

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Malaysia") has only perused the proposed new shareholders' mandates for recurrent related party transactions of a revenue or trading nature on a limited review basis pursuant to Practice Note 18 of the Main Market Listing Requirements.

Bursa Malaysia has not perused the contents of the proposed renewal of existing shareholders' mandate prior to its issuance as it fall under the category of Exempt Circulars pursuant to Practice Note 18 of the Main Market Listing Requirements.

Bursa Malaysia takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or due to your reliance upon the whole or any part of the contents of this Circular.



**SOUTHERN ACIDS (M) BERHAD**

Company No: 64577-K  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

IN RELATION TO THE

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE; AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The resolutions in respect of the above proposals will be tabled at the Thirty-Eighth Annual General Meeting ("AGM") of Southern Acids (M) Berhad ("Company") to be held at Function Room 1, Setia City Convention Centre, No.1 Jalan Setia Dagang AG U13/AG, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia on 30 August 2019 at 11:00 a.m.. The Notice of the AGM and the Form of Proxy are set out in the Annual Report 2019 of the Company despatched together with this Circular.

The Form of Proxy should be lodged at the Registered Office of the Company at 9, Jalan Bayu Tinggi 2A/KS6, Taipan 2, Batu Unjur, 41200 Klang, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time stipulated below for the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

**Last date and time for lodging the Form of Proxy** : 28 August 2019 at 11:00 a.m.  
**Date and time of the Annual General Meeting** : 30 August 2019 at 11:00 a.m.

This Circular is dated 31 July 2019

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

“Act”	The Companies Act, 2016 as amended from time to time and any re-enactment thereof
“AC”	Audit Committee
“AGM”	Annual General Meeting
“AR 2019”	Annual Report of SAB for the financial year ended 31 March 2019
“BHH”	Banting Hock Hin Estate Company Sdn. Bhd.
“Board”	Board of Directors of SAB.
“Bursa Malaysia”	Bursa Malaysia Securities Berhad
“BUSB”	Bekalan Utama Sdn. Berhad
“CMSA”	Capital Market and Services Act 2007 as amended from time to time and any re-enactment thereof
“Director”	Shall have the same meaning as in Section 2(1) of the CMSA, and for the purpose of the Proposed Shareholders Mandate, includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director or a chief executive officer of our Company or any other company which is our subsidiary or holding company, in accordance with the definition set out in Chapter 10 of the MMLR
“ELH”	Eng Leong Holdings Sdn. Bhd.
“FFB”	Fresh fruit bunches
“Group”	SAB and its subsidiary companies
“KTAL”	Kelompok Tani Anugrah Logas
“KTATM”	Kelompok Tani Anugrah Tanjung Medang
“LBESB”	Low Boon Eng Sdn. Bhd.
“LPD”	Latest practicable date
“LTPR”	Lim Thye Peng Realty Sdn. Bhd.
“MMLR”	Main Market Listing Requirements of Bursa Malaysia as amended from time to time and any re-enactment thereof

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**DEFINITIONS**

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“Major Shareholder”	<p>A person who has an interest or interests in one or more voting shares in the Company and the number or aggregate number of those shares, is: -</p> <p>10% or more of the total number of all voting shares in the Company; or 5% or more of the total number of all voting shares in the Company where a person is the largest shareholder of the Company</p> <p>And includes any person who is or was within the preceding six months of the date on which the terms of the related party transaction were agreed upon, a major shareholder of the Company or any other company which is its subsidiary company or its holding company</p> <p>For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act</p>
“NWSB”	Naga Wira Sdn. Berhad
“PGet”	Pembinaan Gejati Sdn. Bhd.
“Proposed Shareholders’ Mandate”	Proposed Renewal of Shareholders’ Mandate for Existing Recurrent Related Party Transactions of a revenue or trading nature and New Shareholders Mandate for Additional Recurrent Related Party Transactions of a revenue or trading nature
“PTASP”	PT. Anugrah Sawit Perkasa
“PTMAS”	PT. Mustika Agro Sari
“PTWan”	PT. Wanasari Nusantara
“Related Party(ies)”	A director, major shareholder or a person connected to such director or major shareholder as defined under Paragraph 1.01 of the Bursa Malaysia MMLR
“RRPT”	Recurrent related party transaction of a revenue or trading nature which is necessary for the day-to-day operations and is entered into in the ordinary course of business by the Group which involves the interest, direct or indirect, of a Related Party
“RM” and “sen”	Ringgit Malaysia and sen respectively
“SAB” or “the Company”	Southern Acids (M) Berhad
“SAI”	Southern Acids Industries Sdn. Bhd.
“SCPM”	Southern Cocoa Products (M) Sdn. Berhad
“SEOI”	Southern Edible Oil Industries (M) Sdn. Berhad
“SHJP”	Southern Hockjoo Plantation Sdn. Bhd.
“SKP”	Southern Keratong Plantations Sdn. Berhad
“SPI”	Southern Palm Industries Sdn. Bhd.

