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

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**SUMATEC RESOURCES BERHAD**

(Company No. 428355-D)

(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTION(S) OF A REVENUE OR TRADING NATURE**

The Notice of convening the 19th Annual General Meeting ("AGM") of the Company to be held at Concorde 1, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah, 40100 Shah Alam, Selangor on Thursday, 2 June 2016 at 11.00 a.m. together with the Proxy Form are set out in the 2015 Annual Report.

A member entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend and to vote on his behalf. In such event, the Proxy Form should be lodged at the registered office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time stipulated for holding the AGM. The lodging of the Proxy Form does not preclude you from attending and voting in person at the AGM, should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Tuesday, 31 May 2016 at 11.00 a.m.

Date and time of the AGM : Thursday, 2 June 2016 at 11.00 a.m., or any adjournment thereof

**This Circular is dated 28 April 2016**

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## DEFINITIONS

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The following terms in this Circular have the same meaning as set out below unless the context requires otherwise:-

- “Act” : Companies Act, 1965
- “AGM” : Annual General Meeting
- “Board” : Board of Directors of Sumatec
- “Bursa Securities” : Bursa Malaysia Securities Berhad
- “Circular” : Circular dated 28 April 2016 in relation to the Proposed Renewal of Existing Shareholders’ Mandate
- “COG” : CaspiOilGas LLP (State Registered Certificate No. 17072-1910-TOO (IU)), an effective wholly-owned subsidiary of MELL
- “Director(s)” : Shall have the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding six (6) months on the date on which the terms of the Recurrent Transactions were agreed upon, a Director of the Company or any other company which is its subsidiary or holding company or a chief executive officer of the Company, its subsidiary or holding company
- “Gas Development” : The proposed development of gas resources at the Rakushechnoye Oil and Gas Field pursuant to the terms of the GDPA
- “GDPA” : The Gas Development and Production Agreement entered into between Sumatec and MELL dated 10 December 2013 for the development of gas resources at the Rakushechnoye Oil and Gas Field
- “JIA” : Joint investment agreement dated 8 March 2012 entered into between Sumatec, MELL and COG for inter-alia, the appointment of Sumatec to carry out the operations related to the production of hydrocarbon (i.e. oil and gas) from the Rakushechnoye Oil and Gas Field
- “JIAA” : The Joint Investment Agency Agreement dated 2 August 2013 entered into between Sumatec, COG and SOG for the appointment of SOG as the agent in managing and providing the oversight on the oil production operations for Sumatec and COG
- “Listing Requirements” : Main Market Listing Requirements of Bursa Securities
- “LPD” : 13 April 2016, being the latest practicable date prior to the date of printing of this Circular
- “Major Shareholder(s)” : Any person who is or was within the preceding six (6) months of the date on which the terms of the Recurrent Transactions were agreed upon, a major shareholder of our Company (including our subsidiaries or holding companies) who has an interest or interests in one or more voting shares in our Company and the nominal amount of the share, or the aggregate of the nominal amounts of those shares, is:
- (a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in our Company; or
  - (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in our Company where such person is the largest shareholder of our Company.
- For the purpose of this definition, “interests in shares” shall have the meaning given in Section 6A of the Act
- “MELL” : Markmore Energy (Labuan) Limited

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## DEFINITIONS

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"Existing Shareholders' Mandate"	: The shareholders' mandate obtained on 11 June 2015 for the Group to enter into Recurrent Transactions
"Proposed Renewal of Existing Shareholders' Mandate"	: Proposed renewal of the Existing Shareholders' Mandate for Recurrent Transaction(s) to be entered into from the date of the forthcoming AGM to the next AGM of Sumatec in 2017
"Rakushechnoye Oil and Gas Field"	: The Rakushechnoye oil and gas field within blocks XXXVIII – 11 - F (partially), 12 - D (partially), XXXIX –11 – C (partially), 12 – A (partially) in the Karakiyan District of the Mangistau Oblast, Kazakhstan
"Recurrent Transaction(s)"	: Recurrent related party transaction(s) of a revenue or trading nature which are necessary for the day-to-day operations entered into/ to be entered into by us or any of our subsidiaries with the Related Parties, which are the subject of the Proposed Renewal of Existing Shareholders' Mandate
"Related Parties"	: Our Directors, Major Shareholders and/or persons connected to them who are interested in the Recurrent Transactions
"RM" and "sen"	: Ringgit Malaysia and sen, respectively
"SCSB"	: Sumatec Corporation Sdn. Bhd. (Company No. 144316-K)
"SOG"	: Sumatec Oil and Gas LLP, a wholly owned subsidiary of Sumatec
"Sumatec" or the "Company"	: Sumatec Resources Berhad
"Sumatec Group" or "Group"	: Sumatec and its subsidiaries
"Sumatec Share(s)" or "Share(s)"	: Ordinary shares of RM0.14 each in Sumatec
"TSHS"	: Tan Sri Halim bin Saad, our major shareholder, as well as the Director and major shareholder of MELL
"USD"	: United States of America Dollars
"Vendors"	: The vendors of Borneo Energy, namely Abu Talib bin Abdul Rahman and Dr. Murat Safin, collectively

