

**SOUTHERN ACIDS
(M) BERHAD (“SAB”)**

**Replies to
Minority Shareholders’
Watchdog Group’s (“MSWG”)
Questions**

**33rd Annual General Meeting
25 September 2014**





Q1 - Strategic and Financial Matters

We refer to the Emphasis of Matters highlighted in the Independent Auditors' Report where it stated that Southern Realty (Malaya) Sdn. Berhad alleging numerous questionable transactions involving certain companies within the Group with certain related parties, and amongst related parties during the past several years. The Group and the Company may be exposed to potential claims, the amount of which is not presently determinable.

What is the current status on verifying such allegations and what action has been taken by the Company in regard to these allegations? Though potential claims arising from these allegations could not be determined, could the Board gauge and provide guidance on the estimation of the potential claims ?



SAB's Answer To Q1 (Strategic and Financial Matters)

The following are the extract from SAB's 1st Quarter Financial Results for financial year ending 31 March 2015, Note A.12 as announced to Bursa on 27 August 2014:-

“On Note 33 (a) of the Contingency, the Company had on 28 May 2014 wrote to Southern Realty (Malaya) Sdn. Berhad. seeking cooperation to access all relevant information on the questionable transactions allegedly committed by the four former senior officials of the Company. This is because the alleged questionable transactions occurred between the periods from 1989 to 2002 and are inter-related involving at least thirteen other private companies which are not within SAB's control. In addition, all SAB's key personnel involved during the said periods are no longer with the SAB & its subsidiaries. As at the date of this report, the Company has not received any reply yet.

The directors are unable to ascertain, at this juncture, whether there will be any material financial impact on the Group arising from the abovesaid claim.”



Q2 - Strategic and Financial Matters

With Current CPO price hovering around RM2,000/mt as compared to a year ago at RM2,400/mt, how would it impact the Group's profit ?



SAB's Answer To Q2 (Strategic and Financial Matters)

A lower CPO price will generally translate to lower production cost but may also result in a reduction in the product selling price of our Oleochemical Division whereas it could result in lower revenue of our Plantation & Milling Division.

Nevertheless, as disclosed in the prospects section on Page 23 of the Annual Report, CPO price is not the only factor which will determine the profitability of the Group. The performance of the Group will be impacted by other factors as follow but not limiting to:

- 1. currency fluctuations (namely USD/MYR and MYR/IDR);**
- 2. operating costs such as utilities cost, labour and compliance costs; and**
- 3. total planted and mature area of our plantations.**



Q3 - Strategic and Financial Matters

We refer to the Management Discussion and Analysis from Annual Report 2014, where it stated that the continuity of the Warehousing & Conveying Division is dependent upon the successful renewal of the land lease with Northport.

Please update shareholders on the status on the decision from Northport on the renewable of the land lease.

As at today, there is no formal extension of lease (lapsed on 15 Sep 2014) from Northport.



Q3 - Strategic and Financial Matters

Was the deteriorated performance of the warehousing and bulk conveyor operations related to the uncertainty of the renewable of the land lease ?

We believed the uncertainty of the land lease renewal was due to the Northport 's master plan which is currently being finalised.

If the renewable of the land lease was not granted by Northport, what would be the backup plan of the Company for the Warehousing & Conveying Division ?

We had, on 14 Dec 2013 submitted our tender on Northport's proposed Development of PKE Cargo Handling Facility. This development was stated on page 20 of 2014 Annual Report. Since then, there is no any update from Northport.



Q4 - Corporate Governance

MSWG is promoting certain standards of corporate governance best practices in PLCs. In this regard, we hope that Board could address the following :

- To publish a summary of minutes of the general meetings on the Company's website to be in line with the spirit of transparency and good corporate governance practices based on the ASEAN CG Scorecard to assess the level of CG standards of PLCs in Malaysia.**

SAB Board will table the proposal for consideration.



Questions & Answers

Thank you