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**DEFINITIONS**

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“SRA”	Southern Real Asset Sdn. Bhd
“SRM”	Southern Realty (Malaya) Sdn. Berhad
“VIC”	Victory Investment Company Sdn. Bhd.
“38th”	Thirty-Eighth

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysia time, unless otherwise stated.

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**SOUTHERN ACIDS (M) BERHAD**

Company No: 64577-K  
(Incorporated in Malaysia)

**Registered Office:**

9, Jalan Bayu Tinggi 2A/KS6  
Taipan 2, Batu Unjur  
41200 Klang  
Selangor Darul Ehsan

31 July 2019

**The Board of Directors:**

Tan Sri Datuk Seri Panglima Sulong Matjeraie (*Independent Non-Executive Chairman*)  
Dr. Nick Low Kok Thye (*Managing Director*)  
Lim Kim Long (*Executive Director*)  
Chung Kin Mun (*Senior Independent Non-Executive Director*)  
Mohd Hisham Harun (*Non-Independent Non-Executive Director*)  
Leong So Seh (*Independent Non-Executive Director*)  
Teo Leng (*Independent Non-Executive Director*)

To: **The Shareholders of Southern Acids (M) Berhad**

Dear Sir/Madam,

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE; AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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**1. INTRODUCTION**

At the previous AGM of the Company held on 30 August 2018, the Company had obtained shareholders' mandate for the Group, in their normal course of business, to enter into those transactions which are recurrent and of a revenue or trading nature which are necessary for the Group day-to-day operations as set out in the Circular to Shareholders dated 30 July 2018.

The shareholders' mandate obtained by the Company is subject to annual renewal and will lapse at the conclusion of the forthcoming 38<sup>th</sup> AGM unless such authority is renewed by an ordinary resolution passed at the forthcoming 38<sup>th</sup> AGM.

The Company had on 1 July 2019, announced to Bursa Malaysia, its intention to seek the approval of its shareholders for the Proposed Shareholders' Mandate at the forthcoming 38<sup>th</sup> AGM.

The purpose of this Circular is to provide you with details of the Proposed Shareholders' Mandate, to set out the Board's recommendation thereon, and to seek your approval for the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

**You are advised to read and consider carefully the contents and Appendix I of this Circular before voting on the ordinary resolution pertaining to the Proposed Shareholders' Mandate at the said 38<sup>th</sup> AGM.**

## 2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

### 2.1 The Main Market Listing Requirements

Pursuant to Paragraph 10.09(2) of the Bursa Malaysia MMLR, a listed issuer may seek its shareholders' mandate for RRPTs, subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the following threshold:
  - (i) the considerations, value of the assets, capital outlay or costs of the aggregated RRPT is RM1 million or more; or
  - (ii) the percentage ratio of such aggregated RRPT is 1% or more,whichever is the higher;
- (c) the listed issuer's circular to shareholders for the shareholders' mandate, includes the information as may be subscribed by Bursa Malaysia;
- (d) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) the listed issuer shall make an immediate announcement to Bursa Malaysia when the actual value of the RRPT entered into by the Group, exceeds the estimated value of the RRPT disclosed in the Circular by 10% or more and must include the information as may be prescribed by Bursa Malaysia in its announcement.

Where a listed issuer has procured shareholders' mandate pursuant to the above, the provision of Paragraph 10.08 of the Bursa Malaysia MMLR shall not apply with regard to transactions as detailed in Section 2.4 and 2.5 of this Circular.

Accordingly, the Company proposes to seek the approval of the Proposed Shareholders' Mandate from its shareholders for the Group to enter into the RRPT, details of which are stated in Sections 2.3, 2.4 and 2.5 of this Circular.

The Proposed Shareholders' Mandate will take effect for the duration as set out in Section 2.9 of this Circular.

