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 ADVISERS IMMEDIATELY.

This Circular has been reviewed and approved by TA Securities Holdings Berhad ("TA Securities"), who is the Adviser to Raya International Berhad ("Raya" or "Company") for the Proposals (as defined herein).

RAYA INTERNATIONAL BERHAD
(Company No.: 412406-T)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

(I) PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF RAYA AND ITS SUBSIDIARIES ("RAYA GROUP" OR "GROUP") TO INCLUDE THE OIL BUNKERING AND TRADING BUSINESS ("PROPOSED DIVERSIFICATION"); AND

(II) PROPOSED SPECIAL BUMIPUTERA ISSUE OF UP TO 12.5% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF RAYA, REPRESENTING UP TO APPROXIMATELY 20,500,000 NEW ORDINARY SHARES OF RM0.10 EACH IN RAYA ("BUMIPUTERA SHARES"), TO BUMIPUTERA INVESTORS TO BE RECOGNISED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY ("MITI") ("PROPOSED SPECIAL BUMIPUTERA ISSUE");

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("EGM") of Raya to be held at Crystal Hall 3, Level 4, Crystal Crown Hotel Petaling Jaya, No: 12, Lorong Utara A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 3 June 2016 at 4.00 p.m., or immediately after the conclusion or adjournment of the Nineteenth Annual General Meeting of the Company, which will be held at the same venue, on the same date at 3.00 p.m., whichever is the later, together with the Form of Proxy are enclosed in this Circular.

As a shareholder you can appoint a proxy or proxies to attend and vote on your behalf. You must complete and lodge the Form of Proxy at the Registered Office of the Company at No. 149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Wednesday, 1 June 2016 at 4.00 p.m.

This Circular is dated 19 May 2016

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular and the accompanying appendices:

"5D-VWAP"	:	Five (5)-day volume weighted average market price
"ACE Market"	:	ACE Market of Bursa Securities
"Act"	:	The Companies Act, 1965
"Announcement"	:	Announcement in relation to the Proposals dated 4 February 2016
"Approval of Extension of Time"	:	Approval obtained from the SC via its letter dated 15 March 2016 for an extension of time until 31 July 2017 to comply with the Bumiputera equity condition as announced on 21 March 2016
"Board"	:	Board of Directors of Raya
"Bumiputera Equity Requirement"	:	Requirement for Raya to have at least 12.5% of its issued and paid-up share capital held by Bumiputera investors recognised/approved by MITI
"Bumiputera Shares"	:	Up to 12.5% of the issued and paid-up share capital of Raya, representing up to approximately 20,500,000 Raya Shares to be issued pursuant to the Proposed Special Bumiputera Issue
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Business Collaboration"	:	Business arrangement pursuant to the Collaboration Agreement
"CAGR"	:	Compound annual growth rate
"CDS"	:	An account established by Bursa Depository or its successor-in-title or any other approved depository under Securities Industry (Central Depositories) Act 1991
"Circular"	:	This circular to shareholders of Raya dated 19 May 2016 in relation to the Proposals
"CMSA"	:	Capital Markets and Services Act 2007
"Collaboration Agreement"	:	A Collaboration Agreement dated 29 December 2015 between Selatan Bunker and Tumpuan Megah to jointly carry out the provision of bunkering services for marine fuel, petroleum and petroleum-based products in Pasir Gudang Port, Johor, comprising the operations as well as marketing and sales of bunkering services and to work on mutually agreed projects in this area, upon the terms and conditions stipulated therein
"Director"	:	A person falling within the meaning given in Section 2(1) of the CMSA
"EGM"	:	Extraordinary general meeting of the Company
"EPS"	:	Earnings per Share

"FPE"	:	Financial period ended/ ending
"FWT"	:	Freight weight tonnes
"FYE"	:	Financial year ended/ ending 31 December
"GDP"	:	Gross Domestic Product
"GP"	:	Gross profit
"IMR Report"	:	The independent market research report dated May 2016 prepared by the Independent Market Researcher as set out in Appendix I of this Circular
"Independent Market Researcher" or "SMITH ZANDER"	:	Smith Zander International Sdn Bhd
"Interested Persons"	:	Directors, major shareholders or chief executive of our Company or our holding company, if any
"KPDNKK"	:	Kementerian Perdagangan Dalam Negeri, Koperasi dan Kepenggunaan
"LAT"	:	Loss after tax
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"LPD"	:	13 May 2016, being the latest practicable date prior to the printing of this Circular
"MGO"	:	Marine gas oil
"MITI"	:	Ministry of International Trade and Industry
"NA"	:	Net assets
"Oil Bunkering and Trading Business"	:	Business of carrying out bunkering services to ships and other ocean faring vessels, ownership of related assets for its bunkering business such as lorries, oil tankers and storage facilities, as well as other assets relating to logistics and warehouse activities, and trading in oil related products such as marine fuel, petroleum and petroleum-based products
"PDA"	:	Petroleum Development Act, 1974
"PDA License"	:	Petroleum Development Act License
"Proposals"	:	The Proposed Diversification and Proposed Special Bumiputera Issue, collectively
"Proposed Diversification"	:	Proposed diversification of the principal activities of Raya Group to include the Oil Bunkering and Trading Business
"Proposed Special Bumiputera Issue"	:	Proposed special Bumiputera issue of up to 12.5% of the issued and paid-up share capital of Raya, representing up to approximately 20,500,000 new Raya Shares, to Bumiputera investors to be recognised by MITI

"Raya" or "Company"	:	Raya International Berhad
"Raya Group" or "Group"	:	Raya and its subsidiaries
"Raya Shares" or "Shares"	:	Ordinary shares of RM0.10 each in Raya
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"SC"	:	Securities Commission Malaysia
"SC(ECU)"	:	Equity Compliance Unit of the SC
"Selatan Bunker"	:	Selatan Bunker (M) Sdn Bhd, a subsidiary of Raya
"Selatan Bunker Shares"	:	Ordinary shares of RM1.00 each in Selatan Bunker
"TA Securities" or "Adviser"	:	TA Securities Holdings Berhad
"TEUs"	:	Twenty-foot equivalent units
"Tumpuan Megah"	:	Tumpuan Megah Development Sdn Bhd

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, 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 Malaysian time, unless otherwise specified.

All reference to "you" or "your" in this Circular are to the shareholders of Raya.

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RAYA INTERNATIONAL BERHAD
(Company No.: 412406-T)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:
No. 149A, 149B, 151B
Persiaran Raja Muda Musa
42000 Port Klang
Selangor Darul Ehsan

19 May 2016

Board of Directors:
Dato' Tan Seng Hu *(Managing Director)*
Ho Fook Meng *(Independent Non-Executive Chairman)*
Mohd Fikry Bin Rahman *(Independent Non-Executive Director)*
Tony Tan Han (Chen Han) *(Independent Non-Executive Director)*
Dato' Abdul Latif Bin Abdul Rahim *(Non Independent Non-Executive Director)*
Leong Fook Heng *(Independent Non-Executive Director)*

To: Our Shareholders

Dear Sir/Madam,

RAYA INTERNATIONAL BERHAD

(i) PROPOSED DIVERSIFICATION; AND
(ii) PROPOSED SPECIAL BUMIPUTERA ISSUE

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 29 December 2015, the Company announced that Selatan Bunker had entered into the Collaboration Agreement on even date to have an arrangement to expand the Group's scope of trading activities. Pursuant to Rule 10.13 of the Listing Requirements, the Business Collaboration is expected to contribute 25% or more of the net profits of the Group and may result in a diversion of more than 25% of the NA of the Group to an operation which differs widely from its current operations.

Pursuant to the approval letter from the SC dated 23 December 2004 for the listing of Raya on the ACE Market (then known as MESDAQ Market), Raya is required to meet the thirty percent (30%) Bumiputera Equity Requirement. Subsequently, a revision was made to the Bumiputera Equity Requirement and Raya is required to have at least 12.5% of its issued and paid-up share capital held by Bumiputera investors recognised or approved by MITI.

In view of the above, on 4 February 2016, TA Securities, on behalf of the Board announced that the Company is proposing to undertake the Proposals. Further, on 21 March 2016, TA Securities, on behalf of the Board announced that the SC has vide its letter dated 15 March 2016 (which was received on 17 March 2016), approved an extension of time until 31 July 2017 for Raya to comply with the Bumiputera equity condition.

Bursa Securities had vide its letter dated 18 May 2016 approved the listing of and quotation for the Bumiputera Shares on the ACE Market, subject to the conditions as stated in Section 10 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION OF THE PROPOSALS AND TO SEEK SHAREHOLDERS' APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTH COMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSALS

2.1 PROPOSED DIVERSIFICATION

The Group is principally involved in distribution of water filter components to industry buyers as well as trading in fast moving consumer goods (such as mattresses, rice cookers and water boilers) to supply to government flood aid victims. The Group no longer manufactures its water and air filters products since early 2014 as they are not cost competitive against other cheaper and imported products. For the FYEs 2014 and 2015, the Group has been mainly involved in the distribution of water filter components to buyers and the trading of fast moving consumer goods to supply to the government for flood victims which contributes low profit margins to the Company due to competitive pricing in the market. In addition, as the trading of fast moving consumer goods is very dependent on the need for these products during flood season, the Company's earnings had decreased as there were no major flood relief programs in FYE 2015.

The Group's business model will continue to be that of acting as a trader and intermediary to source for products such as water filter components and carbon granules directly from local and/or overseas suppliers and sell them to buyers who are mainly local manufacturers of end products. The Group will deal directly with the buyers as well as collaborate with local distributors to source for buyers.

Notwithstanding the above, the Group will continue to explore opportunities to enhance and expand its trading activities including venture into new business activities that have market demand for its product and services, and demand with high trading volumes. Following this, the opportunity to venture into the oil bunkering industry arises from the addition of Captain Tony Tan (Chen Han) to our Group as he has knowledge and expertise in the maritime industry. The Proposed Diversification is expected to enhance shareholders' value and is in-line with the management's strategy to improve the Group's long term sustainable growth. To initiate this endeavour, the Group incorporated Selatan Bunker on 14 September 2015 in order to apply for the license for oil bunkering and oil trading activities.

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The principal activities of Selatan Bunker comprises bunkering services for marine fuel, petroleum and petroleum based products, trading and supply of oil and fuel, oil and fuel related products, services including providing consultancy and technical services, providing integrated logistic support services as well as acting as refueling vessel barges and shipping agents. On 29 December 2015, Selatan Bunker entered into the Collaboration Agreement to explore and develop the Oil Bunkering and Trading Business which will enable the Group to jointly operate bunkering services with Tumpuan Megah in Pasir Gudang. Selatan Bunker has commenced its trading of off-shore oil pursuant to the Collaboration Agreement on the 29 December 2016. Kindly refer to Section 2.1.1(c) of this Circular for further details in relation to the Collaboration Agreement.

Since December 2015 until to date, Selatan Bunker is only involved in trading of off-shore oil such as MGO which are sourced from Singapore suppliers, and subsequently supply to ships anchored off port waters for their own use. Further, the Company’s plans for Selatan Bunker is to venture further into onshore bunkering and offshore bunkering, as well as marketing and sales of bunkering services for marine fuel, petroleum and petroleum-based products in Pasir Gudang Port, Johor, to potential customers with marine operations (such as offshore companies, cargo shipping companies, cruise, ferry operating companies, military and navy vessel operators, oil bunkering trader or supplier and commercial oil companies). Kindly refer to 2.1.1 (a) of this Circular for further details in relation to Selatan Bunker

The Group envisages that it will be able to acquire experiences in relation to the operations of oil bunkering services via the Collaboration Agreement and in the event the Group has obtained the PDA License, the Group will explore opportunities on its own to expand its oil bunkering activities to other Malaysian ports other than Pasir Gudang.

In this regard, the Proposed Diversification is to enable the Group to diversify the Group’s principal activities to include the business of carrying out bunkering services to ships and other ocean faring vessels, ownership of related assets for its bunkering business such as lorries, oil tankers and storage facilities, as well as other assets relating to logistics and warehouse activities, and trading in oil related products such as marine fuel, petroleum and petroleum-based products.

Following thereto, the Proposed Diversification is expected to increase the revenue streams and enhance the prospects of the Group.

Barring any unforeseen circumstances, the Business Collaboration under the Collaboration Agreement is expected to contribute 25% or more of the net profits of the Group and may result in a diversion of more than 25% of the NA of the Group to an operation which differs widely from its current operations. In this regard, Raya would be seeking the approval of its shareholders at an EGM to be convened for the Proposed Diversification pursuant to Rule 10.13 of the Listing Requirements. Following thereto, when the Proposed Diversification is approved by the shareholders at an EGM to be held, the Group may be subjected to new challenges and risks arising from the Proposed Diversification, which are set out in Section 4 of this Circular.

2.1.1 Further details of the Proposed Diversification

(a) Background information on Selatan Bunker

Selatan Bunker was incorporated in Malaysia on 14 September 2015 under the Act as a private limited company.

The authorised share capital of Selatan Bunker is RM400,000, of which RM300,000 comprising 300,000 Selatan Bunker Shares have been issued and fully paid-up. Selatan Bunker is a 51% owned subsidiary of Raya (representing 153,000 Selatan Bunker Shares). The remaining 49% equity interest in Selatan Bunker is held by Puan Harison Binti Yusoff, a Malaysian citizen (representing 147,000 Selatan Bunker Shares). The directors of Selatan Bunker are Dato’ Tan Seng Hu, Ho Fook Meng, Puan Harison Binti Yusoff and Captain Tony Tan Han (Chen Han).

As stated in Section 2.1 of this Circular, since December 2015, Selatan Bunker is only involved in trading of off shore oil. Pursuant to the Collaboration Agreement, the Company's plan for Selatan Bunker is to explore and develop the Oil Bunkering and Trading Business which will enable the Group to jointly operate bunkering services with Tumpuan Megah in Pasir Gudang.

Bunkering services refers to the provision of marine fuels to ships, as well as other ocean faring vessels, such as oil tankers, container vessels, cargo vessels, cruise ships and ferries, as well as vessels utilised in the upstream oil and gas industry such as offshore support vessels, submersible and semisubmersible rigs and floating, production, storage and offloading ("FPSO") vessels. Bunkering can be broadly categorised into onshore bunkering and offshore bunkering, whereby marine fuel is typically pumped into vessels by refueling vessels barges, product tankers or another ship in harbours, close to shore, or in open waters. Onshore bunkering involves the transfer of marine fuels on a shore-to-ship basis from an onshore facility, whereas offshore bunkering involves the transfer of marine fuels on a ship-to-ship basis.

Selatan Bunker will promote, markets and provide bunkering services to organisations with marine-based operations that own and/or operate ocean faring vessels, as well as offshore structures such as those used for exploration and production activities in the oil and gas industry. In addition, Selatan Bunker will also be trading oil related products in the market.

<u>Process Flow of Service Delivery</u>

Selatan Bunker will be providing bunkering services to customers with marine operations at the Pasir Gudang Port area. The process flow of the bunkering service delivery is as follows:

(i) Confirmation of supply agreement

The bunkering process begins upon the receipt of an order in the form of a supply agreement from a customer. The supply agreement will detail the identity of the receiving vessel, date, place and time of service delivery, as well as the type and volume of fuel required.

(ii) Preparation of fuel inventory

Upon confirmation of the supply agreement, the availability of fuel in stock for the required quantity will be verified. Should there be insufficient fuel stocks to fulfil the order, additional fuel supplies will be procured. The newly procured fuel supply, upon receipt, will be tested and verified to ensure its fuel properties and quality fall within specific parameters.

(iii) Authorisation process and area survey

Daily movement reports of the recipient vessel are received periodically in preparation for bunkering. Applications will be submitted to the relevant port authorities for the necessary authorisations. A surveyor will also be engaged to monitor and perform quality inspections during the bunkering process. Weather conditions are closely monitored in the pre-delivery phase as it influences the delivery of bunkering services.

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(iv) Pre-bunkering survey

The refueling vessel and fuel receiving vessel are surveyed prior to bunkering, where parameters such as free water level, temperature and gauging criteria are measured and ascertained by the surveyor. Oil tanks of both recipient vessel and refueling vessel are also surveyed, through the sounding of cargo tanks and non-cargo tanks[1]. Further, the refueling vessel's flow meter is calibrated and the opening flow meter reading is collected prior to fuel transfer to the fuel receiving vessel.