All references to "our Company" or "Sumatec" in this Circular are to Sumatec Resources Berhad, references to "our Group" or "Sumatec Group" are to our Company and our consolidated subsidiaries and references to "we", "us", "our" and "ourselves" are to our Company, and save where the context otherwise requires, our consolidated subsidiaries.

All references to "you" in this Circular are to the shareholders of our Company.

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.

All references to the time of day in this Circular are references to Malaysian time. Certain figures in this Circular have been subject to rounding adjustments.

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**SUMATEC RESOURCES BERHAD**  
(Company No. 428355-D)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**

Level 15-2, Bangunan  
Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur

28 April 2016

**Directors:-**

Tan Sri Abu Talib bin Othman (*Independent Non-Executive Director/Chairman*)  
Chan Yok Peng (*Managing Director*)  
Wan Kamaruddin bin Dato' Biji Sura @ Wan Abdullah (*Non-Independent Non-Executive Director*)  
Dato' Ahmad Johari bin Abdul Razak (*Independent Non-Executive Director*)  
Michael Lim Hee Kiang (*Independent Non-Executive Director*)  
Mohamad bin Ismail (*Independent Non-Executive Director*)  
Datuk Che Mokhtar bin Che Ali (*Independent Non-Executive Director*)  
Datuk Mohd Nasir bin Ahmad (*Independent Non-Executive Director*)

**To: Our Shareholders**

Dear Sir/Madam,

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE**

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**1. INTRODUCTION**

In accordance with Part E, Chapter 10.09 of the Listing Requirements, the Company has obtained the Existing Shareholders' Mandate at the Company's AGM on 11 June 2015. The Existing Shareholders' Mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM unless authority for its renewal is obtained from the shareholders of the Company at the AGM.

Accordingly, on 30<sup>th</sup> March 2016, the Company announced that it is proposing to seek approval of its shareholders for the Proposed Renewal of Existing Shareholders' Mandate at the forthcoming AGM.

The purpose of this Circular is to provide you with the details of the Proposed Renewal of Existing Shareholders' Mandate together with our Directors' recommendation and to seek your approval for the resolution pertaining to the Proposed Renewal of Existing Shareholders' Mandate to be tabled at the forthcoming AGM.

**WE ADVISE YOU TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION RELATING TO THE PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AT THE FORTHCOMING AGM TO BE HELD.**

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

Our Group has entered into recurrent transactions of a revenue nature which are necessary for our Group's day-to-day operations with the Related Parties in the ordinary course of business, pursuant to the GDPA, JIA and JIAA. These Recurrent Transactions have been carried out on arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and which will not be detrimental to the minority shareholders of our Company.

### **2.1 Listing Requirements**

Under Paragraph 10.09 of the Listing Requirements, we may seek shareholders' mandate for recurrent related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for our Group's day-to-day operations, 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 being made in our annual report on the breakdown of the aggregate value of transactions conducted under such mandate during the financial year where:-
  - (i) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1 million; or
  - (ii) any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,whichever is the higher;
- (c) a circular to the shareholders for the mandate includes the information as may be prescribed by Bursa Securities;
- (d) in a meeting to obtain the 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(s) approving the transactions. An interested director or interested major shareholder must ensure that persons connected with them abstain from voting on the resolution approving the transactions; and
- (e) immediate announcement to Bursa Securities when the actual value or transactions entered into by our Company, exceeds the estimated value of the transactions disclosed in the circular by 10% or more.