### 2.2 The Classes and Details of Related Parties

The Proposed Shareholders' Mandate will apply to the following classes of Related Parties:

- (a) director;
- (b) major shareholder; and
- (c) persons connected to director and/or major shareholder,

with their details as follows: -

- (i) Dr. Nick Low Kok Thye ("DNL"), the Managing Director and major shareholder of SAB with direct interest of 0.02% and indirect interest of 47.97%;
- (ii) Lim Kim Long ("LKL"), the Executive Director and major shareholder of SAB with direct interest of 0.04% and indirect interest of 50.41%;
- (iii) Tan Sri Dato' Low Boon Eng ("TSLBE"), a Director of SAI, a wholly-owned subsidiary of SAB and major shareholder of SAB with direct interest of 0.002% and indirect interest of 47.97%;
- (iii) Herry Amin ("HA"), a Director of PTMAS and PTWan, both companies are the indirect subsidiaries of SAB in Indonesia and a shareholder of PTMAS and PTWan with a direct interest of 5.0% each. His parents own 25% in PTMAS; and
- (iv) Herry Mukiat ("HM"), a Commissioner of PTMAS and PTWan, both companies are the indirect subsidiaries of SAB in Indonesia. He is the brother of HA.

The companies deemed connected to the above-stated directors and major shareholders of SAB, which in the past had entered into RRPT or going to enter into RRPT with the Group and may continue doing so during the period of this Proposed Shareholders' Mandate are as follows:

- (i) SRM, a private limited company incorporated in Malaysia and amongst many of its businesses is the operations of oil palm plantation and palm oil mills. SRM holds 11,527,419 or 8.42% shares in SAB;
- (ii) SEOI, a private limited company incorporated in Malaysia and is principally involves in the refinery and marketing of palm oil based edible oil. SEOI holds 4,958,332 or 3.62% shares in SAB;
- (iii) SKP, a private limited company incorporated in Malaysia and is principally involves in the operations of oil palm plantation and palm oil mills. SKP does not have any direct equity interest in SAB;
- (iv) PTASP, a private limited company incorporated in Indonesia and is principally involves in the cultivation of oil palm. PTASP does not have any equity interest in SAB; and
- (v) KTAL and KTATM, a respective group of oil palm farmers in Indonesia who pool their resources in order to produce larger scale and enjoy economic of scale and are principally involves in the cultivation of oil palm. KTAL and KTATM do not have any equity interest in SAB.

SRM, SEOI, SKP, PTASP, KTAL and KTATM will hereinafter be referred to as "Transacting Related Party(ies)".

**Relationship**

DNL and LKL, who are directors and major shareholders of SAB, are also directors and major shareholders of SRM, SEOI and SKP, with details of their shareholdings disclosed in Section 5 of this Circular.

TSLBE, a Director of SAI, a wholly-owned subsidiary of SAB, and major shareholder of SAB, is also director and major shareholder of SRM, SEOI and SKP, with details of his shareholdings disclosed in Section 5 of this Circular.

HA and HM, who are the Director and Commissioner of PTMAS and PTWan, the indirect subsidiaries of SAB with details of their shareholdings disclosed in Section 5 of this Circular.

**2.3 The Group businesses and categories of RRPTs**

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are:

- (i) manufacturing and marketing of oleochemical products;
- (ii) oil palm plantation operations and commercial milling;
- (iii) managing and operating of private hospital; and
- (iv) provision of accounting and administrative services.

The principal activities of the subsidiaries of the Group that entered or going to enter into RRPT are set out in the table below:-

<b>Name of Company</b>	<b>Place of Incorporation</b>	<b>Principal Activities</b>
SAI	Malaysia	Manufacturing and marketing of palm oil based oleochemical products
PGet	Malaysia	Oil palm plantation operations and sales of FFB
PTMAS	Indonesia	Oil palm plantation operations and commercial milling
PTWan	Indonesia	Oil palm plantation operations and commercial milling



The RRPTs will be conducted or entered into at arm's length in the best interest of the Group, on normal commercial terms that are not more favourable to our Transacting Related Parties than those generally available to the public and will not be detrimental to our non-interested shareholders.

