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**SOUTHERN ACIDS (M) BERHAD**

Company No: 64577-K  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

IN RELATION TO THE

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE  
FOR RECURRENT RELATED PARTY TRANSACTIONS  
OF A REVENUE OR TRADING NATURE**

The Resolution in respect of the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature at the Thirty-Fifth Annual General Meeting of the 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 24 August 2016 at 11:00 a.m.. The Notice of the Annual General Meeting together with the Form of Proxy are set out and enclosed in the Annual Report of the Company for the financial year ended 31 March 2016 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** : **22 August 2016 at 11:00 a.m.**  
**Date and time of the Annual General Meeting** : **24 August 2016 at 11:00 a.m.**

This Circular is dated 29 July 2016

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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, 1965 as amended from time to time and any re-enactment thereof
“AGC”	:	Audit & Governance Committee
“AGM”	:	Annual General Meeting
“AR 2016”	:	Annual Report of SAB for the financial year ended 31 March 2016
“BHH”	:	Banting Hock Hin Estate Company Sdn. Bhd.
“Board”	:	Board of Directors of SAB.
“Bursa”	:	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”	:	<p>In accordance with Paragraph 10.02(c), Part B of the MMLR, a director shall have the meaning in Section 2(1) of the CMSA 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 :</p> <p>a) a director of the listed issuer, its subsidiary or holding company; or</p> <p>b) a chief executive of the listed issuer, its subsidiary company or holding company</p>
“ELH”	:	Eng Leong Holdings Sdn. Bhd.
“FFB”	:	Fresh fruit bunches
“LBESB”	:	Low Boon Eng Sdn. Bhd.
“LPD”	:	Latest practicable date
“LTPR”	:	Lim Thye Peng Realty Sdn. Bhd.
“MMLR”	:	Main Market Listing Requirements of Bursa as amended from time to time and any re-enactment thereof
“Major Shareholder”	:	<p>A person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is: -</p> <p>a) 10% or more of the aggregate of the nominal amounts of all voting shares in the Company; or</p> <p>b) 5% or more of the aggregate of the nominal amounts of all voting shares in the Company where such 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, such 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 6A of the Act</p>

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## DEFINITIONS

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“NWSB”	:	Naga Wira Sdn. Berhad
“PGet”	:	Pembinaan Gejati Sdn. Bhd.
“Proposed Renewal of Shareholders’ Mandate”	:	Proposed renewal of existing shareholders’ mandate for Southern Acids to enter into RRPT as detailed in Section 2 of this Circular
“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 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 Southern Acids which involves the interest, direct or indirect, of a Related Party
“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
“Southern Acids”	:	SAB and its subsidiary companies
“SPI”	:	Southern Palm Industries Sdn. Bhd.
“SRA”	:	Southern Real Asset Sdn. Bhd.
“SRM”	:	Southern Realty (Malaya) Sdn. Berhad
“35 <sup>th</sup> ”	:	Thirty-Fifth
“VIC”	:	Victory Investment Company Sdn. Bhd.

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

29 July 2016

**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*)  
Tan Sri Dato' Low Boon Eng (*Non-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*)  
Raymond Wong Kwong Yee (*Non-Independent Non-Executive Director*)

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

Dear Sir/Madam,

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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**1. INTRODUCTION**

Pursuant to Paragraph 10.09 of the MMLR, the Company had procured the shareholders' mandate at its last AGM held on 28 September 2015, for Southern Acids, 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 Southern Acids' day-to-day operations as set out in the Circular to Shareholders dated 5 August 2015.

The shareholders' mandate obtained by the Company is subject to annual renewal and will lapse at the conclusion of the forthcoming 35<sup>th</sup> AGM unless such authority is renewed by an ordinary resolution passed at the forthcoming 35<sup>th</sup> AGM.

On 20 June 2016, the Board had announced to Bursa its intention to seek the approval of the Company's shareholders for the Proposed Renewal of Shareholders' Mandate at the forthcoming 35<sup>th</sup> AGM.

The purpose of this Circular is to provide you with details of the Proposed Renewal of Shareholders' Mandate, to set out the views of your Board and to seek your approval for the Proposed Renewal of Shareholders' Mandate to be tabled at the forthcoming 35<sup>th</sup> AGM.

**Shareholders are advised to read and consider carefully the contents and appendix of this Circular before voting on the ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate at the forthcoming 35<sup>th</sup> AGM.**

## 2. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

### 2.1 The Main Market Listing Requirements

Pursuant to Paragraph 10.09(2) of the MMLR, a listed issuer may seek a mandate from its shareholders for RRPT 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:
  - (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;
- (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 when the actual value of the RRPT entered into by the Company, 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 in its announcement.

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

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

The Proposed Renewal of Shareholders' Mandate will take effect for the duration as set out in Section 2.8 of this Circular.