The Proposed Renewal of Existing Shareholders' Mandate, if approved by our shareholders at the forthcoming AGM, will be subject to annual renewal and shall continue to be in force until:-

- (a) the conclusion of the next AGM of our Company in 2017 following this AGM at which the Proposed Renewal of Existing Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at the next AGM of our Company in 2017, the authority is renewed;

- (b) the expiration of the period within which the next AGM of our Company in 2017 after that date is required to be held pursuant to Section 143(1) of the Act (but must 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.

Disclosure will be made in our annual report and in our annual reports for the subsequent financial years during which the authority pursuant to the Proposed Renewal of Existing Shareholders' Mandate is in force in respect of the breakdown of the aggregate value of Recurrent Transactions during the financial year, the type of Recurrent Transactions entered into, the names of the related parties involved in each type of Recurrent Transactions and the nature of their relationship with our Group.

In the ordinary course of business, our Group has entered and/or will enter into Recurrent Transaction(s), the particulars of which are set out in Section 2.3 of this Circular.

Accordingly, our Board seeks the renewal of shareholders' mandate for existing Recurrent Transactions from the date of the forthcoming AGM to be convened until next AGM of our Company in 2017, details of which are set out under Section 2.3 of this Circular.

Such transactions have been made on terms which are not more favourable to the Related Parties than those generally available to the public and which are not detrimental to our minority shareholders.

Transactions entered into between our Company (or any of our wholly owned subsidiaries) and its wholly owned subsidiaries are excluded from the requirements of Part E of Chapter 10 of the Listing Requirements.

## **2.2 Our Group's principal activities**

Our Company was incorporated as a public company on 22 April 1997 in Malaysia. Our Company was listed on the Main Market of Bursa Securities on 8 September 2003.

Our Company was appointed to carry out the operations relating to the production of hydrocarbon (i.e. oil and gas) from the Rakushechnoye Oil and Gas Field which forms the crux of our Company's business turnaround strategy through the JIA entered into between Sumatec, MELL and COG on 8 March 2012.

COG is the concession owner and operator of the Rakushechnoye Oil and Gas Field and the said field covers an area of approximately 354.5 square kilometres and is located onshore next to Caspian Sea within the Mangyshlak peninsula in the south-western Manghystau province of Kazakhstan. The Rakushechnoye Oil and Gas Field is a 25-year oil and gas concession awarded to COG by the Ministry of Energy and Mineral Resources now known as Ministry of Oil and Gas of Kazakhstan on 26 August 2000 (and expiring on 25 August 2025).

The principal activity of our Company is that of investment holding. The principal activities of our subsidiaries as at the LPD are as follows:-

<b>Name of company</b>	<b>Date/Place of incorporation</b>	<b>Issued and paid-up share capital RM (unless otherwise stated)</b>	<b>Effective interest as at LPD (%)</b>	<b>Principal activities</b>
Sumatec Corporation Sdn. Bhd.	4 September 1985/ Malaysia	10,000,000	100	Oil and gas field development services
Sumatec Oil and Gas LLP	9 July 2013/ Kazakhstan	173,100 Kazakhstani tenge	100	Oil and gas field development services

The subsidiaries of Sumatec Corporation Sdn. Bhd. as at the LPD are as follows:-

<b>Name of company</b>	<b>Date / Place of incorporation</b>	<b>Issued and paid-up share capital (RM)</b>	<b>Effective interest as at LPD (%)</b>	<b>Principal activities</b>
Sumatec Petroleum Development Sdn. Bhd.	24 December 2003/ Malaysia	10	100	Dormant
Sumatec Development Sdn. Bhd.	6 February 2001/ Malaysia	1,000,000	100	Dormant

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### 2.3 Details of the Recurrent Transactions under the Proposed Renewal of Existing Shareholders' Mandate