The categories of RRPTs which are or may be entered into by our Group principally relate or are ancillary to, or facilitates the principal activities of our Group, which include, without limitation, the following:

**(a) Purchase of crude palm oil, refined palm oil and heating materials**

SAI purchases crude palm oil and refined palm oils for the production of oleochemical. In the production processes, SAI also consume heating materials produced from estate and palm oil mill's residues and wastes. Amongst many of its suppliers, SAI has been purchasing crude palm oil, refined palm oils and heating materials from the Transacting Related Parties due to the proximity of the oleochemical production plant and the estates and the palm oil mills, for operational efficiency and cost effectiveness. The purchase of crude palm oil and refined palm oils are based on prevailing market prices and terms, which are readily available as palm oil is a global commodity.

**(b) Sale of fresh fruit bunches**

PGet sells its harvested FFB to SRM due to the proximity of SRM's palm oil mill for operational efficiency and cost effectiveness. The transactions are based on prevailing market prices and terms, which are published by the Malaysian Palm Oil Board.

**(c) Purchase of fresh fruit bunches**

PTMAS and PTWan purchase FFB from PTASP, KTATM and KTAL for its supplies of fruits for the operation of palm oil mills. The transactions are based on prevailing market prices and terms, which are published by the Disbun, the Provisional State Corps Office in Indonesia.

2. **DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE (CONT'D)**

**2.4 Nature of existing recurrent related party transactions contemplated under the Proposed Shareholders' Mandate**

The RRPT which will be covered by the Proposed Shareholders' Mandate are transactions carry out in the ordinary course of business of the Related Parties, details of which are as follows: -

The companies of the Group involved in the RRPT	Transacting Related Party	Principal activity of Transacting Related Party	Nature of Transactions	Interested director / interested major shareholder / persons connected to them	Estimated value <sup>^</sup> between forthcoming 38 <sup>th</sup> AGM to next AGM	Estimated value <sup>#</sup> for last mandated period	Actual value <sup>*</sup> transacted during last mandated date up to LPD
					RM'000	RM'000	RM'000
SAI	SRM	Operations of oil palm plantation and palm oil mill and others	SAI purchases crude palm oil and heating materials from SRM	DNL, LKL and TSLBE	4,500	6,500	317
SAI	SEOI	Refinery and marketing of palm oil based edible oil	SAI purchases refined palm oil from SEOI	DNL, LKL and TSLBE	20,500	20,000	4,715
SAI	SKP	Operations of oil palm plantation and palm oil mill	SAI purchases crude palm oil and heating materials from SKP	DNL, LKL and TSLBE	4,200	5,000	-
PGet	SRM	Operations of oil palm plantation and palm oil mill and others	PGet sells FFB to SRM	DNL, LKL and TSLBE	2,000	2,000	1,035
<b>Total</b>					<b>31,200</b>	<b>33,500</b>	<b>6,067</b>

<sup>^</sup> The estimated values are based on the expected value of the transactions to be entered into with Related Parties and the estimates of the management based on the information available at the time of decision making.

<sup>#</sup> Estimated values as disclosed in the Circular to Shareholders dated 31 July 2018.

<sup>\*</sup> Actual value of transactions from the date of the existing shareholder's mandate obtained at the last AGM held on 30 August 2018 up to 30 June 2019 being the LPD.

The shareholdings of the interested director and interested major shareholder and persons connected to them in the Transacting Related Parties are disclosed in Section 5 of this Circular.

## 2.5 Nature of additional recurrent related party transactions contemplated under the Proposed Shareholders' Mandate

The additional RRPT which will be covered by the Proposed Shareholders' Mandate are transactions carry out in the ordinary course of business of the Related Parties, details of which are as follows: -

The companies of the Group involved in the RRPT	Transacting Related Party	Principal activity of Transacting Related Party	Nature of Transactions	Interested director / interested major shareholder / persons connected to them	Estimated value^ between forthcoming 38 <sup>th</sup> AGM to next AGM
<b>RM'000</b>					
PTMAS	PTASP KTAL KTATM	Oil palm plantation operations	PTMAS purchases FFB from PTAL, PTASP and PTATM	HA and HM	2,500
PTWan	PTASP KTAL KTATM	Oil palm plantation operations	PTWan purchases FFB from PTAL, PTASP and, PTATM	HA and HM	2,000

## 2.6 Benefits and Rationale for the Proposed Shareholders' Mandate

The RRPT set out in Section 2.4 and 2.5 of this Circular are recurring transactions of a revenue or trading nature to be entered into in the ordinary course of business, will generate revenue and contribute to the profitability of the Group.