Note:

[1] The sounding of cargo tanks and non-cargo tanks refers to the process of determining the level of fluids such as fuel in a vessel's cargo tank(s) and non-cargo tank(s). The determination of fluid levels is critical to maintain a vessel's stability and equilibrium throughout the bunkering process.

(v) Pre-bunkering verification

A visual inspection is carried out on the sampling equipment that will be used to collect fuel samples during the delivery process, where representatives from the refueling vessel and fuel receiving vessel will ensure that the sampling equipment meet specifications under the Singapore Standard Code of Practice for Bunkering SS 600:2008.

(vi) Pumping

The hose connection between the refueling vessel and fuel receiving vessel is established and the pumping of fuel commences once the connection is secure.

(vii) Post-bunkering survey

The refueling vessel and fuel receiving vessel are surveyed once again upon completion of fuel transfer, where parameters such as free water level, temperature and gauging criteria are measured and ascertained by the surveyor. The oil tanks of both the refueling vessel and fuel receiving vessel are also surveyed, through the sounding of cargo and non-cargo tanks. The post-bunkering survey is complete once the refueling vessel's closing flow meter reading is taken.

(viii) Post-bunkering verification

The volume of delivered fuel and received fuel is ascertained and verified based on the opening and closing flow meter readings of the refueling vessel and fuel receiving vessel.

(ix) Completion of documentation

Documentation in the form of bunker delivery notes are prepared and signed by representatives from the refueling vessel and fuel receiving vessel. Fuel samples which are collected are then sealed in the presence of these representatives.

Selatan Bunker will offer the following bunkering services in collaboration with Tumpuan Megah:

Activity	Description
Ship-to-ship bunkering	Provision of fuel from the refueling vessel to another vessel.
Submersible bunkering	Provision of fuel from the refueling vessel to submersible rigs, typically oil and gas rigs that are primarily involved in the exploration and production of crude oil and natural gas.
Semi-submersible bunkering	Provision of fuel from the refueling vessel to semi-submersible rigs, typically oil and gas rigs that are primarily involved in the exploration and production of crude oil and natural gas.

Selatan Bunker and Tumpuan Megah via the Collaboration Agreement are committed to quality and are focus on quality assurance throughout the bunkering pre-delivery, delivery and post-delivery phases. Selatan Bunker will leverage on the expertise and experience of Tumpuan Megah, which carries out its bunkering services in adherence to the Singapore Standard Code of Practice for Bunkering SS 600:2008.

(b) Background information on Tumpuan Megah

Tumpuan Megah was incorporated in Malaysia on 10 December 2007 as a private limited company under the Act. The principal activities of Tumpuan Megah are ship to ship bunkering, provision of logistic services including lorry tankerages, operators of fuel pipeline and storage supplies, transportation, clearing and forwarding agent and general trading. Tumpuan Megah has acquired all the relevant operating licenses required for oil bunkering and barging operations in Pasir Gudang, Pelabuhan Tanjung Pelepas, Kemaman, Kuantan, Labuan, Miri, Kuala Terengganu and Lumut.

Tumpuan Megah commenced its bunkering business in 2013. Currently, Tumpuan Megah has eleven (11) personnel who are involved directly in the bunkering business. The authorised share capital of Tumpuan Megah is RM10,000,000, all of which have been issued and fully paid-up.

The directors of Tumpuan Megah are Dato' Sri Ahmad Said Bin Hamdan, Raja Ismail Bin Raja Mohamed and YM Tengku Baharuddin Ibni Sultan Mahmud.

The shareholders of Tumpuan Megah as well as their shareholdings in Tumpuan Megah are set out below:

Shareholders of Tumpuan Megah	No. of Tumpuan Megah Shares held	%
Phoenix International Ltd	9,700,000	97.0
Raja Ismail Bin Raja Mohamed	270,000	2.70
Dato' Sri Ahmad Said Bin Hamdan	30,000	0.30
Total	**10,000,000**	**100.0**

Key management personnel of Tumpuan Megah

(i) Raja Ismail bin Datuk Raja Mohamed ("**Raja Ismail**"), age 66, is the Senior Director of Tumpuan Megah. He joined Tumpuan Megah in 2008. Raja Ismail was attached with the Malaysian Government from 1973 to 2006. He started his career as a Government Administrative and Diplomatic Service Officer in 1973 and served in numerous different governmental departments and ministries in various senior positions. He was appointed a Trade Commissioner to Singapore from 1979 to 1981 and Brazil from 1981 to 1987. He had also served as the Head of Secretariat of the Cabinet Committee on Petroleum matters from 2003 to 2006.

He is primarily involved in developing Tumpuan Megah's overall corporate strategies. He provides advice and guidance to the Board of Directors of Tumpuan Megah on management, developments in the oil & gas industry, shipping, regulatory framework and governmental policies. Raja Ismail undertakes the liason role for Tumpuan Megah with the regulatories and licensing authorities, government agencies, port authorities, major customers and oil majors. He was involved in negotiating and securing approvals and licenses required for Tumpuan Megah's business and operations and is involved in ensuring continued compliance with its approvals and licenses.

(ii) Dato' Chang Poh Nee ("**Dato' Chang**"), age 57, is the Director of Operations of Tumpuan Megah. He completed his studies in Chung Hwa Confucian High School, Penang in year 1975. He joined Tumpuan Megah in 2010. Dato' Chang has over 25 years working experience in supply chain management, sales and marketing, quality assurance and inventory management. He started his career in 1982 with Weng Heng Investment Ltd, a company incorporated in Hong Kong and was involved in the trading of timber. In 1996 he left Weng Heng Investment Ltd and started his own business in plywood manufacturing, namely Wing Lam Wood Industrial Co Ltd in China. Subsequently, he sold Wing Lam Industrial Co Ltd in 2001 and joined Mentakab Veneer Plywood Sdn Bhd as general manager from 2002 to 2006. Dato' Chang had also previously in 2006 operated a partnership business, namely R.H. Pacific Maritime Pte Ltd in Singapore which was involved in bulk carriers operating in the Southeast Asia/Far East Region. Dato' Chang exited the partnership in 2010 and he subsequently joined Tumpuan Megah in the same year. Dato' Chang oversees all bunkering operations including cargo maintenance, oil purchases and sales, logistics covering port operations and dealings with customs, maritime and port authorities

(iii) Yeo Hock Leong, age 33, Malaysian, is the Senior Manager of Bunkering Operations Division in Tumpuan Megah. He completed his studies in Sekolah Menengah Jenis Kebangsaan Seg Hwa in year 2000. He joined Tumpuan Megah in 2012. Before joining Tumpuan Megah in 2012, he had worked as a technician in Lian Lee Electrical from 2001 to 2003 and Colourview Printing Sdn Bhd from 2004 to 2012. He is in charge of supervising the logistics management of vessels, transportation and delivery of bunker oil in Tumpuan Megah. He is also responsible of ensuring that bunkering operations are carried out in full compliance with the customs, marine, and port regulations as well as safety and health procedures set in SS600, which is the Singapore Standard Code of Practice for bunkering. Yeo Hock Leong also closely monitors the ships' management to ensure smooth operation of vessels.

(iv) Yusneta Binti Muhamad ("**Yusneta**"), age 44, is the Senior Manager of Marketing Division in Tumpuan Megah. She joined Tumpuan Megah in 2013 and is attached to the marketing division. She graduated from University Utara Malaysia (UUM) in 1996 with a Bachelor Degree in Business Administration. Yusneta started working in Astinapura Development Sdn Bhd from 1996 to 1998 as an administrative officer. Subsequently, she joined Pembinaan Pacific Trend Sdn Bhd as an administrative assistant in 1998. In year 2000, she left to join Pembinaan Yeng Tong Sdn Bhd as an administrative executive and subsequently transferred to Yeng Tong Construction Pte Ltd in the same year. In 2003, she left Yeng Tong Construction Pte Ltd and joined Nam Fatt Construction Sdn Bhd as an administrative executive and project secretary. In 2009, she left Nam Fatt Construction Sdn Bhd and in the same year she joined NZ Bina Sdn Bhd as an administrative and human resource executive until 2010. Subsequently, Yusneta was on a career break from 2010 to 2013 prior to joining Tumpuan Megah. In Tumpuan Megah, she is responsible to foster and maintain good business relationships with existing customers and expand the trading businesses. She also promotes Tumpuan Megah's services to potential new customers. Yusneta is also in charge of liaising with government authorities such as the Marine Department, KPDNKK and the Ministry of Transport.

(v) Ho Fook Kame ("**Edmund**"), age 58 is the Finance Director of Tumpuan Megah. Edmund is an Associate Member of the Chartered Institute of Management Accountants. He is responsible for the financial management of Tumpuan Megah. He joined Tumpuan Megah in 2014. He has held various positions in the finance divisions over his career in his 30 years of working experiences. He was an external auditor attached to Barron & Co Certified Accountants in London from 1986 to 1988. Subsequently he joined Abbey Woods Development Ltd as accountant in 1988. In 1990, he left Abbey Woods Development Ltd and joined Fazio Foods International Ltd as financial controller. Subsequently, Edmund resigned from Fazio Foods International Ltd in 1992 and joined Canadian Mental Health Association as accounts manager in Vancouver, Canada. He resigned from Canadian Mental Health Association in 1994. From 1994 to 2008, he worked for Time dotcom Bhd as general manager. Subsequently, he joined Haisan Resources Bhd as the vice president of corporate finance from 2009 to 2010. Edmund left Haisan Resources Bhd in 2010 and in the same year was appointed as the group accountant of ETD Makmur (M) Sdn Bhd until he left in 2013.

(c) Collaboration Agreement

Selatan Bunker had on 29 December 2015 entered into the Collaboration Agreement. The salient terms and conditions of the Collaboration Agreement are as follow:

(i) Selatan Bunker shall be responsible for providing:

- the technical expertise and technical support for all matters relating to oil bunkering activities;
- general marketing know-how and market intelligence and information as well as sourcing for and providing customer referrals for purposes of the Business Collaboration; and
- contribute towards the funding requirements for the Business Collaboration and to raise equity and debt funding from third parties including sourcing for suitable financing facilities to raise working capital for purposes of the Business Collaboration.

(ii) Tumpuan Megah shall be responsible for providing:

- the expertise to manage warehouse and other storage and logistic facilities for the oil bunkering trade at the Pasir Gudang Port including securing and providing access to suitable facilities for such purpose;

- logistics support in the supply chain management process including without limitation, the storage, transportation and distribution of bunker oil; and

- access to all vessels available to Tumpuan Megah including access to all existing arrangements and contracts with ship owners and operators. In particular, Tumpuan Megah will dedicate at least one refueling vessel, namely MV Sturgeon, for the purposes of this Business Collaboration which will be dedicated to cover the Pasir Gudang Port area.

(iii) In addition to the above, the Parties will work together to apply for and obtain any approvals, licenses and permits required for the purposes of the Business Collaboration.

(iv) Both Tumpuan Megah and Selatan Bunker will share all resources available to each of them, including making available their employees, where required, to the other party, to ensure that the objectives of the Business Collaboration is achieved and will provide their full assistance and cooperation to each other in all matters relating to the Business Collaboration.

(v) The know-how, copyright and all other intellectual property, rights and confidential information ("IP") of each party shall remain with the respective Party that owns such IP.

(vi) Each Party shall be responsible for its own costs incurred in performing its obligations under the Collaboration Agreement.

(vii) The Collaboration Agreement shall be for a period of one (1) year (the "Initial Term") and shall be renewed for subsequent periods of one (1) year ("Subsequent Term") thereafter unless terminated by written notice.

(viii) The Collaboration Agreement shall be binding upon the permitted assigns and successors-in-title of the parties. It is further provided that the Collaboration Agreement shall not be discharged or in any way affected by any change in the composition or identity of the Parties by amalgamation, reconstruction or otherwise.

(ix) The Collaboration Agreement may be terminated by either party at the expiration of the Initial Term, or Subsequent Term with a thirty (30) days prior notice in writing. The Collaboration Agreement may be terminated prior to the expiration of the Subsequent Terms in the following circumstances:

1. by either party upon written notice to the other in the event of a material breach of any term of the Collaboration Agreement by the other party; provided that the non-breaching party shall give written notice of any alleged material breach to the breaching party and permit the breaching party to cure such alleged breach within thirty (30) days of the notice;

2. by either party for any reason whatsoever by giving the other party at least six (6) months' prior written notice;

3. immediately upon written notice by a party to the other in the event of the other party's actual insolvency, liquidation, dissolution, or the voluntary filing by the other party of a petition or other claim or action for relief under bankruptcy, insolvency, moratorium, liquidation or similar laws, or an assignment by the other party of its assets for the benefit of creditors generally, or an admission in writing by the other party of its inability to pay its debts as they become due; or

4. upon written notice by a party in the event of any claim or action against the other party for any of the reasons described in Item 3 above, and such involuntary filing, claim or action is not dismissed within sixty (60) days after it was filed or commenced.

As stated in the above, the Collaboration Agreement shall be for a period of one (1) year. Following thereto, Selatan Bunker intends to extend the Collaboration Agreement after the expiry of the Initial Term (as defined in Section 2.1 (c) (vii) above) for a further period of three (3) years. Subject to the outcome of the Oil Bunkering and Trading Business and the prevailing market condition of the oil bunkering business industry, at this juncture, the Board has yet to decide on the continuation of Collaboration Agreement after the further three (3) years extension.

In addition to the above, Selatan Bunker intends to source the products from suppliers and sell directly to customers, and record the sales revenue and cost of products, in full. Tumpuan Megah will, separately charge a fee to the customers as a service provider based on market rates, at approximately one (1) sen per litre of products shipped. It is contemplated that Selatan Bunker will trade in the above manner and fully recognise the revenue and profits arising from the trading and there is no sharing of revenue or profits with Tumpuan Megah.

Selatan Bunker commenced trading in off-shore oil by end of December 2015 via the Collaboration Agreement with Tumpuan Megah. For the purpose of the Business Collaboration, Tumpuan Megah will provide the related assets such as refueling vessels, warehouse, storage facilities and logistics facilities to assist and support Selatan Bunker in achieving and fulfilling the business of Selatan Bunker. Therefore, at this juncture Selatan Bunker does not need to own the related assets for the Business Collaboration activities.

(d) PDA License application

To initiate the application for the PDA License, Selatan Bunker had on 4 February 2016 procured a letter of support from the Johor Port Authority in support of Selatan Bunker's application for the PDA License to operate oil bunkering activities in Pasir Gudang Port. Selatan Bunker is presently in the midst of applying to the KPDNKK for approval of the PDA License to be under the category of bunkering services. Once the PDA License is obtained, Selatan Bunker will be able to carry out the operations of bunkering services for marine fuel, petroleum and petroleum-based products. Subsequent to the receipt of the PDA License, Selatan Bunker will then jointly operate bunkering services in Pasir Gudang Port in collaboration with Tumpuan Megah. Selantan Bunker expects to receive approval for the PDA License in the second (2^{nd}) half of 2016.

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(e) Skills and expertise

The Board believes that the Group has the capacity, capabilities and resources to diversify into oil bunkering activities. The Group will also be guided by the Board of Directors, which include Captain Tony Tan Han (Chen Han) who is an Independent Non-Executive Director of Raya and Ho Fook Meng, the Independent Non-Executive Chairman. Ho Fook Meng has over 30 years of working experience in the banking industry and has experience in serving customers from the oil bunkering industry, trading of commodities, as well as the logistic industry. As such, the Group intends to leverage on the diverse working experiences of the directors to steer the Group's future growth and business direction.

Captain Tony Tan Han (Chen Han), aged 40, was appointed to the Board of Directors on 24 March 2015. He obtained his Diploma in Nautical Studies from Singapore Polytechnics in 1999. In 2009, he obtained a Specialist Diploma in workplace Safety and Health from Ngee Ann Polytechnics. Captain Tony Tan (Chen Han) has a Certificate of Competency ("COC") Class 1 Master Mariner (foreign-going) issued by the Maritime and Port Authority of Singapore and also holds a Registered Safety Officer certificate issued by the Ministry of Manpower in 2011. He started his career as a Marine Superintendent/Senior Marketing Executive with EZRA Marine Services Pte Ltd in 2007 where he was responsible to ensure smooth implementation of the Safety and Environmental Management System on all the fleet vessels. Subsequently, he joined Hako Offshore Pte Ltd in 2010 as a Senior Safety Manager/Designated Person Ashore where he was tasked to manage and implement the Safety Management System throughout the organization and for the fleet of vessels, addressing deficiencies pertaining to manning requirement and training, conducting internal audits and participating in the emergency response team, and ensuring that adequate resources and shore-based support are applied as required.