Transacting Parties	Companies within the Group	Interested Related Parties	Nature of Transaction	Existing Shareholders' Mandate		Proposed Renewal of Existing Shareholders' Mandate
				Estimated aggregate value pursuant to the Existing Shareholders Mandate RM'000	Actual value transacted since the last AGM on 11 June 2015 up to the LPD RM'000	#Estimated aggregate value to be recognised from the forthcoming AGM to the next AGM of our Company in 2017 RM'000
MELL	SCSB	TSHS	<p>Under the GDPA, SCSB is required to develop and deliver to MELL the gas development, implementation and production plan that will meet the minimum supply requirement of 120 million standard cubic feet of gas per day to a commercial off-taker by 2017. SCSB will charge MELL a fee of USD45,000,000 over three (3) years from 2014 to 2016 for works carried out under the gas development and gas implementation plan stage ("Gas Development Services Fee").</p> <p>Once supply of gas commences to the off taker, SCSB will charge an operator fee of USD0.75 per thousand standard cubic feet supplied at well heads. Both fees are charged on a quarterly basis. All capital expenditure and operational costs in the field are cost recoverable from MELL under the same terms as per the JIA. SCSB has begun providing its services to MELL and is expected to complete the works to be carried out under the gas development and gas implementation plan by 31 December 2016. Thereafter, SCSB shall commence the supply of gas to MELL up to 2025.</p>	55,500	60,650	47,000

Transacting Parties	Companies within the Group	Interested Related Parties	Nature of Transaction	Existing Shareholders' Mandate		Proposed Renewal of Existing Shareholders' Mandate
				Estimated aggregate value pursuant to the Existing Shareholders Mandate RM'000	Actual value transacted since the last AGM on 11 June 2015 up to the LPD RM'000	#Estimated aggregate value to be recognised from the forthcoming AGM to the next AGM of our Company in 2017 RM'000
COG	SOG	TSHS	Agency fee charged by SOG to COG for managing and providing the oversight on the oil production activities and operations at Rakushechnoye Oil and Gas Field under the JIAA.	11,500	555 <sup>β</sup>	10,000
COG	Sumatec	TSHS	Operator's service fee from the oil production operation at Rakushechnoye Oil and Gas Field as stipulated under the JIA by Sumatec to COG.	62,197	- *	21,000
COG	Sumatec	TSHS	Royalty payable by Sumatec to COG for every barrel of oil sold from the Rakushechnoye Oil and Gas Field as stipulated under the JIA. Up to USD40.0 million worth of royalty payable will be deducted against the cash performance guarantee paid under the JIA.	16,500	1,640	10,000

**Notes:-**

# The estimated aggregate value of transactions may vary and is subject to changes.

\* Due to the prolonged low oil prices in 2015, the Company jointly with COG decided to defer all major capital expenditure for the field, including the planned new well development projects, until such a time that the oil price is stabilised and its recovery is more sustainable. The Company and COG are of the view that it is best to maintain the oil production throughout the period from 11 June 2015 up to the LPD at the minimum level, just sufficient to meet the day-to-day operating requirements of the field so as to maximise the value of the oil reserves to be exploited in the future when the global oil prices improve. As such, in accordance with the provisions of the JIA, the Company has not recognised any operator's service fee during the period from 11 June 2015 up to the LPD. In line with the anticipated recovery in the oil price, the Company plans to increase development and production activities in the field over the next twelve months.

<sup>β</sup> Following from the deferment of major capital expenditure for the field, including the planned new well development projects, the Company has decided to put SOG on temporary standby from 1 July 2015, during which SOG did not charge agency fee to COG. The operating costs of SOG will continue to be maintained at a minimum level during the standby period. SOG is expected to resume normal operation as intended under the JIAA in line with the anticipated recovery in the oil price and the Company's plans to increase development and production activities in the field over the next twelve months.

## **2.4 Guidelines and Review Procedures on the Recurrent Transactions**

Our Group has established various procedures to ensure that the Recurrent Transactions are undertaken on arm's length basis and on normal commercial terms and transaction prices that are consistent with our Group's usual business practices and policies, which are not on prices and terms that are more favourable to the Related Parties than those extended to the public and are not to the detriment of our minority shareholders.