The main reasons the Group enters into RRPT are the reliability of supplies and the proximity between the operations, for operational efficiency and cost effectiveness. As such, the continuation in carrying out RRPT necessary for the day-to-day operations of the Group on commercial terms will enhance the Group ability to pursue its business opportunities, which are time-sensitive in nature, in a more expeditious manner.

These recurring transactions are likely to occur with some degree of frequency and arise at any time and from time to time and hence may be impractical to seek shareholders' approval on a case-to-case basis before entering into such RRPT.

The shareholders' mandate in respect of the RRPT on an annual basis would eliminate the need to convene separate general meeting from time to time to seek shareholders' approval as and when potential recurrent transactions with a related party arises, thereby reducing substantially administrative time and expenses in convening such meetings without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

## 2.7 Guidelines and Review Procedures for RRPT

The Board is mindful of the interests of the minority shareholders and has put in place internal control systems to ensure that any RRPT entered into by the Group with Related Parties, which are in the ordinary course of business, are conducted at arm's length basis and on normal commercial terms consistent with the Group business policies and practices and are not detrimental to the interests of the minority shareholders.

The management and the AC are committed to ensure that all RRPT will only be entered into after taking into consideration of all the relevant valuation, quantitative and qualitative factors.

The review procedures established include the following:

- (a) all directors have been briefed of the requirements governing RRPT under the Bursa Malaysia MMLR. In particular, they have been advised that RRPT, if aggregated values of the transactions fall within the thresholds set in the Bursa Malaysia MMLR, such RRPT will require the prior approval of the shareholders of SAB and that such approval, if granted, are subject to annual renewal. The directors have also been informed of the review and disclosure procedures put in place by the management;
- (b) all RRPT will be monitored and reviewed by the management and records of such transactions will be made available by the management to the AC, internal and/or external auditors for their periodic reviews;
- (c) market prices will be used as benchmarks to determine the transaction prices for sales to and purchases from Related Parties. The transactions will be entered into at prevailing market prices on terms not more favourable to the Related Parties than those generally available to the public. Market prices are benchmarked against published rates and/or quotations received from independent or third party suppliers of similar or substantially similar products and services.

The transaction prices, terms and conditions are determined by market forces, under similar commercial terms for transactions with third parties, which depend on the demand and supply of the products and services in the market. Terms of RRPT relating to the price or sales margins shall not change substantially during the period when the Proposed Shareholders' Mandate is in force. Where such change is deemed necessary, the management shall ensure that the new terms are consistent with a transaction conducted at arm's length and on normal commercial terms and will not be detrimental to the interests of the minority shareholders.

At least two others contemporaneous transactions with unrelated third parties for similar products or services and/or quantities will be used as comparison, whenever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products or services and/or quantities.

Where quotation or comparative pricing of a particular product or service cannot be obtained from unrelated third parties, the transaction price will be determined by the management based on products or services of substantially similar in nature and/or quality offered to/by other unrelated third party to ensure that the RRPT is not detrimental to the Group;

- (d) the Company maintains a record of RRPT carried out pursuant to the Proposed Shareholders' Mandate. The AC also annually reviews and updates existing review guidelines and procedures if necessary to ensure they remain relevant and effective; and
- (e) where any director or person connected with him/her has any interest (direct or indirect) in any RRPT, such director (or his/her alternate) shall abstain from voting on the matter at the Board meeting of the Company. Where any member of the AC is interested in any RRPT, that member shall abstain from voting on any matter relating to any decision to be taken by the AC with respect to such transaction.

The AC has reviewed and satisfied the procedures and processes are adequate to monitor, track and identify RRPT in a timely and orderly manner. The AC will review these procedures on an annual basis to ensure that such transactions are carried out at arms' length basis and made in the ordinary course of business on terms which are not more favourable to the Related Parties than those generally available to the public and will not be detrimental to the interest of the minority shareholders.

## **2.8 Threshold of Authority**

There is no specific threshold for approval of RRPT within the Group. However, all RRPT are subject to the approval of the Board. Where any director has an interest (direct or indirect) in any RRPT, such director shall abstain from deliberation and voting on the matter. If it is determined that the guidelines and/or procedures stated in Section 2.6 of this Circular are inadequate to ensure that:

- (a) the RRPT will be conducted at arms' length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (b) such transactions are not to the detriment of the minority shareholders or prejudicial to the interests of the shareholders.

the Company will seek for a fresh mandate from its shareholders.