He established Skips Marine Services in Singapore in 2011 and is presently the Managing Director where he oversees the business and contractual obligation to the company's clients and implementation of safety standards. Captain Tony Tan (Chen Han) is well versed in the maritime industry and has over 18 years of professional marine experience in both sea-going and shore-based operations which include container, tanker, oil and gas, offshore fleet and ship management, ship operations and marine safety operations. He was also involved in audit, incident investigation as well as implementation of International Safety Management ("ISM") appointments. As such, following thereto, with his maritime knowledge and experience, he will be in charge of the Company's Oil Bunker and Trading Business segment. He is responsible for formulating strategies to secure oil related product supplies on competitive terms and building vast customer base, to guide the Group's diversification into Oil Bunkering and Trading Business. Currently Captain Tony does not hold any directorship in other Malaysian public listed companies save for his directorship in Raya. Further to the above, he will be re-designated as an Executive Director after the approval of the Proposed Diversification.

To date, the Group is in the process of recruiting experienced management personnel who are able to provide technical expertise and support in the area of oil bunkering activities and trading of oil related products. The Group plans to hire one (1) general manager for technical, one (1) general manager for marketing and one (1) marketing executive in the second (2^{nd}) half of 2016. Thus far, the Group has identified and interviewed candidates for the relevant positions.

The Board estimates to utilise up to approximately RM8.0 million of its financial resources in the next twelve (12) months to undertake the oil bunkering business which shall be derived from the Group's internally generated funds, existing available cash in the Company and/or bank borrowings. Since the commencement of trading of MGO in December 2015, the Group had traded approximately 8.03 million litres of MGO up to March 2016. Based on its estimated financial resources of up to RM8.0 million, the Group envisages that it will be able to trade approximately up to 115 million litres of MGO over the next twelve (12) months.

2.2 PROPOSED SPECIAL BUMIPUTERA ISSUE

Raya *(formerly known as Envair Holdings Berhad and Ruby Quest Berhad)* was listed on the ACE Market (*then known as MESDAQ Market*) of Bursa Securities on 1 June 2005. Pursuant to the approval letter from the SC dated 23 December 2004, Raya is required to meet the thirty percent (30%) Bumiputera Equity Requirement within one (1) year after achieving the profit track record required for listing on the ACE Market of Bursa Securities or five (5) years from its listing on the ACE Market of Bursa Securities, whichever is earlier. Subsequently, a revision was made to the bumiputera equity requirement and Raya is required to have at least 12.5% of its enlarged issued and paid-up share capital held by Bumiputera investors recognised/approved by MITI.

Given that the deadline for the Company to meet the Bumiputera Equity Requirement is by June 2010, which has lapsed (i.e. within five (5) years from its listing on the ACE Market of Bursa Securities), the Company has applied for and has obtained approval from the SC via its letter dated 15 March 2016 for an extension of time until 31 July 2017 to comply with the Bumiputera Equity Requirement. As at the LPD, approximately 2.20% of the Company's issued and paid-up share capital are held by Bumiputera investors.

In view of the above, the Proposed Special Bumiputera Issue is to enable Raya to comply with the Bumiputera Equity Requirement imposed by the SC in relation to the approval granted to Raya for its listing. An application to MITI will also be made in due course for the recognition of Bumiputera investors pursuant to the Proposed Special Bumiputera Issue.

2.2.1 Size of placement

The Proposed Special Bumiputera Issue entails the issuance of up to 12.5% of the issued and paid-up share capital of the Company, representing up to approximately 20,500,000 Bumiputera Shares as at the LPD, at an issue price to be determined later to Bumiputera investors to be recognised by MITI after obtaining all approvals.

The Proposed Special Bumiputera Issue may be implemented in tranches depending on the prevailing equity market conditions and interest from Bumiputera investors. As such, there could potentially be several price fixing dates and several issue prices, depending on the number of tranches and timing of implementation which is to be determined later.

2.2.2 Placees

The Bumiputera Shares will be issued to third party Bumiputera investors recognised by the MITI other than the following:

(i) Interested Persons;

(ii) a person connected with an Interested Person; and

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The maximum number of Bumiputera Shares that may be issued to any one (1) Bumiputera investor will be determined in due course, after taking into consideration, among others, the number of interested Bumiputera investors to be recognised by the MITI.

The Bumiputera investors shall also be persons or corporations who fall within Schedules 6 and/or 7 of the CMSA, which include inter-alia, the issuance of the Bumiputera Shares to each of them for a consideration of not less than RM250,000 or the issuance is made to high net worth individuals whose total net personal assets exceed RM3,000,000 or corporations with total NA exceeding RM10,000,000 and no prospectus will be issued in respect of the Proposed Special Bumiputera Issue.

2.2.3 Ranking of the Bumiputera Shares

The Bumiputera Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Raya Shares except that they shall not be entitled to any rights, allotments, dividends and/or any other distribution, the entitlement date of which is prior to the date of issuance and allotment of the Bumiputera Shares.

2.2.4 Pricing of the Bumiputera Shares

The issue price of the Bumiputera Shares shall be determined by the Board at a later date in the following manner:

(i) at a discount of not more than ten percent (10%) to the 5D-VWAP of Raya Shares immediately preceding the price fixing date, if deemed appropriate by the Board; or

(ii) the par value of the Raya Shares of RM0.10 each

whichever is higher.

For illustrative purposes only, the indicative issue price of Bumiputera Shares is RM0.22, representing a discount of RM0.02 or approximately 8.33% of the 5D-VWAP of Raya Shares of RM0.24 (the 5D-VWAP of Raya Shares up to LPD).

2.2.5 Utilisation of proceeds

For illustrative purposes only, assuming 20,500,000 Bumiputera Shares are issued at an illustrative indicative issue price of RM0.22 per Bumiputera Shares, is expected to raise gross proceeds of approximately RM4,510,000. However, the exact amount of the gross proceeds to be raised from the Proposed Special Bumiputera Issue would depend on the actual issue price and actual number of Bumiputera Shares to be issued, which will be determined at a later date.

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The proceeds raised from the Proposed Special Bumiputera Issue are intended to be utilised as follows:

Details	RM'000	Expected time frame for the utilisation of proceeds (from the date of listing of the Bumiputera Shares)
Oil bunkering activity related expenses :-		
- Purchase of marine gas oil ("MGO")[(1)]	4,151	Within 12 months
- Marketing expenses[(2)]	53	Within 12 months
Estimated expenses for the Proposals[(3)]	306	Within 1 month
Total	**4,510**	

Notes:

(1) Part of the Proposed Special Bumiputera Issue proceeds to be catered for the expansion of the Group's activity in providing bunkering services for marine fuel, petroleum and petroleum based products. Approximately RM4.15 million will be allocated mainly for the purchases of MGO from local suppliers and Singapore which will be supplied to ships off the ports for their own use (i.e. oil bunkering activity).

(2) Part of the Proposed Special Bumiputera Issue proceeds is earmarked for the Group's marketing and sales effort to organisations in the oil and gas industry that have marine-based operations in Pasir Gudang Area and subsequently to organisations in other industries such as cargo vessels, passenger ferries and navy vessels. Approximately RM53,000 is allocated to advertising activities where Raya promotes its bunkering branding to reach out to the target customers through trade shows as well as distribution of corporate profiles and brochures.

(3) The estimated expenses consist of professional fees, fees payable to the relevant authorities, expenses to convene the EGM and other ancillary expenses. Any surplus or shortfall of proceeds for the estimated expenses in relation to the Proposals will be adjusted accordingly to or from the Oil bunkering activity related expenses.

The Group is steadfast in its diversification plans after discontinuing its loss making business of manufacturing filters and disposing its factory, which was completed in November 2015. The Group will be able to embark on its Oil Bunkering and Trading Business with funds from internally generated funds and/or bank borrowings.

3 RATIONALE FOR THE PROPOSALS

3.1 Proposed Diversification

The Proposed Diversification is part of the Group's long term strategy of diversifying into other business / industries with growth prospects instead of depending solely on its existing business in trading of air filtration system and fast moving consumer product, ancillary support services and general trading. The Group has been incurring losses in the existing business for the past two (2) financial years due to stiff competition in the industry the Group is operating in.

The Board has also taken into consideration the following factors in its decision for the Group to venture into oil bunkering and oil trading:

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(a) Business Collaboration

The Management of Raya has been critically identifying and evaluating opportunities in various business segments in order to further enhance the Group's prospects and potential improvements to the income streams and in-line with the Management's strategy to improve the Group's long term and sustainable future growth. To this end, the Management had identified the oil bunkering business activities and is optimistic that the prospects of embarking into oil bunkering activities will augur well for the Group in the long term. In this respect, the Group had incorporated Selatan Bunker in September 2015 to undertake this oil bunkering business (including obtaining the license for oil bunkering activities) and had undertaken a private placement exercise, for which part of the placement proceeds were earmarked to venture into the oil bunkering business segment. Following this, the Company had further entered into the Collaboration Agreement to enable the Group to carry out the oil bunkering activities and thereafter expand the Group's scope of trading activities.

(b) Ownership of approvals, licenses and permits from the respective regulatory and port authorities for the provision of bunkering services to Pasir Gudang Port

Industry players that are involved in the provision of bunkering services must obtain appropriate licenses from KPDNKK under the PDA License for the category of bunkering services. Selatan Bunker is in the midst of applying the PDA License and upon issuance of the PDA License by KPDNKK. Selatan Bunker will be able to market and provide bunkering services in the area of Pasir Gudang Port.

Further, via Tumpuan Megah, Selatan Bunker has access to licensed vessels that will be used as refueling vessels for bunkering service delivery. These vessels hold Domestic Shipping Licenses under the Merchant Shipping Ordinance 1952 and Bunker Licenses under Section 491B(1)(k) of the Merchant Shipping Ordinance 1952 for Pasir Gudang Port, thereby allowing these vessels to carry out bunkering services in the Pasir Gudang Port area.

Ownership of these licenses is pre-requisite to business sustainability, and the Group will continuously ensure that it meets the requirements of these licenses as well as seek to obtain new licenses to provide services to its customers with marine-based operations. Further, acquisition and ownership of these licenses is a key advantage as it acts as a barrier to entry for new industry players.

(c) Access to operational team with experience in ship-to-ship, ship-to-semisubmersible rigs and ship-to-submersible rigs bunkering

Selatan Bunker, via the Collaboration Agreement with Tumpuan Megah, has access to technically competent operations personnel that are experienced in ship-to-ship, ship-to-semisubmersible rigs and ship-to-submersible rigs bunkering, thereby allowing Selatan Bunker to deliver quality bunkering services to its customers.

Selatan Bunker will be able to leverage on the technical expertise and experience of Tumpuan Megah's operations team as they have a Collaboration Agreement in place to pursue a venture in the oil bunkering services industry.

(d) Well positioned to leverage on the growth of the oil bunkering services industry in Malaysia

Bunkering is essentially a marine logistics business, where industry growth is dependent on the volume of marine fuels distributed to end-users, which include amongst others, oil and gas vessels, marine cargo and bulk transporters, military and navy vessels. Thus, growth in global trade and marine transportation, increased activities in the upstream oil and gas industry, and supporting government policies will positively impact the oil bunkering services industry, benefiting industry players that offer bunkering services.

The consumption of residual fuel oil for bunkering doubled from 420 barrels daily in 2010 to 985 barrels daily in 2012, and subsequently to an estimated 1,500 barrels daily in 2015, registering a CAGR of 29.0% between 2010 and 2015. SMITH ZANDER anticipates that the consumption of residual fuel oil for bunkering will reach an estimated 1,800 barrels daily in 2017.

(Source: SMITH ZANDER)

The Company plans to leverage on the industry's growth potential.

3.2 Proposed Special Bumiputera Issue

The Proposed Special Bumiputera Issue is undertaken for the Company to comply with the Bumiputera Equity Condition. The gross proceeds of up to approximately RM4.51 million (based on the indicative issue price of RM0.22) shall be utilised mainly for the expansion of the Group's activity relating to the Proposed Diversification.

4 RISK FACTORS

The potential risk factors relating to the Proposals, which may not be exhaustive, are as follows:

4.1 Diversification risk

The Proposed Diversification may expose the Group to risks inherent to the oil bunkering sector. These may include, amongst others, general economic downturn in the global and regional economies, competition from existing players and entry of new players, socio-political instability, changes in demand and oversupply of oil bunkering services, and changes in the legal and environmental framework within which this industry operates.

The Group will seek to limit these risks through, amongst others, leveraging on the expertise of Tumpuan Megah as they are in the business of supplying bunkering services, oil trading, and barging to customers in the shipping industry of marine gas oil. In addition, the Group is also leveraging on experiences of Captain Tony Tan Han (Chen Han) who is in the maritime industry. He has over 18 years of professional marine experience in both sea-going and shore-based operations which include container, tanker, oil and gas, offshore fleet and ship management, ship operations and marine safety operations. He was also involved in audit, incident investigation as well as implementation of International Safety Management ("ISM") appointments. However, there is no assurance that any occurrence of the aforementioned events will not have a material adverse effect on the Group's business and earnings in the future

4.2 Dependency on the offshore oil and gas industry

Oil bunkering customers comprise organisations with marine-based operations that own and/or operate ocean faring vessels, as well as offshore structures such as those used for exploration and production activities in the oil and gas industry. Selatan Bunker intends to initially focus its marketing and sales efforts on organisations in the oil and gas industry that have marine-based operations in the Pasir Gudang Port area, and subsequently expand its marketing and sales efforts to organisations with marine-based operations in other industries such as cargo vessels, passenger ferries and navy vessels. Thus, the Group's operations are dependent on the level of activity in the exploration, development and production of oil and natural gas, including the level of capital spending in the offshore oil and gas industry. Such activities are affected by factors such as volatility in the demand for and supply of oil, fluctuations in the current and future oil prices, the number, size and locations of offshore oil fields, the demand for and supply of alternative fuels or energy, the prices of alternative fuels or energy, changes in capital expenditure by customers in the offshore oil and gas industry and general economic, social and political conditions. These activities are also affected by laws, regulations, policies and directives relating to energy, investment and taxation and other laws and regulations promulgated by the various governments from whom the Group must obtain licenses and permits in order to continue to operate.

In the event that there is deterioration in the offshore oil and gas industry and/or the offshore support services industry or in global or regional economic and political conditions, oil and gas companies may defer or reduce their planned exploration and production expenditure which may reduce demand for offshore vessels and services. This may result in a decrease in the Group's business activities and consequently, the Group's results of operations and financial condition may be materially and adversely affected.

The Group will seek to limit these risks through, amongst others, expanding its customer base to include customers from industries other than oil and gas such as bulk carriers companies, cargo companies and cruise liner companies.

4.3 Economic and regulatory considerations

Similar to other types of businesses, political and economic conditions as well as regulatory developments in Malaysia could have a material effect on the Group's foray into oil bunkering activities and consequently the financial performance of the Group. Adverse economic and/or regulatory conditions or developments include but are not limited to the unfavourable changes in government policies, laws and legislation, changes in methods of taxation and economic recession. For example, the oil bunkering industry will be sensitive to, amongst others, increased safety or environmental regulation and taxation changes.

While the Group seek to limit the impact of such risks in its diversification by monitoring and adopting business strategies (such as prudent management policies, careful planning and allocation of resources as well as maintaining cordial relationship with the relevant authorities) in response to major developments in the economic and regulatory environment, there is no assurance that any change to the above factors will not have a material adverse effect on the business and prospects of the Group's oil bunkering business.

4.4 Environmental Risks

The oil bunkering operations are subject to weather and natural hazards. Adverse changes in weather and natural hazards such as the occurrence of tsunamis and other extreme natural conditions in the areas where the Group operates, and may cause damage to refueling vessels and subsequently, delays or suspensions in the Group's operations. The Group's operations may experience disruption if any of the vessels and/or the equipment suffer significant downtime as a result of such damage, delays or suspensions. This may have a material adverse impact on the Group's revenue and profits and the Group's financial position

The Group seeks to limit the impact of the abovementioned risks in its diversification by adhering to strict environmental safety rules and regulations.