The review procedures established by our Group for the Recurrent Transactions are as follows:-

- (a) The identity of the Related Parties are disclosed/circulated within our Group and at the same time, the Related Parties are notified that all Recurrent Transactions are required to be taken on arm's length basis and on normal commercial terms not more favourable to the Related Parties than those generally available to the public;
- (b) All Recurrent Transactions to be entered into will be reviewed by our Audit Committee and reported to the Board to ensure that the transactions are not more favourable to the Related Parties and will not be detrimental to our minority shareholders;
- (c) Records will be maintained by our Company to capture all Recurrent Transactions which are entered into pursuant to the shareholders' mandate;
- (d) The transaction prices are determined by the prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms;
- (e) Our Board and Audit Committee will review the internal audit reports to ascertain that the guidelines and procedures established to monitor the Recurrent Transactions have been complied with and review shall be done at every quarter; and
- (f) Our Board and Audit Committee will have overall responsibility for the determination of the review procedures, including addition of new review procedures, as and when necessary. Our Board and Audit Committee may also appoint individuals and committees to examine the Recurrent Transactions, as they deem appropriate. If a member of our Board or the Audit Committee has an interest, direct or indirect, in any particular transactions, he or she will abstain from any deliberation and voting on the matter at the Board or Audit Committee meetings in respect of such transactions.

At least two (2) other contemporaneous transactions with unrelated third parties for similar products/services, and/or quantities will be used as comparison, wherever 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/ substantially similar type of products/services and/or quantities.

Where quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined by our Group based on the usual business practices of our Group to ensure the Recurrent Transactions are not detrimental to our Group.

The guidelines for the relevant approving authority practised by our Group in relation to Recurrent Transactions that are not covered under a shareholders' mandate are as follows:-

- (a) Transactions below RM500,000 each in value will be reviewed and approved by any one (1) of the Directors and one (1) senior executive (both not being persons interested/connected to the Related Parties). The transactions will be tabled for review by the Audit Committee on a quarterly basis;
- (b) Transactions exceeding RM500,000 but below RM1,000,000 in value will be reviewed and approved by any two (2) Directors (not being a person interested/connected to the Related Parties). The transactions will be tabled for review by the Audit Committee on a quarterly basis;
- (c) Transactions equal or exceeding RM1,000,000 in value will be reviewed and approved by our Audit Committee; and
- (d) Our Audit Committee may, as deemed fit, request for additional information pertaining to the transaction under review from independent sources or advisers, including obtaining valuations from independent professional valuers.

As at 31 December 2015, the breakdown of the outstanding amount due and owing by the Related Parties which exceeded the credit terms are as follows:

Transacting Parties	Nature of Transaction	Outstanding Amount (RM'000)
		1 year or less
MELL	Gas Development Services Fee	6,561
<b>Total</b>		<b>6,561</b>

Under the GDPA, SCSB has the right to impose late payment penalty at an interest rate of 8% per annum, calculated from the due date for payment until the payment is made. However, there were no late payment charges imposed by SCSB considering that MELL has settled about 50% of the value of outstanding invoice which exceeded credit term during the financial year ended 31 December 2015.

Having considered all relevant factors, the Board is of the opinion that the above overdue amount is recoverable.

Our Group will regularly review the amounts which are due and owing by the Related Parties, including monitoring subsequent collection of debts. Our Group maintains proper follow up procedures which include sending out reminder letters to recover the amounts which are due and owing by the Related Parties and our other trade receivables.

## 2.5 Audit Committee Statement

Our Audit Committee, comprising the following members:-

Name	Designation	Directorship
Michael Lim Hee Kiang	Chairman	Independent Non-Executive Director
Mohamad bin Ismail	Member	Independent Non-Executive Director
Datuk Mohd Nasir bin Ahmad	Member	Independent Non-Executive Director

has the overall responsibility of determining whether the procedures for reviewing all Recurrent Transactions are appropriate. The Audit Committee also has the authority to delegate this responsibility to such individuals within our Company as it shall deem fit.

The Audit Committee is of the view that our Group has in place adequate procedures and processes to monitor, track and identify Recurrent Transactions in a timely and orderly manner. The Audit Committee will review the processes and procedures at least once a year.

The Audit Committee has the discretion to request for limits to be imposed or for additional procedures to be followed if it considers such a request to be appropriate. In that event, such limits or procedures may be implemented without the approval of shareholders, provided that they are more stringent than the existing limits or procedures.