## **2.9 Validity Period for the Proposed Shareholders' Mandate**

The authority conferred pursuant to the Proposed Shareholders' Mandate, if approved at the forthcoming 38<sup>th</sup> AGM on 30 August 2019, shall only continue to be in force until: -

- (a) the conclusion of the next AGM following the forthcoming 38<sup>th</sup> AGM in which the authorisation is obtained, at which time it will lapse, unless by an ordinary resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM following the forthcoming 38<sup>th</sup> AGM is required to be held pursuant to Section 340(2) of the Act, (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in General Meeting,

whichever is the earlier.

## **2.10 Amount due and owing by Related Parties**

As at the end of the financial year ended 31 March 2019, none of the amount due and owing by Related Parties has exceeded the credit terms.

## **2.11 Disclosure in the annual report**

In accordance with Paragraph 3.1.5 of Practice Note 12 of the Bursa Malaysia MMLR, a disclosure on the aggregate value of RRPTs conducted pursuant to the Mandate has been made in the AR 2019 of the Company based on the following information:

- (a) the type of RRPTs made; and
- (b) the names of the Related Parties involved in each category of RRPT made and their relationship with the Company.

## **3. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE**

The Proposed Shareholders' Mandate will not have any material effect on the issued and paid-up share capital, net tangible assets and earnings of SAB for the financial year ending 31 March 2020.

## **4. APPROVALS REQUIRED**

The Proposed Shareholders' Mandate is subject to the approval of the shareholders of SAB at the forthcoming AGM to be convened.

## 5. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of our directors, major shareholders and/or person(s) connected to them have any interest, direct or indirect, in the Proposed Shareholders' Mandate:

Interested major shareholders and/or directors of SAB Group	Transacting Related Party	Equity interest in Transacting Related Party				Equity interest in SAB			
		Direct		Indirect		Direct		Indirect	
		No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
DNL	SRM	-	-	81,811,430	63.50 <sup>(1)</sup>	30,416	0.02	65,692,824	47.97 <sup>(10)</sup>
	SEOI	-	-	9,550,000	47.75 <sup>(2)</sup>	-	-	-	-
	SKP	-	-	2,016,000	67.20 <sup>(3)</sup>	-	-	-	-
LKL	SRM	10,000	0.01	75,987,910	58.98 <sup>(4)</sup>	49,276	0.04	69,032,267	50.41 <sup>(11)</sup>
	SEOI	100,000	0.50	10,130,005	50.65 <sup>(5)</sup>	-	-	-	-
	SKP	-	-	2,031,001	67.70 <sup>(6)</sup>	-	-	-	-
TSLBE	SRM	1,103,400	0.86	80,709,030	62.64 <sup>(7)</sup>	2,487	0.002	65,687,977	47.97 <sup>(12)</sup>
	SEOI	5,000	0.03	9,996,000	49.98 <sup>(8)</sup>	-	-	-	-
	SKP	-	-	2,016,000	67.20 <sup>(9)</sup>	-	-	-	-
HA	PTASP	500	50.00	500	50.00 <sup>(13)</sup>	-	-	-	-
	KTAL	16	20.00	40	50.00 <sup>(14)</sup>	-	-	-	-
	KTATM	20	20.00	-	-	-	-	-	-
HM	PTASP	500	50.00	500	50.00 <sup>(13)</sup>	-	-	-	-
	KTAL	40	50.00	16	20.00 <sup>(14)</sup>	-	-	-	-

Notes:-

- (1) Deemed interested by virtue of the interests held by his father, TSLBE and his father's shareholdings in ELH, BHH, LBESB and SRA;
- (2) Deemed interested by virtue of the interests held by his father, TSLBE and his father's shareholdings in BHH, SRM and SHJP;
- (3) Deemed interested by virtue of the interests held by his father, TSLBE's shareholdings in SAB, SEOI, SRM, VIC and BHH;
- (4) Deemed interested by virtue of the interests held by the estate of his late father, Lim Boon Eng, brother Lim Keng Hock @ Lim King Hok and by virtue of his shareholdings in BHH, LTPR and SRA;
- (5) Deemed interested by virtue of the interests held by his brothers, Lim Keng Hock @ Lim King Hok, Lim King Pau @ Lim Kim Pau and Lim King Sai, and by virtue of his shareholdings in SHJP, BHH, LTPR and SRM;
- (6) Deemed interested by virtue of the interest held by the estate of his late father, Lim Boon Eng and by virtue of his shareholdings in SAB, SEOI, SRM, VIC and BHH;
- (7) Deemed interested by virtue of the interests held by his brother, Low Boon Lai and by virtue of his shareholdings in ELH, BHH, LBESB and SRA;
- (8) Deemed interested by virtue of the interests held by his brothers Low Boon Lai and Low Boon Poh, sisters Low Chau Siang & Low Chiew Huay, Low Chu Mooi & Low Choo Hong and Low Sow Kim & Low Chiew Giok, mother, Estate of Lee Chen Thau (deceased), and by virtue of his shareholdings in SHJP, BHH and SRM;
- (9) Deemed interested by virtue of his shareholdings in SAB, SEOI, SRM, VIC and BHH;
- (10) By virtue of the interests held by his parents, spouse and sister and his father, TSLBE's shareholdings in BHH, SRM, SEOI, SHJP, NWSB, BUSB, SPI, SCP and ELP, spouse, mother and sisters;