### 2.2 The Classes and Details of Related Parties

The Proposed Renewal of 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 50.40%; and
- (iii) Tan Sri Dato' Low Boon Eng ("TSLBE"), the Non-Independent Non-Executive Director and major shareholder of SAB with direct interest of 0.002% and indirect interest of 47.97%.

## 2.2 The Classes and Details of Related Parties (Cont'd)

The companies deemed connected to the above-stated directors and major shareholders of SAB, which in the past had entered into RRPT with Southern Acids and may continue doing so during the period of this Proposed Renewal of 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; and
- (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.

SRM, SEOI and SKP will hereinafter be referred to as "Transacting Related Party"

### **Relationship**

DNL, LKL and TSLBE, 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.

## 2.3 Southern Acids businesses and types of RRPT

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are:

- (i) manufacturing and marketing of oleochemical products;
- (ii) sales of oil palm fruit and crude palm oil;
- (iii) managing and operating of private hospital; and
- (iv) provision of accounting and administrative services.

The RRPT are entered into by Southern Acids at arm's length and are based on Southern Acids normal commercial terms that are not more favourable to the Transacting Related Party than those generally available to the public and will not be detrimental to the interests of minority shareholders in the Company. The Proposed Renewal of Shareholders' Mandate is applicable to two wholly owned subsidiary companies of SAB namely SAI and PGet.

SAI is principally involved in manufacturing and marketing of palm oil based oleochemical products. PGet is principally involved in the planting of oil palm and sale of FFB.

The types of RRPT to be covered by the Proposed Renewal of Shareholders' Mandate relate principally to the businesses of SAI and PGet as follows:

### **(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 Party 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 Selangor Palm Oil Millers' Associations.

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

### 2.4 Nature of transactions contemplated under the Proposed Renewal of Shareholders' Mandate

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

Southern Acids companies 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 for last mandated period	Actual value* transacted during last mandated date up to LPD	Estimated value^ between forthcoming 35 <sup>th</sup> AGM to next AGM
					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	10,000	783	10,000
SAI	SEOI	Refinery and marketing of palm oil based edible oil	SAI purchases refined palm oil from SEOI	DNL, LKL and TSLBE	30,000	3,613	30,000
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	8,000	389	8,000
PGet	SRM	Operations of oil palm plantation and palm oil mill and others	PGet sells FFB to SRM	DNL, LKL and TSLBE	2,000	885	2,000
<b>Total</b>					<b>50,000</b>	<b>5,670</b>	<b>50,000</b>

\* Actual value of transactions from the date of the existing shareholder's mandate obtained at the last AGM held on 28 August 2015 up to 30 June 2016 being the LPD.

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

The shareholdings of the interested director and interested major shareholder and persons connected to them in the Transacting Related Party are disclosed in Section 5.0 of this Circular.



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

### **2.5 Benefits and Rationale for the Proposed Renewal of Shareholders' Mandate**

The RRPT set out in Section 2.4 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 Southern Acids.

The main reasons Southern Acids 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 Southern Acids on commercial terms will enhance Southern Acids 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 Southern Acids.

### **2.6 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 Southern Acids with Related Party, which are in the ordinary course of business, are conducted at arm's length basis and on normal commercial terms consistent with Southern Acids business policies and practices and are not detrimental to the interests of the minority shareholders in Southern Acids.

The management and the AGC of SAB 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 MMLR. In particular, they have been advised that RRPT, if aggregated values of the transactions fall within the thresholds set in the 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 AGC, 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 Party. The transactions will be entered into at prevailing market prices on terms not more favourable to the Related Party 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/distribution margins shall not change substantially during the period when the Proposed Renewal of 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 minority shareholders in Southern Acids.

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 Party are fair and reasonable and comparable to those offered to/by other unrelated 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 product or service of substantially similar in nature and/or quality offered to/by other unrelated party to ensure that the RRPT is not detrimental to Southern Acids;

## **2.6 Guidelines and Review Procedures for RRPT (Cont'd)**

- (d) the Company maintains a record of RRPT carried out pursuant to the Proposed Renewal of Shareholders' Mandate. The AGC also annually reviews and updates existing review guidelines and procedures if necessary to ensure they remain relevant and effective; and
- (e) further, 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 AGC is interested in any RRPT, that member shall abstain from voting on any matter relating to any decision to be taken by the AGC with respect to such transaction.

## **2.7 Threshold of Authority**

There is no specific threshold for approval of RRPT within Southern Acids. 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 Party than those generally available to the public; and
- (b) such transactions are not to the detriment of the minority shareholders of the Company or prejudicial to the interests of the shareholders.