4.5 Dependency on key management

The Management believes that the Group's future performance depends to a large extent upon the skills, abilities, experience, competency and continuous efforts of its key management and on the Group's ability to hire and retain qualified and skilled personnel. The experience, knowledge and expertise of this key management team is pivotal to the Group's success. While the Group has made efforts to nurture and maintain good relationships with its key management, there can be no assurance that the loss of any of its key management personnel can be avoided or would not materially and adversely affect our business, operating results and financial conditions.

The Group's business units are dependent on the technical knowledge related to the oil bunkering industry. The number of people with the required expertise and experience is limited whilst competition for their services is typically high in the offshore oil and gas industry.

As such, the Group could experience difficulties in attracting, recruiting and retaining the appropriate number of technical personnel for the Group's business needs. The Group may be required to increase its remuneration package to attract and retain such personnel. As the Group's future performance will depend on the continued services of these personnel, a sudden loss of the Group's key technical personnel or the inability to manage the attrition rate in different employee categories could adversely affect the quality of its services, the growth of the Group's business and result in increased costs and, consequently, materially and adversely affect the Group's business, results of operations and financial condition.

4.6 Dependency on Tumpuan Megah

The Group's venture into offshore bunkering as well as the marketing and sales of bunkering services for marine fuel, petroleum and petroleum-based products are dependent on the expertise of Tumpuan Megah to manage the availability of refueling vessels, warehouse and other storage and logistic facilities for the oil bunkering trade at the Pasir Gudang Port including securing and providing access to suitable facilities for such purposes. If the Group is unable to secure the services provided by Tumpuan Megah, this may have an adverse effect on the Group's operations and thus profitability. In such instances, the Group will then have to procure the services of other third party logistic service providers that may come at a higher cost or be in less than favourable terms for the Group.

The Group seeks to limit these risks by securing the PDA license which will enable the Group to provide oil bunkering services in other ports (other than Pasir Gudang) and recruitment of experienced management personnel who are able to provide technical expertise and support in the area of oil bunkering activities and trading of oil related products. Furthermore, the Group may explore opportunities to collaborate with other interested parties in providing oil bunkering to other ports (other than Pasir Gudang).

5 ECONOMIC OUTLOOK AND PROSPECTS

5.1 Overview of the global economy

Global growth is anticipated to remain moderate in 2015 with a modest pickup in advanced economies and slower growth in emerging market and developing economies. Global economic activity will be supported by continued expansion in the US and the UK, as well as a gradual recovery in the Euro area and Japan. Although global growth is expected to continue at a moderate pace in 2015, several downside risks persist. The near-term risks include capital market volatility, currency depreciation in emerging market and developing economies, capital outflows, possibility of an increase in US interest rate and economic distress from geopolitical factors. Medium-term risks comprise continued low inflation in advanced economies, high unemployment, especially in the Euro area and a sharper-than-expected slowdown in China. Additionally, lower commodity prices are expected to undermine growth in commodity-exporting developing economies.

Overall, global growth is projected to remain moderate at 3.1% in 2015* (2014: 3.4%), supported by a gradual pickup in advanced economies at 2% (2014: 1.8%), despite a slowdown in emerging market and developing economies at 4% (2014: 4.6%). Global GDP is anticipated to expand by 3.6% in 2016 (2015: 3.1%), contributed by better performance in most advanced economies as well as improving economic conditions in emerging market and developing economies. GDP in merging market and developing economies is expected to increase by 4.5% (2015:4%) on account of moderate growth in China, stable expansion in India as well as improvements in several ASEAN economies.

The outlook in 2016 is contingent upon the downside risks emanating from monetary policy normalization in the US; continued appreciation of the US dollar; further decline in oil and other commodity prices; concerns about lower-than-expected growth in China; and geopolitical tensions.

(Source: Economic Report 2015/2016, Ministry of Finance Malaysia).

Note:

* *Based on the International Monetary Fund-World Economic Outlook Report April 2016 Edition, the global growth for 2015 is stated at 3.1%.*

5.2 Overview of the Malaysian economy

The Malaysian economy grew by 4.5% during the fourth quarter of 2015 (Q3 2015: 4.7%) supported by domestic activities and a better export performance, despite increasing external uncertainties.

On the supply side, all sectors of the economy recorded a positive growth during the fourth quarter of 2015 except mining and quarrying. The services sector expanded by 5% (Q3 2015: 4.4%) spurred by wholesale and retail trade activity and transportation and storage services.

The Malaysian economy is expected to sustain a steady growth momentum in 2016. This is underpinned by strong macroeconomic fundamentals as well as pro-growth fiscal and accommodative monetary policies. The favourable outlook is reflected by the Leading Index which grew by 0.1% from 118.4 points in October 2015 to 118.5 points in November 2015. Domestic demand will continue to be the main engine of growth supported by private sector activity. On the supply side, the services and manufacturing sectors will remain the key drivers of growth. The economy will continue to operate under conditions of full employment while inflation is expected to remain manageable.

(Source: Quarterly Update on the Malaysian Economy – Fourth (4th) Quarter 2015, Ministry of Finance Malaysia)

The Malaysian economy registered a growth of 4.5% in the fourth quarter of 2015 (3Q 2015: 4.7%), supported mainly by the private sector demand. On the supply side, growth was underpinned by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.5% (3Q 2015: 0.7%). For the year 2015, the Malaysian economy expanded by 5.0%

(Source: Economic and Financial Development in Malaysia in the Fourth (4th) Quarter of 2015, Bank Negara Malaysia)

Overall, the Malaysian economy in 2016 is expected to grow by 4 – 4.5% (2015: 5.0%).

(Source: Bank Negara Malaysia Annual Report 2015).

Based on the above, we are of the view that the outlook of the Malaysian economy is expected to be positive for the next twelve (12) months, albeit the fact that growth may be moderated due to external factors.

5.3 Overview of the Oil Bunkering Industry in Malaysia

Bunkering is essentially a marine logistics business, where industry growth is dependent on the volume of marine fuels distributed to end-users, which include amongst others, oil and gas vessels, marine cargo and bulk transporters, military and navy vessels and all other types of ships and vessels. Thus, growth in global trade and marine transportation, increased activities in the upstream oil and gas industry, and supporting government policies will positively impact the bunkering services industry, benefiting industry players that offer bunkering services.

The consumption of residual fuel oil for bunkering doubled from 420 barrels daily in 2010 to 985 barrels daily in 2012, and subsequently to an estimated 1,500 barrels daily in 2015, registering a CAGR of 29.0% between 2010 and 2015. SMITH ZANDER anticipates that the consumption of residual fuel oil for bunkering will reach an estimated 1,800 barrels daily in 2017.

Demand for marine fuels is derived from the demand for transportation of various types of cargoes by ocean faring vessels which, in turn, is derived from the demand for commodities that are produced in one (1) region of the world and consumed in another. For each year, total marine fuel consumed is computed as the sum of fuel consumed on each route of each trade (commodity). Fuel consumed in each route of each trade is, in turn, computed by summing the fuel consumed for each route and trade for that year by propulsion engines and auxiliary engines, both at sea and in port. Demand for marine fuels also takes into account demand from non-cargo bearing vessels i.e. cruise ships and ferries, as well as vessels utilised in the upstream oil and gas industry such as offshore support vessels, submersible and semisubmersible rigs and FPSO vessels.

Key market drivers, trends and developments that impact oil bunkering activities include:

(a) Growth in the trade sector leads to growth in logistics and transportation services, presenting demand potential for oil bunkering services

Malaysia's external trade, comprising total imports and total exports, increased from RM1.2 trillion in 2010 to RM1.4 trillion in 2015, at a CAGR of 4.6%. The growth in Malaysia's external trade is similarly reflected in the nation's cargo throughput growth. Over the period of 2010 and 2015, Malaysia's cargo throughput comprising dry cargo, liquid cargo, general cargo and container cargo increased from 448.6 million FWT to 568.3 million FWT at a CAGR of 4.8%. During the same period, cargo throughput in Johor increased from 125.8 million FWT to 164.9 million FWT at a CAGR of 5.6%, where growth was driven by cargo movement in the Port of Tanjung Pelepas. The Port of Tanjung Pelepas is a dedicated container terminal port and handles a significant amount of container cargo annually. Between 2010 and 2015, container cargo throughput in Malaysia increased from 18.2 million TEUs in 2010 to 23.9 million TEUs in 2015 at a CAGR of 5.6% while container cargo throughput in the Port of Tanjung Pelepas increased from 6.3 million TEUs to 8.8 million TEUs at a higher CAGR of 6.9%.

Further growth in Malaysia's external trade will impact cargo throughput, and subsequently create potential demand for road, rail, air and marine logistical services to accommodate this growth. Greater demand for marine logistical services will positively influence the demand for oil bunkering services.

(b) Growth in the tourism industry signifies growth opportunities for the oil bunkering industry

The tourism industry in Malaysia has witnessed a rise in tourist arrivals and receipts between the period 2010 and 2015. Over the period, tourist arrivals increased from 24.6 million in 2010 to 25.7 million in 2015 at a CAGR of 0.9%, whereas tourist receipts increased from RM56.5 billion to RM69.1 billion, recording a CAGR of 4.1%.

Under the 11MP, Malaysia's regional economic corridors, including Iskandar Malaysia in Johor, will continue to be strengthened to fuel regional development. Further, under the Iskandar Malaysia Transportation Blueprint (2010 – 2030) there are three (3) focus areas to enhance the public transportation system in Johor, namely urban transportation, freight transportation and green transportation. Urban transportation covers public transportation and private transportation, and includes water taxis, ferry services and cruises. These water taxis will operate from ferry terminals at Danga Bay, Stulang and Puteri Harbour for trips along the Tebrau straits as well as to Kongkong and Ramsar via the Kukup and Tanjung Belungkor ferry terminals. In addition, river cruise tours will be offered in the environmentally preserved areas of Kongkong and Ramsar.

The current position of Malaysia's Ringgit in comparison to other foreign currency positions Malaysia as an attractive and affordable tourist destination. Coupled with the continued development of the Iskandar Malaysia regional economic corridors under the 11MP, and the development of water taxis, ferries and cruise services in Johor, the tourism industry is provided with growth opportunities, thus creating growth potential for the oil bunkering industry in the state of Johor.

(c) Growth in the oil and gas industry propels the oil bunkering industry, creating demand for marine fuels

The oil and gas industry is a significant contributor to Malaysia's GDP. Between 2010 and 2014, the oil and gas industry in Malaysia contributed between 8.0% and 11.0% of the country's total GDP, signifying its importance to overall economic development. The oil and gas industry in Malaysia, as measured by value of its gross output, grew from RM98.1 billion in 2010 to RM119.1 billion in 2014 at a CAGR of 5.0% (latest available as at 18 May 2016 from the Department of Statistics Malaysia).

The oil and gas industry in Malaysia is growing, as marginal increase took place in the production of crude oil and natural gas. In 2013, the production of crude oil and condensates and natural gas were registered at 210.0 million barrels and 64,606 kilotonnes of oil equivalent ("ktoe") respectively. Malaysia's production volume of crude oil and condensates as a percentage of global production volume remained stable at 0.7% to 0.8% between 2010 and 2013. Over the same period, Malaysia's production volume of natural gas contributed to between 2.0% to 3.0% of the world's production volume of natural gas. In 2014, production of crude oil and condensates and natural gas in Malaysia were registered at 220.0 million barrels and 63,091 ktoe respectively.

The Johor Petroleum Development Corporation Berhad is a federal agency which was formed to plan and develop a strategy to transform Johor into a downstream oil and gas hub. Currently, extensive oil and gas activities are being carried out in Johor and are concentrated in the Tanjung Bin, Tanjung Langsat and Pengerang areas. There are several major oil and gas projects related to oil storage, trading, bunkering, warehousing and manufacturing in Johor which are anticipated to contribute to growth in the state's oil and gas industry, and by extension, the oil and gas industry in Malaysia.

Globally, crude oil prices began witnessing a drop below the USD100 per barrel mark in September 2014 after nearly five (5) years of stability, raising concerns on the impact of lower oil prices on the oil and gas industry in Malaysia. The combination of robust world crude oil supply growth and weak global demand has contributed to rising global inventories and falling crude oil prices. The decline in crude oil prices has impacted upstream oil and gas activities in Malaysia, resulting in lower capital expenditure on exploration and production activities. However, despite reduced exploration and production activity of crude oil, the oil and gas industry remains as a significant contributor to Malaysia's GDP. Activities in the downstream oil and gas sector remain robust as petrochemical companies that use oil and gas products to make the various derivatives and chemicals that are used in consumer goods such as plastics are benefitting from the lower crude oil prices.

In 2015, the Government of Malaysia further announced several initiatives under the 11MP to boost development in the nation's oil and gas industry, of which will have a positive impact on oil and gas activities in the state of Johor.

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Initiatives announced under 11MP, specific to the oil and gas industry in Johor

Focus area	Description
Encouraging sustainable energy use to support growth	▪ Ensuring security of supply for gas • Gas supply security would be ensured through the construction of pipelines from the Malaysia-Thailand Joint Development Area to Kerteh, Terengganu; construction of the Regasification Terminal-2 in Pengerang, Johor; and the commissioning of two floating liquefied natural gas units offshore Sabah and Sarawak with a capacity of 2.7 million tonnes per annum. In addition, to ensure undisrupted supply during emergencies, a swing field offshore east of Peninsular Malaysia will provide an additional 100 - 200 million standard cubic feet (“ft^3”) per day of natural gas. These additional volumes, together with a 15% buffer of storage capacity from Regasification Terminal-1 in Sungai Udang, Melaka, will cater for gas demand in Peninsular Malaysia. • Distribution of natural gas to scattered and uneconomic demand areas in Peninsular Malaysia and Sabah will be served through virtual pipelines, which is a method of distributing natural gas from city gate to consumers using trucks. This will reduce the cost of production for industries. Safe and economic alternative distribution methods for natural gas will also be explored. ▪ Supporting the development of Pengerang Integrated Petroleum Complex • The Refinery and Petrochemical Integrated Development within Pengerang Integrated Petroleum Complex is a major development that will add 300,000 barrels per day of oil refining capacity in Malaysia during the 11MP. The facility will be able to produce EURO 4M and EURO 5 grade petrol, in addition to 7.7 million tonnes per annum of various grades of specialised products such as synthetic rubber and high grade polymer by 2020. In addition, the complex will have a 1,220 megawatts co-generation power plant of which 620 megawatts will be utilised by Refinery and Petrochemical Integrated Development and the remaining 600 megawatts exported to the grid. The Government will provide support to construct essential infrastructure such as roads, drainage, and utilities for this development. Another investment in Pengerang Integrated Petroleum Complex will be secured by the Johor Petroleum Development Corporation during the Eleventh Plan to complement existing investments by DIALOG-Vopak and PETRONAS.

The decline in crude oil prices has resulted in a slowdown of exploration and production activities in Malaysia's upstream oil and gas sector, thereby impacting the revenue streams of industry players that are involved in the provision of bunkering services to the oil and gas industry as well as industry players such as Selatan Bunker who wish to penetrate this segment of the industry. Nonetheless, it is anticipated that Selatan Bunker shall be able to mitigate the risk of lower demand for bunkering services from the oil and gas industry by expanding its bunkering services to customers with marine-based operations in other industries such as cargo vessels, passenger ferries and navy vessels

(Source: SMITH ZANDER)

5.4 Prospects and future plans of the Group

The Board, having taken into consideration the favourable outlook of the oil bunkering industry as stated in Sections 5.3 of this Circular, is positive of the prospects of the oil bunkering activities. In addition, the Group's future plans for the oil bunkering business are as follows:

(a) Leverage on the growth potential of the oil bunkering services industry to drive business growth and expansion

Bunkering is essentially a marine logistics business, where industry growth is dependent on the volume of marine fuels distributed to end-users, which include amongst others, oil and gas vessels, marine cargo and bulk transporters, military and navy vessels. Thus, growth in global trade and marine transportation, growth in the tourism industry, increased activities in the upstream oil and gas industry, and supporting government policies will positively impact the bunkering services industry, benefiting industry players that offer bunkering services.