Notes:-

- (11) By virtue of the interests held by his spouse, brothers, sister and sister-in-law and his interest in SCP, BHH, SRM, SHJP, NWSB, BUSB, SEOI, SPI and LTPR;
- (12) By virtue of the interest held by his children and daughter-in-law and his interest in SCP, BHH, SRM, SHJP, NWSB, BUSB, SEOI, SPI and ELH.
- (13) By virtue of the interests held by his brother and his interest in PTASP.
- (14) By virtue of the interests held by his brother and his interest in KTAL and KTATM. KT is a group of oil palm farmers who pool their resources in order to produce larger scale and enjoy economic of scale. Hence, in this case and for the purposes of computing the interest, the land holding size of oil palm estates (total hectares) is used.

Accordingly, DNL and LKL have abstained and will continue to abstain from all Board deliberations and voting on the resolution approving the Proposed Shareholders' Mandate.

The above-mentioned interested directors and interested major shareholders will abstain from voting in respect of their direct and/or indirect interests in SAB at the forthcoming AGM to consider the resolution in respect of the Proposed Shareholders' Mandate. In addition, they will ensure that persons connected to them will abstain from voting on the resolution, deliberating or approving the Proposed Shareholders' Mandate at the forthcoming AGM.

## **6. DIRECTORS' RECOMMENDATION**

After taking into consideration all aspects of the Proposed Shareholders' Mandate, the Board (save for DNL and LKL who have abstained from expressing any opinion on the Proposed Shareholders' Mandate) is of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company and its shareholders.

Accordingly, The Board (save for DNL and LKL) recommends that you vote in favour of the resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

## **7. ANNUAL GENERAL MEETING**

The forthcoming 38<sup>th</sup> AGM of the Company will be held at Function Room 1, Setia City Convention Centre, No.1 Jalan Setia Dagang AG U13/AG, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia on 30 August 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the resolutions as set out in the Notice of AGM to approve the Proposed Shareholders' Mandate.

If you are unable to attend and vote in person at the AGM, you are requested to complete and return the Form of Proxy enclosed in the AR 2019 in accordance with the instructions therein as soon as possible and in any event so as to arrive at the Company's Registered Office at 9, Jalan Bayu Tinggi 2A/KS6, Taipan 2, Batu Unjur, 41200 Klang, Selangor Darul Ehsan, not less than forty eight (48) hours before the time set for the AGM. The lodging of Form of Proxy does not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

## **8. FURTHER INFORMATION**

Shareholders are advised to refer to the attached Appendix I for further information.

Yours sincerely,  
For and on behalf of the Board of Directors  
**SOUTHERN ACIDS (M) BERHAD**

**Chung Kin Mun**  
Senior Independent Non-Executive Director

**FURTHER INFORMATION****1. Responsibility Statement**

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would render any statement herein misleading.

**2. Material Contracts**

The Group has not entered into any material contract within two years preceding the date of this Circular other than contracts entered in the ordinary course of business.

**3. Material Litigation, claims or arbitration**

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors of SAB are not aware of any proceeding pending or threatened against the Group or any fact likely to give rise to any proceeding which might materially affect the financial position or business of the Company and its subsidiaries.

**4. Documents Available for Inspection**

Copies of the following documents will be available for inspection at the registered office of SAB during normal office hours on any weekday (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:

- (i) Constitution of SAB; and
- (ii) The audited financial statements of SAB for the financial years ended 31 March 2018 and 31 March 2019.