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

## **2.8 Validity Period for the Proposed Renewal of Shareholders' Mandate**

The authority conferred pursuant to the Proposed Renewal of Shareholders' Mandate, if approved at the forthcoming 35<sup>th</sup> AGM on 24 August 2016, shall only continue to be in force until: -

- (a) the conclusion of the next AGM following the forthcoming 35<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 35<sup>th</sup> AGM is required to be held pursuant to Section 143(1) of the Act, (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

## **2.9 Amount due and owing by Related Party**

As at the end of the financial year ended 31 March 2016, none of the amount due and owing by Related Party has exceeded the credit terms.

## **2.10 Disclosure in the annual report**

In accordance with Paragraph 3.1.5 of Practice Note 12 of the MMLR, disclosure will be made in the annual report of the Company with regard to the aggregate value of RRPT conducted pursuant to the shareholders' mandate during the financial year and in the annual report of the subsequent year during which the shareholders' mandate is still in force. In providing the disclosure, the Company will provide a breakdown of the aggregate value of the RRPT made during the financial year, amongst others, based on the following information:

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

## 2.11 Statement by Audit & Governance Committee

The AGC of SAB, which has been given the responsibility of determining whether the procedures for reviewing all RRPT are appropriate and relevant, comprised the following members:

- (a) Chung Kin Mun (*Chairman, Senior Independent Non-Executive Director*);
- (b) Leong So Seh (*Independent Non-Executive Director*);
- (c) Teo Leng (*Independent Non-Executive Director*); and
- (d) Raymond Wong Kwong Yee (*Non-Independent Non-Executive Director*).

The AGC will review the procedures in Section 2.6 on a yearly basis or such frequency as the AGC considers appropriate having regard to the value and the frequency of the RRPT. Southern Acids has put in place adequate procedures and processes to monitor, track and identify such transactions in a timely and orderly manner to ensure that the RRPT are carried out on arms' length basis and made in the ordinary course of business on terms which are not more favourable to the Related Party than those generally available to the public and will not be detrimental to the interest of the minority shareholders of the Company.

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

The Proposed Renewal of Shareholders' Mandate will not have any material effect on the issued and paid-up share capital, net tangible assets and earnings per share of SAB.

## 4. APPROVALS REQUIRED

The Proposed Renewal of 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 the other directors, major shareholders and/or person(s) connected to them have any interest, direct or indirect, in the Proposed Renewal of Shareholders' Mandate:

Interested major shareholders and/or directors of SAB	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	65,689,824	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	69,017,267	50.40 <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	65,684,977	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>	-	-	-	-

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 administrator of 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 administrator of 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 brothers Low Boon Lai and Low Boon Poh, sisters Low Chiau Siang & Low Chiew Huay, Low Chu Mooi & Low Choo Hong and Low Sow Kim & Low Chiew Geok), 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 father, TSLBE and his father's shareholdings in BHH, SRM, SEOI, SHJP, NWSB, BUSB, SPI, SCP and ELP, mother and sisters;
- (11) By virtue of his interest in SCP, BHH, SRM, SHJP, NWSB, BUSB, SEOI, SPI and LTPR, spouse, brother and sister-in-law;
- (12) By virtue of his interest in SCP, BHH, SRM, SHJP, NWSB, BUSB, SEOI, SPI and ELH, and children.

Accordingly, DNL, LKL and TSLBE have abstained and will continue to abstain from all Board deliberations and voting on the resolution approving the Proposed Renewal of 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 Renewal of Shareholders' Mandate. In addition, they will ensure that persons connected to them will abstain from voting on the resolution, deliberating or approving the Proposed Renewal of Shareholders' Mandate at the forthcoming AGM.

## **6. DIRECTORS' RECOMMENDATION**

After taking into consideration all aspects of the Proposed Renewal of Shareholders' Mandate, your Board, with the exception of DNL, LKL and TSLBE who have abstained from expressing any opinion on the Proposed Renewal of Shareholders' Mandate, is of the opinion that the Proposed Renewal of Shareholders' Mandate is in the best interest of the Company and its shareholders.

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

## **7. ANNUAL GENERAL MEETING**

The 35<sup>th</sup> AGM, the Notice of which is enclosed in the AR 2016 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 24 August 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposed Renewal of Shareholders' Mandate.

If you are unable to attend and vote in person at the AGM, you are requested to complete and return the Proxy Form which is enclosed in the AR 2016 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 sending of Proxy Form does not preclude you from attending and voting in person should you subsequently wish to do so.

**8. FURTHER INFORMATION**

Shareholders are requested 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 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**

Southern Acids have not entered into any material contract within two years immediately preceding the date of this Circular other than contracts entered in the ordinary course of business.

**3. Claims**

As at the LPD, Southern Acids 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 Southern Acids or any fact likely to give rise to any proceeding which might materially affect the financial position or business of the Group.

**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) Memorandum and Articles of Association of SAB; and
- (ii) The audited financial statements of SAB for the financial years ended 31 March 2015 and 31 March 2016.

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