Our Audit Committee has reviewed the terms of the Proposed Renewal of Existing Shareholders' Mandate and is satisfied that the review procedures mentioned in Section 2.4 above for Recurrent Transactions, as well as the annual reviews to be made by the Audit Committee in relation thereto are sufficient to ensure that Recurrent Transactions will be made on arm's length basis and on normal commercial terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of our minority shareholders.

### **3. RATIONALE**

The Proposed Renewal of Existing Shareholders' Mandate will enable our Group to continue to carry out the Recurrent Transactions necessary for our Group's day-to-day operations and enhance our Group's ability to pursue business opportunities which are time-sensitive in nature more expeditiously.

The Proposed Renewal of Existing Shareholders' Mandate will eliminate the need to announce and convene separate general meetings of our Company from time to time to seek shareholders' approval on each occasion pursuant to the requirements of Paragraph 10.09 of the Listing Requirements, as and when potential transactions with the specified classes of Related Parties arise. This will also substantially reduce expenses associated with the convening of such meetings on an ad-hoc basis, improve administrative efficiency and allow human resources and time to be channelled towards attaining other corporate objectives and opportunities.

The Recurrent Transactions are intended to meet the business needs of our Group at the best possible terms. By transacting with the Related Parties, our Group would have an advantage of familiarity with the background, financial well-being and management of the Related Parties, thus enabling more informed commercial decisions to be made. In most dealings with the Related Parties, our Group and the Related Parties have a good understanding of each other's business needs and expectations thus providing a platform where all parties can benefit from conducting the Recurrent Transactions.

### **4. EFFECTS OF THE PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE**

The Proposed Renewal of Existing Shareholders' Mandate will not have any effect on the share capital and shareholding structure of our Group.

The Proposed Renewal of Existing Shareholders' Mandate is expected to contribute positively to the net assets, earnings and gearing of our Group.

## 5. APPROVALS REQUIRED

The Proposed Renewal of Existing Shareholders' Mandate is conditional upon the approval of our shareholders being obtained at the forthcoming AGM.

## 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of our Directors, major shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Renewal of Existing Shareholders' Mandate.

TSHS, our major shareholder is also a major shareholder and Director of MELL. As such, TSHS is deemed interested in the Proposed Renewal of Existing Shareholders' Mandate.

The shareholdings of TSHS in our Company as at the LPD are as follows:-

Name	<----Direct---->		<----Indirect---->	
	No. of Shares	%	No. of Shares	%
TSHS	807,040,000	22.94	46,000,000*	1.31

**Note:-**

\* Deemed interest through Markmore Sdn. Bhd., a company in which TSHS holds 99.99% shares.

Accordingly, TSHS will abstain from voting in respect of his shareholdings direct and indirect in our Company on the resolutions pertaining to the shareholders' mandate for the Recurrent Transactions involving the Proposed Renewal of Existing Shareholders' Mandate to be tabled at the forthcoming AGM to be convened. In addition, TSHS shall undertake to ensure that persons connected to him shall abstain from voting in respect of their direct/indirect shareholdings in our Company, if any, on the resolutions pertaining to the said Proposed Renewal of Existing Shareholders' Mandate to be tabled at the forthcoming AGM to be convened.

## 7. STATEMENT BY OUR AUDIT COMMITTEE

Our Audit Committee, after having considered the rationale for the Recurrent Transactions and all aspects of the Proposed Renewal of Existing Shareholders' Mandate, is of the view that the Proposed Renewal of Existing Shareholders' Mandate is in the best interest of our Company, fair and reasonable, on normal commercial terms and is not detrimental to the interests of our minority shareholders as the Proposed Renewal of Existing Shareholders' Mandate is entered into in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public.

## 8. DIRECTORS' RECOMMENDATION

Our Board, having considered all aspects of the Proposed Renewal of Existing Shareholders' Mandate, is of the opinion that the Proposed Renewal of Existing Shareholders' Mandate is in the best interest of our Company.

Accordingly, our Board recommends that you vote in favour of the resolution on the Proposed Renewal of Existing Shareholders' Mandate at our forthcoming AGM.

## **9. AGM**

The ordinary resolution pertaining to the Proposed Renewal of Existing Shareholders' Mandate are set out in the Notice of AGM in the 2015 Annual Report.

Our AGM will be held at Concorde 1, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah, 40100 Shah Alam, Selangor on 2 June 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 Existing Shareholders' Mandate.