Please refer to Section 5.3 (a) and (b) for details on the growth of the trade sector and the tourism industry in Malaysia over the period of 2010 and 2015. As a result of the growth in trade and tourism, the consumption of residual fuel oil for bunkering in Malaysia doubled from 420 barrels daily in 2010 to 985 barrels daily in 2012, and subsequently to an estimated 1,500 barrels daily in 2015, registering a CAGR of 29.0% between 2010 and 2015.

With regards to the oil and gas industry, crude oil prices averaged at USD50.8 per barrel in 2015, 47% lower from 2014, as a result of ample supply from Organisation of the Petroleum Exporting Countries ("OPEC") and non-OPEC producers, expectations of an imminent expansion of Iranian exports as economic sanctions were lifted, high stocks and weakening growth prospects in major oil-importing economies. The global consumption of oil has faced offsetting pressures in terms of weakening real income growth and sharply lower prices. While the weaker economic growth, especially in emerging market and developing countries, has weighed on consumption, the sheer degree of the oil price decline has encouraged consumption.

For 2016, crude oil prices are projected to average at USD37 per barrel, a decline of 27% from 2015. A gradual recovery in oil prices is expected over the course of the year, as high-cost oil producers are expected to sustain persistent losses and therefore implement production cuts that are likely to exceed any additional capacity coming to the market; and as demand is expected to strengthen along with a modest pickup in global economic growth. Global crude oil prices are forecast to average as USD48 per barrel in 2017, and surpass the USD60 mark by 2021.

Based on growth prospects of trade, tourism and the oil and gas industry, SMITH ZANDER anticipates that the consumption of residual fuel oil for bunkering will reach an estimated 1,800 barrels daily in 2017.

(Source: SMITH ZANDER)

This will present growth opportunities for Selatan Bunker and in collaboration with Tumpuan Megah, Selatan Bunker is poised to benefit from this prospects.

(b) Diversify and expand customer base of organisations with marine-based operations

Selatan Bunker will principally operate from the Pasir Gudang Port, Johor, where Selatan Bunker provides, markets and sells bunkering services primarily to organisations with marine-based operations that own and/or operate ocean faring vessels, all types of oil & gas seafaring vessels such as supply boats, barges, tug boats, catamarans as well as offshore structures such as fixed platforms, floating production platforms, semi-submersible platforms, rigs and living quarters. Selatan Bunker intends to initially focus its marketing and sales efforts on organisations in the oil and gas industry that have marine-based operations in the Pasir Gudang Port area, and subsequently expand its marketing and sales efforts to organisations with marine-based operations in other industries such as cargo vessels, cruise ships and ferries as well as naval vessels.

The diversification of customer base of organisations with marine-based operations and expansion into other industries will mitigate Selatan Bunker's risk of dependency on its customers in the oil and gas industry, where crude oil and natural gas exploration and production activities and investments are influenced by global demand and supply factors. The overall marine industry will provide opportunities for Selatan Bunker to expand its business operations, for its long term growth and sustainability.

(c) Expand geographically to other seaports in Malaysia

Selatan Bunker principally operates from the Pasir Gudang Port, Johor. Moving forward, Selatan Bunker intends to expand its market footprint beyond Pasir Gudang Port into other seaports in the state of Johor, as well as seaports along the East Coast of Peninsular Malaysia which witness higher traffic of oil and gas vessels owing marine-based oil and gas exploration and production activities that take place in these waters, in addition to other marine-based industries.

This geographical expansion will reduce Selatan Bunker's reliance on a single market i.e. the Pasir Gudang Port, and allow Selatan Bunker to promote its services to organisations with marine-based operations that own and/or operate ocean faring vessels across multiple seaports. The prospects of Selatan Bunker's geographical expansion will be supported by growth in the overall marine-based activities in Malaysia, comprising marine-based oil and gas exploration and production activities, marine-based trade activities as well as marine-based tourism activities.

Having said the above, the Group is currently involved in the trading of MGO and with the Collaboration Agreement, it will be diversified into oil bunkering business. The future plans in relation to 5.4 (b) and 5.4 (c) above will be carried out after the Group has successfully generated earnings from trading of MGO and oil bunkering business, which will provide additional financial resources for the Group to further expand its oil bunkering business activities. Therefore, at this juncture, the Board is unable to determine the timeframe and the financial resources required to embark on the plans as set out in 5.4 (b) and 5.4 (c) above.

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6 EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any impact on the issued and paid-up share capital, NA, gearing, and substantial shareholders' shareholdings of the Group.

6.1 Issued and paid-up share capital

The pro forma effects of the Proposed Special Bumiputera Issue on the issued and paid-up share capital of the Company are set out below:

	Par Value (RM)	No. of ordinary shares	RM
Issued and paid-up share capital as at the LPD	0.10	143,452,380	14,345,238
Shares to be issued pursuant to the Proposed Special Bumiputera Issue	0.10	20,500,000	2,050,000
Total enlarged issued and paid-up share capital	0.10	163,952,380	16,395,238

6.2 NA per Share and gearing

	(Audited) As at FYE 2015	After Proposed Special Bumiputera Issue[(1)]
Group	**RM**	**RM**
Share capital	14,345,238	16,395,238
Share premium	9,402,637	11,862,637
(Accumulated loss)	(15,635,960)	(15,635,960)
Shareholders' fund/ NA attributable to the owners of the Company	**8,111,915**	**12,621,915**
No. of shares in issue	143,452,380	163,952,380
NA per Share (RM)	0.06	0.08
Total borrowings	-	-
Gearing (times)	-	-

Notes:

(1) Assuming the issue price of the Proposed Special Bumiputera Issue is at an indicative price of RM0.22 per Raya Share.

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6.3 Substantial shareholders' shareholdings

Shareholders	As at LPD				After Proposed Special Bumiputera Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Ang Tun Yang	16,500	11.50			16,500	10.06		
Affin Hwang Nominees (Tempatan) Sdn Bhd. Pledged Securities Account for Water Beaute World Berhad	16,443	11.46			16,443	10.03		
Lee Chee Hoon	-	-	16,443	11.46[(1)]	-	-	16,443	10.03[(1)]
Lui Leong Eng	-	-	16,443	11.46[(1)]	-	-	16,443	10.03[(1)]
Gan Siew Eng	-	-	16,443	11.46[(1)]	-	-	16,443	10.03[(1)]
Bumiputera investors[(2)]	-	-	-	-	20,500	12.50	-	-

Notes:

(1) Indirect interest arising from his/ her shareholdings in Water Beaute World Berhad, of more than 15% of the issued and paid-up share capital of Water Beaute World Berhad.

(2) Bumiputera investors to be identified by the Company at a later date on the assumption that these Bumiputera investors have substantial shareholdings of at least 5% of the enlarged issued and paid-up share capital of the Company.

6.4 Earnings and EPS

The Proposed Diversification is expected to contribute positively to the earnings and EPS of the Group for FYE 2016.

The Proposed Special Bumiputera Issue is not expected to have any material effect on the earnings of Raya Group for the FYE 2016. However, as the Proposed Special Bumiputera Issue is expected to be completed in fourth (4) quarter of 2016, there will be a reduction in the EPS of Raya Group for the FYE 2016 due to the increase in the number of Raya Shares arising from the Proposed Special Bumiputera Issue.

6.5 Convertible securities

As at the LPD, Raya does not have any convertible securities.

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7 ADDITIONAL INFORMATION

7.1 Financial Information

	(Audited)		
	FYE 2013 RM'000	**FYE 2014 RM'000**	**FYE 2015 RM'000**
Revenue	2,424	2,935	14,473
Profit / (Loss) before taxation ("PBT" / "LBT")	351	(1,391)	(285)
Taxation	(262)	(141)	(194)
Profit / (Loss) after taxation ("PAT" / "LAT")	89	(1,532)	(479)
Net assets ("NA")	6,425	6,718	8,267
Cash and bank balances	45	613	4,122
Share capital	11,856	13,041	14,345
Total borrowings	4,978	4,725	-
No. of Raya Shares in issue ('000)	118,556	130,411	143,452
NA per Raya Share (RM)	0.05	0.05	0.06
Earnings/(Loss) per Raya Share (sen)	0.08	(1.26)	(0.37)
Current ratio (times)	1.51	3.64	18.68
Gearing ratio (times)	0.77	0.70	-

(Source: Annual reports of Raya for the FYE 2013 to FYE 2015)

Commentaries:

FYE 2014 vs FYE 2013

For the FYE 2014, the Group recorded revenue of RM2.94 million (FYE 2013: RM2.42 million), which represents an increase of approximately 21.49% as compared to the revenue of FYE 2013 due to the management's intensive marketing efforts to increase sales of the filtration products as well as from general trading activities such as trading in apparels and fast moving consumer goods for eg. water boilers and cookers.

Despite the higher revenue generated in FYE 2014, gross profit margin of the Group reduced from approximately 51.81% in FYE 2013 to approximately 4.79% in FYE 2014, mainly due to lower margins earned from sales of the fast moving consumer goods. The Group recorded LBT of RM1.39 million in FYE 2014 compared to PBT of RM0.35 million mainly due to higher operating expenses incurred during the year. The higher operating expenses was mainly due to deposits written off in respect of deposits placed for the production of a special type of fragrant soap of RM0.40 million due to the failure of supplier's business which led to the closure of the supplier's company. Subsequently, the Group has made efforts to locate the supplier in order to recover the deposits. However it was unsuccessful as the supplier was not contactable by the Group. In addition, the higher operating expenses were contributed by the reduction in the waiver of advances from a director/shareholder to RM0.27 million in FYE 2014 (FYE 2013: RM0.83 million). The advances were adhoc advances by a director/shareholder to partially fund the Group's working capital requirements and to meet the bank loan repayment obligation. As the director/shareholder is committed and supportive of the Group, the adhoc advances were waived by the director/shareholder.

Although the Group recorded LBT of RM1.39 million, the Group recognised an income tax expense of RM0.14 million due to higher expenses which were not deductible for tax purposes for Quest Technology Sdn Bhd as well as non-recognition of deferred tax assets of Raya Consumable Sdn Bhd and Raya due to continued losses experienced. After accounting for the tax expense of RM0.14 million, the Group posted a LAT of RM1.53 million in FYE 2014, as compared to a PAT of RM0.09 million achieved in FYE 2013.

The gearing ratio as at FYE 2014 was 0.70 times representing a decrease of 0.07 times as compared to gearing ratio of 0.77 times in FYE 2013. The reduced gearing ratio was mainly attributed to the full repayment of finance lease and decrease in term loans as well as lower usage of bank overdraft.

FYE 2015 vs FYE 2014

The Group registered a revenue of RM14.47 million for the FYE 2015, a substantial increase of approximately RM11.53 million (FYE 2014: RM2.94 million) recorded in the preceding year. Higher revenue was recorded in FYE 2015 mainly due to a surge in the supply of fast moving consumer goods such as mattresses, water boilers and cookers to the government flood victims' aid projects in early 2015. The management's strategy was to focus on increasing the volume of its trading activities as opposed to the manufacturing of water and air filter products, which it has lost its competitive edge, especially in terms of pricing and cost, and faced with operational issues such as availability of workers. As stated in Section 2.1 of this Circular, the Group no longer manufactures its water and air filter products since early 2014 and further in November 2015 completed its disposal of its' three (3) storey office block annexed to a single storey warehouse building. Kindly refer to Section 5(ii) Appendix II of this Circular for further details.

Despite the substantial rise in revenue, gross profit margin of the Group dropped significantly from approximately 4.79% for the FYE 2014 to approximately 3.78% for the FYE 2015 due to the low margins earned from the general trading activities of the fast moving consumer goods. The Group recorded a lower LBT of RM0.28 million for the FYE 2015 as compared to a loss of RM1.39 million for the FYE 2014 primarily due to higher revenues generated, lower finance costs due to full repayment of bank borrowings, lower depreciation charges and did not incur a write off of a deposit of RM0.4 million as in FYE 2014.

The gearing ratio as at FYE 2015 is nil, as there were no borrowings, compared to a gearing ratio 0.70 times as at FYE 2014.

7.2 The Proposals' impact and value creation to our Group and our shareholders

The Proposed Special Bumiputera Issue will enable our Group to tap into the equity market to raise funds to fund oil bunkering related expenses pursuant to the Proposed Diversification.

On the assumption that the indicative issue price of the Bumiputera Shares is RM0.22 each, representing a discount of RM0.02 or approximately 8.33% of the 5D-VWAP of Raya Shares of RM0.24 (the 5D-VWAP of Raya Shares up to LPD), the NA per Share would be improved. The extent of the improvement will be dependent on the premium to the par value of the Share. The Proposed Special Bumiputera Issue will result in a dilution to the percentage of shareholding of the existing shareholders in the Company.

Despite a dilutive effect on the existing shareholders' shareholdings in the Group pursuant to the Proposed Special Bumiputera Issue, shareholders should consider the potential accretive effects of the Proposed Special Bumiputera Issue to the future earnings to the Group and possible enhancement to shareholders' value as it provides the necessary funding for the purposes as stated in Section 2.2.5. In addition, the utilisation of the proceeds for the oil bunkering related expenses are for the Group to purchase MGO in order to increase the trading volume, which will result in an expected improvement in the earnings of the Group and returns on shareholder's funds.

Premised on the above, the Board is of the view that the Proposals would create value for the shareholders of Raya.

7.3 Adequacy of the Proposals in addressing the company's financial concerns

As discussed in Section 7.1 above, the Group suffered financial losses in the past two (2) FYEs, 2014 to 2015, from its filter manufacturing business and trading activities. The Group's trading of fast consumer goods is dependent on Government aid programs for natural disasters such as floods of which the prospects revenue is volatile and depending on the occurrence of natural disaster. Thus, the Group in its efforts to address the Group's long term financial turn-around, has decided to embark on diversifying its operations into Oil Bunkering and Trading Business where the Board of Directors expects consistent demand for the products pursuant to the prospects and future plans of the Group as detailed in Section 5.4 of this Circular.

The Proposed Special Bumiputera Issue will raise additional funds and working capital which will be utilized for the oil bunkering and trading of bunker oil, which is expected to provide future growth to the Group. Premised on the above, our Board is of the view that the Proposed Special Bumiputera Issue is able to address our Group's current financial concerns.

8 HISTORICAL SHARE PRICES

The monthly high and low transacted prices of Raya Shares for the past twelve (12) months from May 2015 to April 2016 are as follow:

	High RM	Low RM
2015		
May	0.175	0.160
June	0.165	0.135
July	0.170	0.130
August	0.185	0.140
September	0.195	0.150
October	0.190	0.150
November	0.170	0.155
December	0.210	0.140
2016		
January	0.290	0.195
February	0.290	0.230
March	0.270	0.230
April	0.260	0.220

(*Source: Bloomberg*)

The last transacted market price of RAYA Shares on 3 February 2016 (being the date prior to the announcement of the Proposals) was RM0.26.

The last transacted market price on 13 May 2016 (being the LPD prior to the printing of the Circular) was RM0.23.

9 INTER-CONDITIONALITY

The Proposed Special Bumiputera Issue is conditional upon the Proposed Diversification.

The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

10 APPROVALS REQUIRED

The Proposals are subject to and conditional upon approvals being obtained from the following:

(i) Equity Compliance Unit of the SC, for the approval on the Proposed Special Bumiputera Issue;

(ii) Bursa Securities for the approval-in-principle for the listing of and quotation for the Bumiputera Shares to be issued pursuant to the Proposed Special Bumiputera Issue which has been obtained vide its letter dated 18 May 2016, is subject to the following conditions:

No.	Conditions imposed	Status of compliance
(a)	Raya and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Special Bumiputera Issue;	Noted
(b)	Raya and TA Securities to inform Bursa Securities upon the completion of the Proposed Special Bumiputera Issue;	To be complied
(c)	Raya to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Special Bumiputera Issue is completed; and	To be complied
(d)	The up to 20,500,000 Bumiputera Shares for which Bumiputera investors have not yet been identified, can only be issued after the MITI has approved the Bumiputera investors to be nominated to subscribe for these shares.	To be complied

In the event the new ordinary shares to be issued pursuant to the Proposed Special Bumiputera Issue will be listed and quoted as the existing securities of the same class, quotation of the new ordinary shares will commence on the next market day after the following:

(a) Submission of the share certificate together with a covering letter containing the summary of the Proposed Special Bumiputera Issue to Bursa Malaysia Depository before 10.00 a.m. on the market day prior to the listing date;

(b) Receipt of confirmation from Bursa Depository that the Special Bumiputera Shares are ready for crediting into the securities accounts of the respective account holders; and

(c) An announcement in accordance to paragraph 12.2 of Guidance Note 17 of the Listing Requirements is submitted via Bursa Link before 3.00 p.m. on the market day prior to the listing date.

