>The current oleochemical manufacturing plant has been in operation for more than 30 years. It is stated in the Management Discussion &amp; Analysis (Page 13 of the AR) that the long term focus is to upgrade and replace the plant.</p> <p>(i) Please explain for a CAPEX of only RM2.1 million is allocated for the Oleochemical segment despite the need to upgrade and replace (page 18 of the AR).</p> <p>(ii) What is the expected cost involved in replacing the 30 years old plant?</p>	<p>At present, the oleochemical plant is close to 30 years old. The Capex is spent on repairing and replacing worn off parts as well as to make the current plant more efficient. Thus, the Company is not upgrading in terms of size or technology but targeting to improve cost and remain competitive in the current market, hence the small Capex.</p> <p>The expected cost involved in replacing the 30 years old plant would depend on 2 factors i.e. the size of the plant and the area the plant will take place/located. The expected cost is estimated to be between RM300 million to RM500 million. The Board will need to take this into consideration and work with the current management of the Oleochemical Manufacturing business unit to look into how the Company can do its best to remain competitive not only currently but also in the next 10 to 30 years.</p>
6.	<p>The Thangamallay Estate which is located close to the thriving development of Bandar Rimbayu in Banting has a book value of RM139.868 million or RM536,304 per hectare.</p> <p>(i) When was the estate last revalued?</p>	<p>(i) There was no revaluation done on the asset. The current value of RM139.868 million is the book value which was the cost value of the acquisition of the said land. The reason why no revaluation exercise was done as according to the classification of "Land Held under Property Development" based on MFRS 102 is that the valuation of the asset would be based on the lower of cost or net realizable value. Therefore, no matter what is done, the value of the said land would still be the same based on the accounting policy which the Company had adopted.</p>

	(ii) Has the Board considered any options to maximize the value of this estate since it is ripe for development?	(ii) The Board is not ready at this moment to embark upon a new business unit and the market itself is not ready. The Board will look into this in the near future.
7.	Why is the dividend still maintained at 5 cents despite record high profits in Financial Year 2022? / The Company performed very well in FY 2022 but this is not reflected in the dividends declared by the Board. The Group achieved free cashflow of more than RM60 million and is in a Net Cash position. However, the total dividend declared amounting to Rm6.846 million is only 6% of the Net Profit for FY 2022. Can the Board explain why the Shareholders are not rewarded with an increase in dividend in view of the excellent performance in FY 2022?	The Board is always thinking for its Shareholders. A cash balance of approximately RM300 million may seem a huge sum to an individual. However, RM300 million for 3 different business units i.e. oleochemical (with high turnover with trades involving up to RM40-RM50 million a month in USD currency), healthcare services (turnover of close to RM8 million a month) and milling & cultivation. The amount of cash balance of RM300 million is a small sum. That amount should be higher so that the Company is ready for any potential exercise that would come along the line.
8.	How much did the Company spend on this virtual AGM?	The total cost of RM22,900/- was spent for this virtual AGM while RM43,308/- was spent for the physical AGM held in year 2020.
9.	When will the Board revert to a physical AGM?	Although the Covid-19 is nearing an endemic phase, there is still a high risk of spread. To avoid that, the Company chose to hold a virtual AGM this year. The holding of a physical AGM depends on the condition of the Covid-19 situation. If the situation improves and it is medically safe for the Shareholders to attend a physical AGM, then the Company will look into having a physical AGM.
10.	(a) Has the land title at Sri Kota Medical Centre been transferred to the Company? If no, then when would the land title be transferred?  (b) Will impairment be required?	(a) The land title has not been transferred yet. However, the Board had taken the necessary step to reapply for a lodgement of a private caveat on the said land.  (b) No impairment is required. The Senior Independent Director is currently negotiating with the related party for the land to be transferred back to the Company.
11.	What is the reason for the spike in Administrative Expenses from RM15.149 million to RM39.064 million for the 1 <sup>st</sup> Quarter result ended 30 June 2022?	The spike was attributed to 2 factors:  (a) Unrealised losses from the CPO (Crude Palm Oil) contracts which amounted to RM16.6 million (b) Unrealised Forex (Forward Foreign Exchange) contracts which amounted to RM5.1 million  Hence, the amount came up to a total of RM21.7 million. The balance of RM3 million derived from healthcare services (administrative costs for the period). Once the CPO and Forex losses are realised, it would then fall under cost of sales. The unrealised portion is captured under Administrative Expenses for the time being.

12.	What is the impact of the New Employment Act?	The Government has postponed the implementation date from 1 September 2022 to 1 January 2023. The potential impact is about RM4million to RM6 million which would affect the oleochemical and healthcare services business units.
13.	What keeps the CEO awake at night on managing the Company?	The team and himself continued to work hard to ensure that the Company is protected and to ensure that the Covid-19 impact over the last 2 years was as minimum as possible as well as to prevent any of the employees from getting Covid and succumbing to the illness. The team also ensured that the Company moved towards the right direction.
14.	The Directors' remuneration has increased by 24%. Is this a permanent increase or a one-off payment due to the better performance for the year under review?	<p>The Directors' remuneration which the Shareholder is looking is at the Group level and not the Company level. The increase is in relation to 2 technical issues which were:</p> <ul style="list-style-type: none"> <li>(a) An operations leader who previously headed a unit in Indonesia had retired during the Financial Year and was then appointed as a Board member of an Indonesian company. Thus, by technicality, his salary for the Financial Year was added as Director's Remuneration, causing a sudden surge. This figure will not appear next year; and</li> <li>(b) Another director who was the person in charge of the hospital was given a small ex gratia sum. He is currently serving as an adviser and no more the director in charge of the hospital. Hence, this was only a one-off payment.</li> </ul>
15.	Please comment on the Management's relationship with Paramount Corporation Bhd and if Paramount's digital banking venture will bring any impact to the Company?	The Management does not have any relations with Paramount Corporation Bhd except for the Company holding an interest as an investor/Shareholder. Further, Paramount's digital banking venture would have no impact on the Company.
16.	On an honest self-appraisal, would the management deem the Company as a value trap investment from the minority shareholder's perspective, considering the muted performance in the last 8 to 10 years or so?	This is a decision for the Shareholders to make because they have the right to sell the shares. The performance for the past 8 to 10 years, considering the Company's asset has been climbing. The market place is beyond the Company's control. The Management can only ensure that the Company's asset continues to grow.