If you are unable to attend and vote in person at our AGM, you are requested to complete and return the Proxy Form, in accordance with the instructions printed on it, so as to arrive at our Registrar's Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time set for convening the AGM. You may attend and vote in person at the AGM, if you wish to do so, even after you have lodged the Proxy Form.

Pursuant to Paragraph 10.08(7A) of the Listing Requirements, voting in respect to the ordinary resolution approving the Proposed Renewal of Existing Shareholders' Mandate shall be conducted by way of poll during the forthcoming AGM of our Company.

## **10. FURTHER INFORMATION**

Please refer to the attached Appendix I for additional information.

**Yours faithfully**

For and on behalf of the Board of Directors

**MICHAEL LIM HEE KIANG**

Independent Non-Executive Director

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**ADDITIONAL INFORMATION****1. RESPONSIBILITY STATEMENT**

Our Directors have seen and approved this Circular and they, collectively and individually, accept full responsibility for the accuracy of the information in this Circular. They confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements in this Circular or other facts which, if omitted, would make any statement in this Circular false or misleading.

**2. MATERIAL CONTRACTS**

Save as disclosed below, the Sumatec Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years immediately preceding the date of this Circular:-

- (a) The framework agreement dated 11 July 2014 entered into between the Company with the Vendors for the purpose of pursuing the proposed acquisition of 100% equity interest in Borneo Energy Oil and Gas Labuan Limited from the Abu Talib bin Abdul Rahman and Dr Murat Safin (collectively, the "Vendors"), at the final agreed purchase price of USD290.0 million (approximately RM1.015 billion), to be satisfied by a combination of cash of USD210.0 million and issuance of 1,217,391,305 Sumatec Shares at an issue price RM0.23 per Sumatec Share ("Proposed Acquisition");
- (b) The conditional share purchase agreement dated 8 September 2014 entered into between Sumatec and the Vendors for the Proposed Acquisition, as varied by the Supplemental SPA and the Second Supplemental SPA ("SPA");
- (c) The supplemental sale and purchase agreement dated 9 January 2015 entered into between Sumatec and the Vendors to vary the purchase price for the Proposed Acquisition;
- (d) The second supplemental sale and purchase agreement dated 5 March 2015 entered into between Sumatec and the Vendors to vary certain terms relating to the mechanism of the payment of the Purchase Price under SPA;
- (e) Settlement agreement dated 6 March 2015 between Sumatec with Trustee in relation to the full and final settlement of the amount owing to the Collateralised Loan Obligations bondholders; and
- (f) The third supplemental sale and purchase agreement dated 2 February 2016 entered into between Sumatec and the Vendors to extend the deadline for the fulfilment of the Conditions Precedent and to vary certain terms in relation to the Proposed Acquisition.

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### **3. MATERIAL LITIGATION**

Save as disclosed below, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings, pending or threatened against the Group or of any facts likely to give rise to any proceedings which might adversely and materially affect the position or business of the Group as at the LPD:-

#### **Kuala Lumpur High Court - winding up petition number 28NCC-209-03/2014 Sumatec Corporation Sdn Bhd ("SCSB") v Greentech Chemical Sdn Bhd (formerly known as Himpunan Sari Sdn Bhd) ("GCSB")**

SCSB had on 18 March 2014 presented a petition to wind-up GCSB for its failure to pay RM10,299,285.90 to SCSB as at 20 June 2012 pursuant to a turnkey engineering, procurement, construction and commissioning contract to build a biodiesel plant at the Telok Kalong Industrial Estate in Terengganu. The petition was heard on 17 June 2014 where the Court ordered GCSB to be wound up.

**Current Status:-** SCSB's solicitors will file in a proof of debt in due course.

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#### **4. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents or copies of them are available for inspection during normal business hours at our Company's registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:-

- (a) The Memorandum and Articles of Association of Sumatec;
- (b) The audited consolidated financial statements of Sumatec for the past three (3) FYE 31 December 2013, 31 December 2014 and 31 December 2015;
- (c) JIA and JIAA;
- (d) GDPA;
- (e) The declaration referred to in Section 1 above;
- (f) The material contracts referred to in Section 2 above; and
- (g) The cause papers for the material litigation referred to in Section 3 above.

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