Raya is required to ensure full compliance of all the requirements as provided under the Listing Requirements at all times.

Raya is required to incorporate the comments made in the draft circular to shareholders in relation to the Proposals;

(iii) MITI, for recognizing Bumiputera investors for the Company to implement the Proposed Special Bumiputera Issue;

(iv) the shareholders of Raya at an EGM to be convened; and

(v) any other relevant authorities and/or parties, if required.

11 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors and/or major shareholders of Raya and/or persons connected to them have any interest, either direct or indirect, in the Proposals.

12 DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals including the rationale and effects, is of the opinion that the Proposals are in the best interest of Raya and accordingly recommend the shareholders to vote in favour of the resolution in respect of the Proposals to be tabled at the forthcoming EGM.

13 ADVISER

TA Securities has been appointed by the Company to act as the Adviser for the Proposals.

14 ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals of shareholders being obtained, the Proposed Diversification is expected to be completed by the second (2^{rd}) quarter of 2016 and Proposed Special Bumiputera Issue is expected to be completed by the fourth (4^{th}) quarter of 2016.

15 CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

The Board confirms that save for the Proposals, there are no other outstanding corporate proposal which has been announced by the Company pending completion as at LPD.

16 EGM

The EGM, the notice of which is set out in this Circular, will be held at Crystal Hall 3, Level 4, Crystal Crown Hotel Petaling Jaya, No: 12, Lorong Utara A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 3 June 2016 at 4.00 p.m. or immediately after the conclusion or adjournment of the Nineteenth Annual General Meeting of the Company, which will be held at the same venue, on the same date at 3.00 p.m., whichever is the later, for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed therein as soon as possible to the Registered Office of the Company at No. 149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan, not later than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person should you subsequently wish to do so.

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17 FURTHER INFORMATION

You are requested to refer to the attached Appendices for further information.

Yours faithfully,
For and on behalf of the Board
RAYA INTERNATIONAL BERHAD

DATO' TAN SENG HU
Managing Director

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T +603 6211 2121

SMITH ZANDER

MAY 2016

The Board of Directors
RAYA INTERNATIONAL BERHAD
3rd Floor, No. 66
Jalan Kampung Attap
50460 Kuala Lumpur
Malaysia

Dear Sirs,

Independent Market Research Report on the Oil Bunkering Industry in Malaysia in relation to the Proposed Diversification and Proposed Special Bumiputera Issue of RAYA INTERNATIONAL BERHAD

This Independent Market Research Report on the Oil Bunkering Industry in Malaysia is prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Circular to shareholders of RAYA INTERNATIONAL BERHAD

For and on behalf of SMITH ZANDER:

DENNIS TAN
MANAGING PARTNER

SMITH ZANDER

1 DEFINITION AND SEGMENTATION

Bunkering services

Bunkering services refers to the provision of marine fuels to ships, as well as other ocean faring vessels, such as oil tankers, container vessels, cargo vessels, cruise ships and ferries, as well as vessels utilised in the upstream oil and gas industry such as offshore support vessels, submersible and semisubmersible rigs and floating, production, storage and offloading ("FPSO") vessels. Bunkering can be broadly categorised into onshore bunkering and offshore bunkering, whereby marine fuel is typically pumped into vessels by refuelling vessels barges, product tankers or another ship in harbours, close to shore, or in open waters. Onshore bunkering involves the transfer of marine fuels on a shore-to-ship basis from an onshore facility, whereas offshore bunkering involves the transfer of marine fuels on a ship-to-ship basis.

The supply chain for the marine fuels industry begins with petroleum refineries, where heavier hydrocarbons with high boiling point from atmospheric and vacuum distillation are combined to form the bulk of residual fuel stocks. The dominant producers of marine fuels are divisions of the international oil companies such as Royal Dutch Shell, British Petroleum, and Petroliam Nasional Berhad ("PETRONAS") in Malaysia.

The marine fuels industry is further supported by numerous other firms that contract to transport, blend, and sell fuel stocks to the shipping industry. These include, among others, traders, suppliers, brokers, bunkering-service providers or facility operators and bunkering ports. Bunker traders secure bunker volumes for their shipping clients in local supply markets or through their own refined-products distribution channels. Traders include both international oil companies as well as independents who are responsible for the timely procurement of bunker fuel orders. Traders act as intermediaries between local customers and refinery suppliers, where the majority of transactions may occur under long-term contracts.

Bunker fuel is typically sold to firms that operate bunkering facilities, though there are instances where major petroleum refiners also contract for and deliver marine fuels. A large portion of global marine fuels are purchased and resold by brokers or other intermediaries that never actually take physical control of the bunker fuel.

The final stage of the marine fuel supply chain is the delivery of the bunkering service which can be done either when the vessel is docked, or directly from bunker barges while the vessel is anchored at sea. Logistics and transportation costs are key factors that impact the location of bunker ports. Globally, bunker ports are largely located close to supply sources i.e. petroleum refineries, consumers of transported goods as well as along high density shipping lanes.

Marine Fuel Oils

All fuel oil applications create energy by burning fuel oil. Fuel oil combustion releases heat which can be used for steam generation, and the high pressured volume of combustion gases can be used to drive an engine or a gas turbine. The amount of heat released during the burning of fuel oil is defined by the specific energy of the fuel. In marine engines, the mechanical energy provided by combustion gases is used for propulsion.

The characteristics of marine fuels are determined by the quality of crude oil and the refining process. The refining process used to produce downstream petroleum products, including marine fuels, involve the physical, thermal and chemical separation of crude oil into its major distillation fractions, followed by further processing through a series of separation and conversion processes, into finished petroleum products. The primary output of refineries can be broadly classified into three (3) major categories:

- **Fuels**

  Motor gasoline/petrol, diesel, distillate fuel oil, liquefied petroleum gas ("LPG"), jet fuel, residual fuel oil, kerosene and coke.

- **Finished non-fuel products**

  Solvents, lubricating oils, grease, petroleum wax, petroleum jelly, asphalt and coke.

- **Chemical industry feedstocks**

  Naphtha, ethane, propane, butane, ethylene, propylene, butylene, butadiene, benzene, toluene and xylene.

There are three (3) major types of marine fuels, namely distillate fuel, residual fuel and a combination of the two (2) which is known as intermediate fuel oil ("IFO"). Distillate and residual fuels are blended into various combination to derive multiple grades of marine fuel oil. Residual fuels are the most cost effective compared to IFO and ultimately, distillates.

Oil bunkering industry – types of marine fuel oils

Fuel type	Fuel grade	Commercially known as
Distillate	DMX, DMA, DMB, DMC	Marine gas oil and marine distillate oil
Intermediate	RME/F-25, RMG/H-35	Marine diesel fuel or IFO
Residual	RMA – RMH, RMK, RML	Fuel oil or residual fuel oil

Source: United States Environmental Protection Agency

Distillates and/or residual fuel oil supplies are blended with blending components or cutter stocks to achieve internationally accepted product specifications in accordance to the ISO 8217 standards that defines the requirements for fuel grades for use in marine diesel engines. Cutter stock or flux stock is petroleum stock that is used to reduce the viscosity of a heavier residual stock by way of dilution. Marine fuel grades carry three (3) letters where the first "D" or "R" signify distillate fuel and residual fuel respectively. The subsequent "M" signifies its application as marine fuel while the third letter denotes grade. Distillate marine ("DM") fuels have three (3) grades, namely A, B and C. Residual marine ("RM") fuels are represented by the grades from A through H, K and L. The different types and grades of marine fuels can be distinguished by various parameters, including but not limited to, flash point, sulphur content, viscosity and density.

Marine gas oil is derived from the blending of light cycle gas oil with distillate oil to produce one (1) of the highest grades of marine fuels. Marine gas oil is a lighter hydrocarbon fraction with better quality than diesel oil and thus, costs more than IFO and residual fuel blends. Marine gas oil is best suited for fast moving engines.

Marine distillate oil is produced when kerosene, light gas oil fractions and heavy gas oil fractions are mixed together. The DMA and DMB grades of marine distillate oil are typically used by small and medium-sized marine vessels. The DMC grade is a heavy fuel oil that is sometimes referred to as IFO as it can be blended with residual fuel. Marine distillate oil is priced higher than the more common intermediate fuel types.

Residual marine fuel grade G (RMG-35) is a commonly used residual fuel by transatlantic vessels, and is commonly referred to as IFO38. This fuel is produced at refineries and contains visbroken residue, heavy cycle gas oil and light cycle gas oil. Visbroken residue is a result of the visbreaking process at refineries, where a light thermal cracking process is carried out on a fuel oil as a secondary refining process to reduce its viscosity without blending.

Socio-economic developments in Johor

The state of Johor is located on the southern tip of Peninsular Malaysia, and has played a vital and strategic role in the history and development of Malaysia and the surrounding region. Johor Bahru, the capital city of Johor and its surrounding areas, has developed to become one (1) of the most important urban economic region in the country. Johor has a diversified economy with several clusters emerging around the electronics, logistics, food and agriculture, tourism and oil and petrochemicals industries. Johor's strategic geographical location off the Straits of Malacca, one (1) of the world's busiest shipping routes, its proximity to international hubs as well as large markets such as Singapore, Indonesia, China and India, coupled with its wealth of natural resources and human resources, have driven the state's past successes and will be key pillars for Johor's future potential.

The idea of developing a new economic corridor for Malaysia's southern region was first mooted in the Ninth Malaysia Plan, where the Federal Government conducted a feasibility study to design a vibrant economic region to propel growth in southern Malaysia in collaboration with Khazanah National Berhad. A special projects team was formed to prepare a CDP (2006 – 2025) for the Southern Johor Economic Region ("SJER"). The Iskandar Development Region was launched in November 2006 marking the beginning of South Johor's economic development based on strategies identified in the CDP. SJER eventually came to be known as Iskandar Development Region and subsequently Iskandar Malaysia. Metropolitan Johor Bahru, comprising the districts of Johor Bahru, Kulaijaya, Pontian and Kota Tinggi, is known as Iskandar Malaysia. Iskandar Malaysia spans across approximately 2,217 square kilometres ("km^2"), offering prospective investors large tracts of competitively priced land.

The development of Iskandar Malaysia was modelled after China's Pearl River Delta Economic Zone (2008-2020), and Iskandar Malaysia targets to capitalise on its current synergies with Singapore to complement each other as an economic hub. The Iskandar Malaysia development plan is ambitious and comprehensive, extending beyond collaboration in the manufacturing sector to include tourism, healthcare, education and property sectors. The enhanced connectivity between Iskandar Malaysia and Singapore will allow Singapore service providers to tap into opportunities that arise from the former development, while Johor is expected to gain valuable experience and tap into more advanced expertise and talents from Singapore.

Five (5) key economic drivers or flagship development zones have been identified under Iskandar Malaysia:

- **Flagship A: Johor Bahru City Centre**

  Johor Bahru is the southern gateway to Malaysia and plays an integral role as host to several key economic activities, including financial, cultural and urban tourism for the state of Johor. Under Flagship A, Johor Bahru City Centre will be revitalised through the upgrading of its central business district and waterfront to reposition the city as a vibrant, modern and liveable city centre. Development activities will be focused on a new financial district, Danga Bay Integrated Waterfront City, upgrading of the central business district, Tebrau Plentong mixed development and enhancement of causeway infrastructure connecting Johor Bahru and Singapore.

- **Flagship B: Nusajaya**

  Nusajaya is a key component of the Iskandar Malaysia masterplan and forms one (1) of the largest property developments in Southeast Asia. Key economic activities under Nusajaya include education and medical tourism, entertainment and recreation, state administration, finance and biotechnology. Development activities will be focused on the Johor New Administration Centre at Kota Iskandar, University Park in Edu-City, international destination resort comprising outdoor and indoor theme parks, and clean and green factories and warehouses at the Southern Industrial Logistics clusters area.

- **Flagship C: Western Gate Development**

  Tanjung Pelepas is one (1) of the world's major container ports and the Tanjung Pelepas economic cluster houses key economic activities such as logistics, free zone industrial area, regional distribution and international procurement, and oil storage terminals. The Western Gate Development will play an important role in Johor's industrial sector and provide major infrastructure facilities to Iskandar Malaysia. Development activities will be focused on the development of the free trade zone at the Port of Tanjung Pelepas, Petrochemical and Maritime Industrial hub at Tanjung Bin, and Tanjung Bin power plants.

- **Flagship D: Eastern Gate Development**

  Pasir Gudang is a noted manufacturing hub in the southern region of Malaysia where economic activities such as manufacturing (including electronics, petrochemicals and oleochemicals) and oil storage terminals thrive. The Eastern Gate Development will play an important role in Johor's industrial sector and provide major infrastructure facilities to Iskandar Malaysia. Development activities will be focused on a mixed development with city of knowledge at Seri Alam, a regional distribution centre in Kim-Kim, Pasir Gudang Industrial Park, Tanjung Langsat Industrial Park, Pasir Gudang Port and Tanjung Langsat Port.

- **Flagship E: Senai – Skudai**

  Senai – Skudai is a major township that connects Iskandar Malaysia to the world. This township houses key economic activities such as logistics, manufacturing (especially in high technology and aerospace-related sectors), tourism (luxury shopping destination) and Cybercity. Senai – Skudai's potential is further strengthened by the RM70.0 billion investment to develop Senai Airport City and the completion of Senai Hi-Tech Park and MSC Cyberport in 2013 and 2014 respectively.

The foundation and infrastructure for Iskandar Malaysia has been laid down between 2006 and 2010, allowing the second phase of the masterplan to focus on growth and expansion over the period of 2011 to 2015. Iskandar Malaysia's third phase of development will take place between 2016 and 2025, and shall focus on sustainability and innovation.

At the launch of Iskandar Malaysia, RM11.0 billion worth of investments were committed to the masterplan. Since its launch, Iskandar Malaysia's economic potential has gained increased awareness and as of October 2013, has attracted RM129.4 billion in cumulative committed investments with RM56.3 billion worth of investments (43.5% of cumulative committed investments) already realised. Iskandar Malaysia intends to achieve a total investment target of RM383.0 billion over the 20-year plan duration, grow Johor's gross domestic production ("GDP") by 4.5 times and create up to 817,500 employment opportunities. Iskandar Malaysia has been identified as an exclusive project with access to financing under a Facilitation Fund provided under the Tenth Malaysia Plan.

The state of Johor houses three (3) major ports, namely Pasir Gudang Port, Port of Tanjung Pelepas and Tanjung Langsat Port.

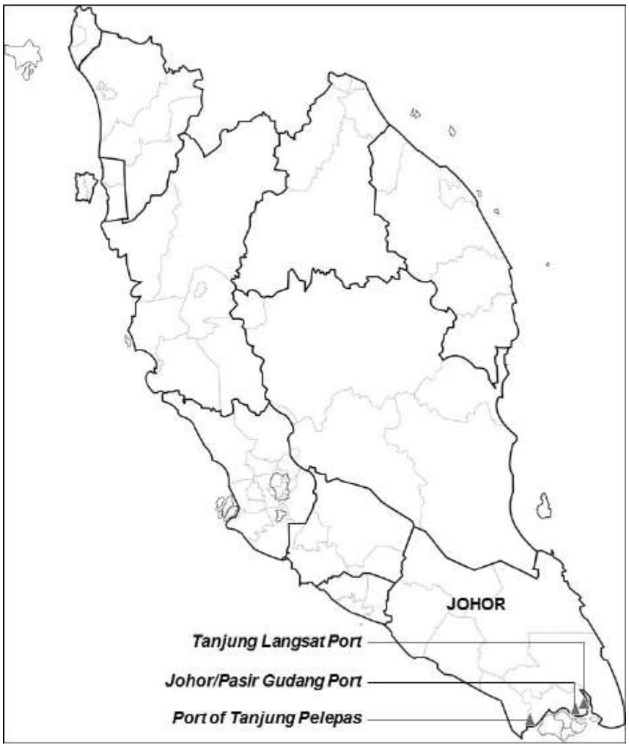
- **Johor Port, also known as Pasir Gudang Port**

  Johor Port is a multipurpose port that handles all forms of cargo, such as dry bulk, liquid bulk, break bulk and container cargo. Johor Port also houses facilities for the maintenance and repair of oil and gas vessels and rigs. This port effective services the industrial development in the broader Pasir Gudang area and international businesses operating in Johor as well as the southern region of Peninsular Malaysia.

