



Southern Acids (M) Berhad ("SAB")

Thirty-Second Annual General Meeting

Replies to questions raised by the Minority Shareholders' Watchdog Group via letter dated 18 September 2013

Operational and Financial Performance

What is the expected cost of the new 60MT per hour Palm Oil Mill (POM)? Will the new POM cater for the Group's plantation? If it is a commercial mill, what are the substantive advantages the Board are incorporating in order to be sustainable in the long run? Where are the nearest competing POMs to the new mill?

The new 60MT per hour POM is expected to cost PT Wanasari Nusantara ("the company") about RM45 million to RM50 million. The POM will process fresh fruit bunches (ffbs) from both its internal estates and external estates from around the vicinity.

The recent 8 year replanting programme initiated by the company will help ensure a steady and regular supply of internal ffbs for the POM. External ffbs, on the other hand will come mainly from the Plasma Estates (approximately 8,800 ha). These estates are contractually obliged to supply their ffbs fruits to the POM under the Plasma PIR-TRANS programme.

There are approximately 10 other competing palm oil mills in the vicinity.

The plantation & milling division recorded higher revenue and PBT despite the drop in average CPO price by 13.4% (FY2013: RM2,229 vs FY2012: RM2,573). How substantial were the increase in CPO and palm kernel ("PK") production which were able to boost both revenue and PBT in FY2013?

CPO and PK production were 42% and 53% higher respectively in FY 2013 compared to FY 2012. CPO production increased from 34,500MT in FY 2012 to 49,000MT in FY 2013 while PK production during the same period increased from 7,500MT to 11,500MT.



How substantial is the budgeted capital expenditure for the relocation cost of the warehousing and conveying division? What will be the expected payback period if relocation is inevitable?

The Board is not able to ascertain at this juncture the estimated capital expenditure for the relocation of the warehousing and conveying division, as the new site, which will affect the size of the warehouse and the conveying system to be constructed (and eventually the cost of the project's investment) has not been confirmed by Northport at the time of writing. For the same reason, the Board is also unable to forecast the payback period for the relocation program.

Is the Board still considering the appointment of a CEO after Mr. Leong Kian Ming left the Group on 8 October 2012? It is noted that Mr. Leong was hired when the ex-Board went through some reorganization in 2008.

Prior to the appointment of Mr. Leong Kian Ming as CEO on 1 June 2009, there was no position of CEO in the Group. The role of CEO was assumed by the late Dato' Mong Hua @ Low Mong Hua, the Non-Independent Executive Chairman/Managing Director.

Since the resignation of Mr. Leong on 30 October 2012, Mr. Lim Kim Long, the Executive Director has assumed the functions of the CEO. For your information, Mr. Lim is the only Executive Director of the Company at the moment.

Pending any management restructuring, the role of CEO will continue to be assumed by Mr. Lim.