- **Port of Tanjung Pelepas**

  The Port of Tanjung Pelepas is a strategically located container terminal at the confluence of the main east-west shipping lanes. The Port of Tanjung Pelepas is situated in a sheltered bay with no tide restrictions. Accessibility to the Port of Tanjung Pelepas is made possible through several federal roads, highways and rail, thereby promoting the ease of cargo movement to and from this port.

Oil bunkering industry in Malaysia – major seaports in the state of Johor



- **Tanjung Langsat Port**

  The Tanjung Langsat Port is a specialised port for the oil and gas industry where it contains facilities for petroleum, petrochemical, edible oils and bulk dry cargo handling. The Tanjung Langsat Port premises are divided into several zones, namely storage terminals, oilfield services and equipment, regional marine supply base and offshore fabrication and maritime hub. This port has jetties for liquid cargo and dry cargo.

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2 OIL BUNKERING INDUSTRY IN MALAYSIA, WITH A FOCUS ON BUNKERING ACTIVITIES IN THE STATE OF JOHOR

Industry Performance, Outlook and Prospects

Bunkering is essentially a marine logistics business, where industry growth is dependent on the volume of marine fuels distributed to end-users, which include amongst others, oil and gas vessels, marine cargo and bulk transporters, military and navy vessels. Thus, growth in global trade and marine transportation, increased activities in the upstream oil and gas industry, and supporting government policies will positively impact the bunkering services industry, benefiting industry players that offer bunkering services.

The consumption of residual fuel oil for bunkering doubled from 420 barrels daily in 2010 to 985 barrels daily in 2012, and subsequently to an estimated 1,500 barrels daily in 2015, registering a compound annual growth rate ("CAGR") of 29.0% between 2010 and 2015. SMITH ZANDER anticipates that the consumption of residual fuel oil for bunkering will reach an estimated 1,800 barrels daily in 2017.

Demand for marine fuels is derived from the demand for transportation of various types of cargoes by ocean faring vessels which, in turn, is derived from the demand for commodities that are produced in one (1) region of the world and consumed in another. For each year, total marine fuel consumed is computed as the sum of fuel consumed on each route of each trade (commodity). Fuel consumed in each route of each trade is, in turn, computed by summing the fuel consumed for each route and trade for that year by propulsion engines and auxiliary engines, both at sea and in port. Demand for marine fuels also takes into account demand from non-cargo bearing vessels i.e. cruise ships and ferries, as well as vessels utilised in the upstream oil and gas industry such as offshore support vessels, submersible and semisubmersible rigs and FPSO vessels.

Oil bunkering industry in Malaysia – consumption of residual fuel oil for bunkering in Malaysia

Year	Consumption of residual fuel oil for bunkering ('000 barrels daily)
2010	0.420
2012	0.985
2014*e*	1.260
2015e	1.500
CAGR	**29.0%**

e SMITH ZANDER estimates

Source: United States Energy Information Agency, SMITH ZANDER

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Key Market Drivers, Trends and Development

Growth in the trade sector leads to growth in logistics and transportation services, presenting demand potential for oil bunkering services

Malaysia's external trade, comprising total imports and total exports, increased from RM1.2 trillion in 2010 to RM1.5 trillion in 2015, at a CAGR of 4.6%. Malaysia's exports in 2015 grew despite the challenging economic environment. In 2015, 16 of Malaysia's export markets registered export values exceeding RM10 billion, namely Singapore, People's Republic of China, Japan, United States, Thailand, Hong Kong, Australia, India, Indonesia, Republic of Korea, Taiwan, Netherlands, Germany, Vietnam, the Philippines, and United Arab Emirates. Collectively, these countries accounted for 84.9% of Malaysia's total exports in 2015.

Oil bunkering industry in Malaysia – external trade value

Year	External trade value (RM million)
2010	1,167,651
2011	1,271,488
2012	1,309,318
2013	1,368,687
2014	1,448,354
2015	1,465,337
CAGR	**4.6%**

Source: Department of Statistics Malaysia

The growth in Malaysia's external trade is similarly reflected in the nation's cargo throughput growth. Over the period of 2010 and 2015, Malaysia's cargo throughput comprising dry cargo, liquid cargo, general cargo and container cargo increased from 448.6 million freightweight tonnes ("FWT") to 568.3 million FWT at a CAGR of 4.8%. During the same period, cargo throughput in Johor increased from 125.8 million FWT to 165.0 million FWT at a CAGR of 5.6%, where growth was driven by cargo movement in the Port of Tanjung Pelepas. The Port of Tanjung Pelepas is a dedicated container terminal port and handles a significant amount of container cargo annually. Between 2010 and 2015, container cargo throughput in Malaysia increased from 18.2 million twenty-foot equivalent units ("TEUs") in 2010 to 23.9 million TEUs in 2015 at a CAGR of 5.6% while container cargo throughput in the Port of Tanjung Pelepas increased from 6.3 million TEUs to 8.8 million TEUs at a higher CAGR of 6.9%.

Oil bunkering industry in Malaysia – cargo throughput in Malaysia and Johor

Year	Malaysia	Johor		
		Johor Port	Port of Tanjung Pelepas	Total
	'000 FWT			
2010	448,605	28,129	97,656	125,785
2011	495,024	32,674	112,788	145,462
2012	497,843	25,909	116,256	142,165
2013	508,197	26,979	120,048	147,027
2014	539,233	27,303	131,529	158,832
2015	568,338	28,652	136,279	164,931
CAGR	**4.8%**	**0.4%**	**6.9%**	**5.6%**

Source: Ministry of Transport Malaysia

Oil bunkering industry in Malaysia – container throughput in Malaysia and Johor

Year	Malaysia	Johor		
		Johor Port	Port of Tanjung Pelepas	Total
	TEU			
2010	18,173,794	876,268	6,298,733	7,175,001
2011	19,978,706	830,340	7,302,460	8,132,800
2012	20,556,725	801,058	7,493,805	8,294,863
2013	20,876,318	757,023	7,416,518	8,173,541
2014	22,373,309	792,501	8,232,113	9,024,613
2015	23,889,456	800,524	8,798,747	9,599,271
CAGR	**5.6%**	**-1.8%**	**6.9%**	**6.0%**

Source: Ministry of Transport Malaysia

In May 2015, the Government tabled the Eleventh Malaysia Plan ("11MP") (2016 – 2020) which outlined the nation's development expenditure until 2020. As the trade industry in Malaysia plays a significant role in the country's economic growth, movement of goods and the logistics industry is becoming increasingly important. Under the 11MP, Malaysia is targeting an 8.5% annual growth rate of the transport and storage subsector, along with a place in the top ten (10) of the World Bank Logistics Performance Index by 2020.

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Oil bunkering industry in Malaysia – initiatives announced under 11MP, specific to the trade industry in Malaysia

Focus area	Description
Building an integrated need-based transport system	▪ Implementing the National Port Policy • The National Port Policy will be implemented to foster systematic development and growth of ports and jetties by introducing comprehensive strategy and policy measures. The policy will provide a regulatory framework for further developments in capacity, and will improve efficiency by streamlining the functions of all ports and jetties. Major hub ports will be strengthened by networks of secondary ports to improve competitiveness of the national logistics chain. In addition, port development will take into account land use planning to ensure the sustainable growth of major ports. ▪ Improving port accessibility and capacity • Accessibility to major ports will be improved to cater for bigger vessels through channel deepening works. In addition, port operators will undertake capacity expansion, which includes building additional berths and wharfs. These improvements will attract more international liners and mega vessels with capacity of 18,000 TEUs to call at these ports.
Unleashing growth of logistics and enhancing trade facilitation	▪ Collaboration to reduce cargo clearance time • Collaboration between the Royal Department of Customs and permit issuing agencies will be strengthened to shorten cargo clearance processing time without comprising security. This Special Task Force to Facilitate Business (PEMUDAH) will lead this initiative with the Malaysian Productivity Corporation as secretariat. ▪ Strengthening last-mile connectivity to Port Klang • The last-mile connectivity to Port Klang, Selangor via road and rail will be improved to cope with the rise in container volume. Priority will be given to upgrading the rail link between Westport and Northport to reduce congestion and encourage rail freight. Critical stretches along Jalan Pelabuhan Utara and Pulau Indah Expressway will be upgraded to ease congestion and enable the seamless movement of goods. In addition, the usage of traffic information systems will be promoted for better traffic management within Port Klang. ▪ Expanding capacity for air and rail freight • The Padang Besar Terminal in Perlis will be upgraded to capture the potential growth in cargo volume, anticipated to reach 245,000 TEUs by 2020 from 120,000 TEUs in 2014. Among the measures to be undertaken include expanding the yard to create an extra container stacking area, providing extra load-on/load-off spaces, and increasing the number of train services. • The cargo handling facilities and freighter service at Kota Kinabalu International Airport will be upgraded based on demand to support the export of agricultural produce, particularly aquacultural products. In addition, the need for cargo facilities such as cool ports and staging areas to consolidate and facilitate cargo movement at Kuala Lumpur International Airport will be reviewed. In addition, the former low-cost carrier terminal will be transformed into a regional cargo hub.

Source: Economic Planning Unit Malaysia

In October 2015, the Government of Malaysia announced the Budget 2016, whereby the Government will take measures to ensure that the country will achieve sustainable economic growth. Specific to the trade industry, the Government is committed to continuing to improve the logistics infrastructure in the country to ensure sustainable economic growth. Improvements to the logistics infrastructure in Malaysia involves building and improving rail transport network and highways, including the highways of Damansara – Shah Alam, Sungai Besi – Ulu Klang, Pulau Indah and Central Spine Road.

In January 2016, the Government announced a revision to the Budget 2016 following the global economic slowdown, and the continued decline in global crude oil prices. Despite a revenue shortfall resulting from lower crude oil prices, the Government will take measures to ensure that economic growth remains on a strong trajectory. Specific to the trade industry, the Government will intensify the mid-tier and Go-Export programmes to penetrate the international markets. Further, the Export-Import Bank of Malaysia will increase its funds for financing by RM500 million, thereby enhancing the country's credit guarantee facility for trade. The Government will also continue to expand Malaysia's exports into new markets through participation in free trade agreements such as the ASEAN Economic Community, the Trans-Pacific Partnership Agreement and the Regional Comprehensive Economic Partnership.

Further growth in Malaysia's external trade will impact cargo throughput, and subsequently create potential demand for road, rail, air and marine logistical services to accommodate this growth. Greater demand for marine logistical services will positively influence the demand for oil bunkering services.

Growth in the tourism industry signifies growth opportunities for the oil bunkering industry

The tourism industry in Malaysia has witnessed a rise in tourist arrivals and receipts between the period 2010 and 2015. Over the period, tourist arrivals increased from 24.6 million in 2010 to 25.7 million in 2015 at a CAGR of 0.9%, whereas tourist receipts increased from RM56.5 billion to RM69.1 billion, recording a CAGR of 4.1%.

The regional economic corridors in Malaysia contribute towards sector growth and overall economic development. Under the 11MP, Malaysia's regional economic corridors, including Iskandar Malaysia in Johor, will continue to be strengthened to fuel regional development. Tourism is featured as one (1) of the key focus areas in the Iskandar Malaysia regional economic corridor, and thus, the Government's plan to strengthen this regional economic corridor would result in a growth in Malaysia's tourism industry.

Oil bunkering industry in Malaysia – tourism strategies under the Iskandar Malaysia regional economic corridor

Regional economic corridor	Tourism strategies
Iskandar Malaysia	▪ To become a dynamic tourism and leisure destination by positioning itself as a Southern tourist gateway destination city of Malaysia and a world-class recreational and tourism circuit • Higher share of high spending travellers • Development of iconic tourism products • Higher share of high growth segments • Intensify promotion and branding of differentiated strategies • Higher number of tourist arrivals • Enhance access and connectivity ▪ Tourism priority sub-sectors: • Theme parks and family entertainment centres • History, heritage, arts and culture

Regional economic corridor	Tourism strategies
	• Eco-tourism and homestays • Food, dining and shopping • Outdoor activities, events and recreational tourism • Health and wellness tourism • Meetings, Incentives, Conventions and Exhibitions ("MICE") and accommodation

Source: Iskandar Malaysia

Further, under the Iskandar Malaysia Transportation Blueprint (2010 – 2030) there are three (3) focus areas to enhance the public transportation system in Johor, namely urban transportation, freight transportation and green transportation. Urban transportation covers public transportation and private transportation, and includes water taxis, ferry services and cruises. These water taxis will operate from ferry terminals at Danga Bay, Stulang and Puteri Harbour for trips along the Tebrau straits as well as to Kongkong and Ramsar via the Kukup and Tanjung Belungkor ferry terminals. In addition, river cruise tours will be offered in the environmentally preserved areas of Kongkong and Ramsar.

The current position of Malaysia's Ringgit in comparison to other foreign currency positions Malaysia as an attractive and affordable tourist destination. Coupled with the continued development of the Iskandar Malaysia regional economic corridors under the 11MP, and the development of water taxis, ferries and cruise services in Johor, the tourism industry is provided with growth opportunities, thus creating growth potential for the oil bunkering industry in the state of Johor.

Growth in the oil and gas industry propels the oil bunkering industry, creating demand for marine fuels

The oil and gas industry is a significant contributor to Malaysia's GDP. Between 2010 and 2014, the oil and gas industry in Malaysia contributed between 8.0% and 11.0% of the country's total GDP, signifying its importance to overall economic development.

Oil bunkering industry in Malaysia – key economic statistics of the oil and gas industry

Year	National GDP (RM billion)	Crude oil and condensate and natural gas industry GDP (RM billion)	Crude oil and condensate and natural gas industry contribution to national GDP (%)
2010	821.4	86.1	10.5
2011	864.9	81.5	9.4
2012	912.3	82.2	9.0
2013	955.3	82.8*e*	8.7
2014	1,012.5	85.2*p*	8.4
2015	1,063.5*e*	Not available	Not available

e Estimate
p Preliminary

Source: Department of Statistics Malaysia, Ministry of Finance Malaysia

The oil and gas industry in Malaysia, as measured by value of its gross output, grew from RM98.1 billion in 2010 to RM119.1 billion in 2014 at a CAGR of 5.0%. Over the same period, total employment in the industry increased from 12,919 persons to 17,350 persons at a CAGR of 7.7%. The rise in value of gross output and employment bodes well for the growth of the oil and gas industry.

Oil bunkering industry in Malaysia – value of gross output and employment statistics of the oil and gas industry in Malaysia

Year	Value of gross output (RM million)	Employment (number of persons)
2010	98,122	12,919
2011	109,193	13,304
2012	109,370	15,015
2013	115,096	16,355
2014	119,054	17,350
CAGR	**5.0%**	**7.7%**

Source: Department of Statistics Malaysia

PETRONAS is a major player in the oil and gas industry in Malaysia with capabilities spanning from exploration to marketing, and logistics to technological infrastructures. PETRONAS is also responsible for the development of the country's petroleum resources.

Malaysia's oil and gas reserves have remained stable, with crude oil and condensates at 5.8 billion barrels in 2010 and 2014, while natural gas increased from 88.6 trillion standard ft^3 in 2010 to 100.7 trillion standard ft^3 in 2014. Over the same period, Malaysia's oil reserves comprised approximately 0.4% of global oil reserves, while Malaysia's natural gas reserves formed between 1.0% and 1.5% of global natural gas reserves.

The oil and gas industry in Malaysia is growing, as marginal increase took place in the production of crude oil and natural gas. In 2013, the production of crude oil and condensates and natural gas were registered at 210.0 million barrels and 64,606 kilotonnes of oil equivalent ("ktoe") respectively. Malaysia's production volume of crude oil and condensates, as a percentage of global production volume remained stable at 0.7% to 0.8% between 2010 and 2013. Over the same period, Malaysia's production volume of natural gas contributed to between 2.0% to 3.0% of the world's production volume of natural gas. In 2014, production of crude oil and condensates and natural gas in Malaysia were registered at 220.0 million barrels and 63,091 ktoe respectively.

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Oil bunkering industry in Malaysia – reserves of crude oil and natural gas [a]

Year	Reserves volume					
	Malaysia		World		Malaysia as a percentage of the world	
	Crude oil and condensates (billion barrels)	Natural gas (trillion standard ft^3)	Crude oil and condensates (billion barrels)	Natural gas (trillion standard ft^3)	Crude oil and condensates (%)	Natural gas (%)
2010	5.8	88.6	1,357.4	6,638.2	0.4	1.3
2011	5.9	90.0	1,475.7	6,708.2	0.4	1.3
2012	6.0	92.1	1,528.4	6,809.3	0.4	1.4
2013	5.9	98.3	1,648.9	6,845.2	0.4	1.4
2014	5.8	100.7	1,655.6	6,972.5	0.4	1.4

[a] *Latest available as at 18 May 2016*

Source: Malaysia Energy Commission, United States Energy Information Administration

Oil bunkering industry in Malaysia – production of crude oil and natural gas [a]

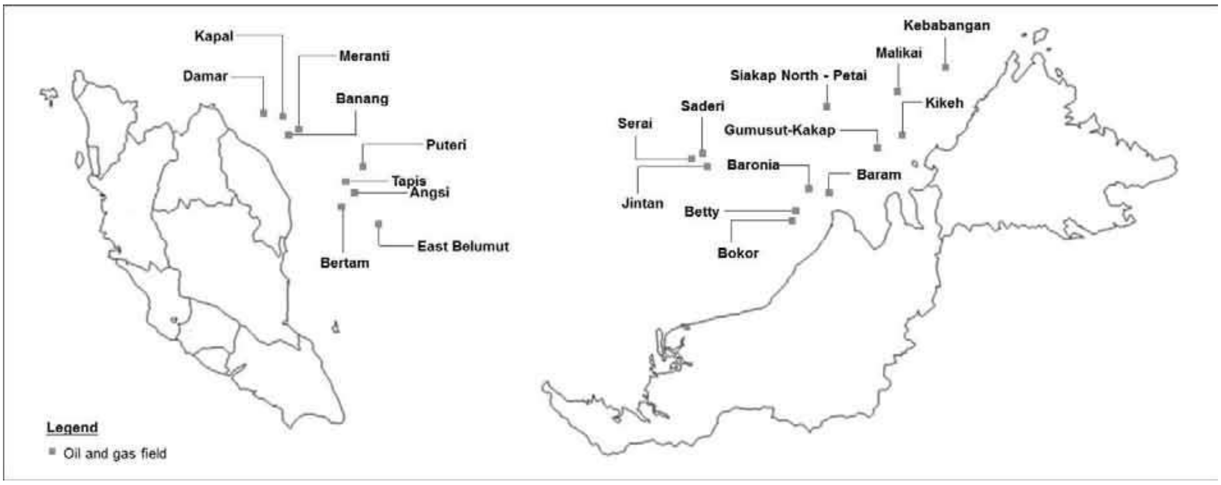
Year	Production volume					
	Malaysia		World		Malaysia as a percentage of the world	
	Crude oil and condensates ('000 barrels)	Natural gas (ktoe)	Crude oil and condensates ('000 barrels)	Natural gas (ktoe)	Crude oil and condensates (%)	Natural gas (%)
2010	232,981	71,543	30,364,350	2,888,600	0.8	2.5
2011	207,974	69,849	30,652,700	2,990,300	0.7	2.3
2012	213,445	62,581	31,530,900	3,049,900	0.7	2.1
2013	210,022	64,406	31,601,335	3,077,600	0.7	2.1
2014	220,045	63,091	Not available	Not available	Not applicable	Not applicable
CAGR 2010 – 2013	**-3.4%**	**-3.4%**	**1.3%**	**2.1%**	**Not applicable**	**Not applicable**

[a] *Latest available as at 18 May 2016*

Source: Malaysia Energy Commission, BP Statistical Review of World Energy

The major oil and gas fields in Malaysia are primarily located off the shores of Terengganu, Sarawak and Sabah. The oil and gas fields off the shores of Terengganu and Kuantan are served by the Kertih Port and Kuantan Port respectively, while the oil fields off the shores of Sabah and Sarawak are served by the Sabah Oil and Gas Terminal and the Bintulu Port respectively.

Oil bunkering industry in Malaysia – selected major offshore oil and gas fields in Malaysia [a]



State	Selected major offshore oil and gas fields
Terengganu	Kapal, Banang, Meranti, Tapis, Angsi, Puteri, East Belumut and Damar
Pahang	Bertam
Sabah	Gumusut-Kakap, Malikai, Kikeh, Siakap North – Petai and Kebabangan
Sarawak	Baram, Betty, Baronia, Bokor, Saderi, Serai and Jintan

[a] *Indicative location of oil and gas fields as the map is not drawn to scale*

The Johor Petroleum Development Corporation Berhad is a federal agency which was formed to plan and develop a strategy to transform Johor into a downstream oil and gas hub. Currently, extensive oil and gas activities are being carried out in Johor and are concentrated in the Tanjung Bin, Tanjung Langsat and Pengerang areas. There are several major oil and gas projects related to oil storage, trading, bunkering, warehousing and manufacturing in Johor which are anticipated to contribute to growth in the state's oil and gas industry, and by extension, the oil and gas industry in Malaysia.

The Iskandar Malaysia Development Plan consists of five (5) flagship zones, and Iskandar Malaysia's initiatives includes the development of the oil and gas industry in Johor. The development of the oil and gas industry in Johor is primarily in Flagship C or the Western Gate Development and Flagship D or the Eastern Gate Development, and includes the development of oil and gas processing, support industries, manufacturing, storage and distribution terminals, and storage and bunkering activities.

There is an established port and industrial park in Tanjung Langsat, with three (3) existing oil and gas storage facilities, namely the Tanjung Langsat Port Oil Terminal, Langsat Terminal One and Langsat Terminal Two. In order to increase total storage capacity to two (2) million cubic metres by 2020, an additional storage facility, Langsat Terminal Three, will be built. The location, land and port infrastructure availability will enable Tanjung Langsat to emerge as a petroleum support services hub in Johor.

Oil and gas projects in the Tanjung Bin area include the Asia Petroleum Hub, also known as the Regional Petroleum Hub, and the Tanjung Bin Petrochemical and Maritime Industrial Centre. The Regional Petroleum Hub is a regional oil and gas handling and storage centre, with oil and gas terminals and bunkering facilities. The Regional Petroleum Hub will have a tank farm facility with a capacity of approximately one (1) million cubic metres, two (2) jetties and seven (7) berths. The Tanjung Bin Petrochemical and Maritime Industrial Centre is a 2,255 acre development which caters to the petrochemical and maritime industries. The Tanjung Bin Petrochemical and Maritime Industrial Centre will comprise oil terminal activities, drydocks, a shipyard, conventional cargo handling facilities, logistic parks and real estate development. The project has been divided into two (2) phases, with the first phase focusing on the development of storage, blending and transit of petroleum products.

Oil and gas development in the Pengerang area is primarily focused on the Pengerang Integrated Petroleum Complex, which is located on approximately 20,000 acres of land, and will house oil refineries, naphtha crackers, petrochemical plants, liquefied natural gas import terminals and a regasification plant. To date, there are two (2) major projects in the Pengerang Integrated Petroleum Complex area, namely the Pengerang Deepwater Petroleum Terminal and the Petronas Refinery and Petrochemical Integrated Development projects. The first phase of the Pengerang Deepwater Petroleum Terminal project was completed in December 2014, and involved the construction of a storage capacity of approximately 1.3 million cubic metres and six (6) deepwater berths, with the capability of handling the storage, blending and distribution of crude oil, petroleum, chemical and petrochemical feedstock products and by-products. The second phase is currently being carried out, and involves the development, construction and operation of the facilities required for the handling, storage and distribution of crude oil, petroleum, chemical and petrochemical feedstock products and by-products to and from the Petronas Refinery and Petrochemical Integrated Development complex. In addition, the second phase also involves the construction of a storage capacity of approximately 2.1 million cubic metres and a deepwater jetty with 12 berths. Further, the development of the Pengerang Liquefied Natural Gas Terminal located in the Pengerang Integrated Petroleum Complex area, which comprises liquefied natural gas storage, loading and regasification facilities will further boost the oil and gas industry in Johor. The expected completion date of the Pengerang Liquefied Natural Gas Terminal is in 2018.

Petronas' Refinery and Petrochemical Integrated Development project is currently in progress and is expected to be commissioned by 2019. The Refinery and Petrochemical Integrated Development will have a refining capacity of 300,000 barrels of crude oil per day, while additional petrochemical plants will be used to extract higher-value petroleum products.

Globally, crude oil prices began witnessing a drop below the USD100 per barrel mark in September 2014 after nearly five (5) years of stability, raising concerns on the impact of lower oil prices on the oil and gas industry in Malaysia. The combination of robust world crude oil supply growth and weak global demand has contributed to rising global inventories and falling crude oil prices. The decline in crude oil prices has impacted upstream oil and gas activities in Malaysia, resulting in lower capital expenditure on exploration and production activities. However, despite reduced exploration and production activity of crude oil, the oil and gas industry remains as a significant contributor to Malaysia's GDP. Activities in the downstream oil and gas sector remain robust as petrochemical companies that use oil and gas products to make the various derivatives and chemicals that are used in consumer goods such as plastics are benefitting from the lower crude oil prices.

In 2015, the Government of Malaysia further announced several initiatives under the 11MP to boost development in the nation's oil and gas industry, of which will have a positive impact on oil and gas activities in the state of Johor.

Oil bunkering industry in Malaysia – initiatives announced under 11MP, specific to the oil and gas industry in Johor

Focus area	Description
Encouraging sustainable energy use to support growth	▪ Ensuring security of supply for gas • Gas supply security would be ensured through the construction of pipelines from the Malaysia-Thailand Joint Development Area to Kerteh, Terengganu; construction of the Regasification Terminal-2 in Pengerang, Johor; and the commissioning of two floating liquefied natural gas units offshore Sabah and Sarawak with a capacity of 2.7 million tonnes per annum. In addition, to ensure undisrupted supply during emergencies, a swing field offshore east of Peninsular Malaysia will provide an additional 100 - 200 million standard cubic feet ("ft^3") per day of natural gas. These additional volumes, together with a 15% buffer of storage capacity from Regasification Terminal-1 in Sungai Udang, Melaka, will cater for gas demand in Peninsular Malaysia. • Distribution of natural gas to scattered and uneconomic demand areas in Peninsular Malaysia and Sabah will be served through virtual pipelines, which is a method of distributing natural gas from city gate to consumers using trucks. This will reduce the cost of production for industries. Safe and economic alternative distribution methods for natural gas will also be explored. ▪ Supporting the development of Pengerang Integrated Petroleum Complex • The Refinery and Petrochemical Integrated Development within Pengerang Integrated Petroleum Complex is a major development that will add 300,000 barrels per day of oil refining capacity in Malaysia during the 11MP. The facility will be able to produce EURO 4M and EURO 5 grade petrol, in addition to 7.7 million tonnes per annum of various grades of specialised products such as synthetic rubber and high grade polymer by 2020. In addition, the complex will have a 1,220 megawatts co-generation power plant of which 620 megawatts will be utilised by Refinery and Petrochemical Integrated Development and the remaining 600 megawatts exported to the grid. The Government will provide support to construct essential infrastructure such as roads, drainage, and utilities for this development. Another investment in Pengerang Integrated Petroleum Complex will be secured by the Johor Petroleum Development Corporation during the Eleventh Plan to complement existing investments by DIALOG-Vopak and PETRONAS.

Source: Economic Planning Unit Malaysia

Growth in oil and gas activities signify greater demand for bunker fuels, thus benefitting industry players that provide oil bunkering products and services in Johor.

Naval military activities signify growth opportunities for the oil bunkering industry

According to the International Maritime Bureau Piracy Reporting Centre, the number of piracy attacks in the Straits of Malacca have decreased due to an increase in maritime patrol. The town of Tanjung Piai in Johor has also witnessed reduced attacks. Nonetheless, ships transiting the Straits of Malacca are advised to continue maintaining strict anti-piracy and anti-robbery watches while ships transiting the Tanjung Piai waters are advised to remain vigilant. As the Straits of Malacca and the South China Sea, particularly the southern Johor waters, continue to be considered to be piracy prone areas in Malaysia, constant patrols are required to continue to combat anti-piracy. In addition, a special squad known as the Quick Reaction Force was set up by the Royal Malaysian Navy to combat piracy. The Quick Reaction Force squad is based in Tanjung Pengelih, Johor, and comprises armed enforcement teams. Efforts to combat piracy through greater frequency of maritime patrols and the establishment of the Quick Reaction Force squad signify growth opportunities for the oil bunkering industry in Johor.

Further, the Royal Malaysian Navy is expanding its asset base, particularly ships, in order to increase security in local waters. As at September 2015, the Royal Malaysian Navy requires six (6) additional multi-role naval vessels.[1] As the Royal Malaysian Navy continues to expand, this signifies growth potential for the oil bunkering industry in Johor.

Under the 11MP, the Government of Malaysia announced several initiatives to promote safety and reduce crime in the country, which would result in increased activity for the country's military and security forces, including the Royal Malaysian Navy.

Oil bunkering industry in Malaysia – initiatives announced under 11MP, specific to military activities in Malaysia

Focus area	Description
Creating safer living environments for thriving communities	▪ Tightening regulations and strengthening enforcement to stem crime • Unlawful entry at immigration checkpoints will be curbed with the introduction of the Advanced Passenger Screening System, biometric, and facial recognition systems. Efforts to stem increasing cross-border crime will be bolstered through joint operations of border enforcement agencies, such as the Malaysian Maritime Enforcement Agency, Anti-Smuggling Unit, and the Malaysian Armed Forces. Integrated detection, monitoring, and surveillance capabilities will be enhanced including the introduction of sea-basing platforms to deter border intrusions.

Source: Economic Planning Unit Malaysia

On 23 October 2015, the Budget 2016 was tabled in Parliament. Under the Budget 2016, the Government of Malaysia announced its commitment to the implementation of capacity-building plans for the Malaysian Armed Forces, including the Royal Malaysian Navy.

[1] *Source: "Malaysian Navy needs more ships to improve security", The Star newspaper dated 22 September 2015*

Oil bunkering industry in Malaysia – measures announced in Budget 2016, specific to Malaysia's naval security forces

Measure	Description
Implementing capacity-building plans for the Malaysian Armed Forces	▪ RM17.3 billion is allocated to the Ministry of Defence. This includes the procurement of six (6) Littoral Combatant Ships, Very Short Range Air Defence weapons system, armoured vehicles and the A-400M Airbus. ▪ The Malaysian Maritime Enforcement Agency is allocated RM864 million, among others, for the acquisition of Offshore Patrol Vessels and patrol boats.

Source: Ministry of Finance Malaysia

Industry Risks and Challenges

The global sulphur emissions cap may result in an increase in cost

The different types and grades of marine fuels can be distinguished by various parameters, including but not limited to, flash point, sulphur content, viscosity and density. The sulphur content in these marine fuels contribute to pollution emission and are harmful to the environment. The International Maritime Organisation, a United Nations specialised agency which is responsible for the safety and security of shipping as well as the prevention of marine pollution by ships, has developed international regulations and recommendations to reduce pollution emission by ships. The International Maritime Organisation's MARPOL Annex VI sets out the sulphur limits as follows:

- 1 July 2010 – The sulphur cap in the Emission Control Areas are reduced from 1.5% to 1.0%
- 1 January 2012 – The global sulphur cap is reduced from 4.5% to 3.5%
- 1 January 2015 – The sulphur cap in the Emission Control Areas are reduced to 0.1%
- 1 January 2020 – The global sulphur cap is to be reduced to 0.5%

Residual fuel, which is the primary form of marine fuels used due to its lower cost, has a higher sulphur content compared to marine distillates. Residual fuels have a maximum sulphur level ranging from 3.5% to 5.0% whereas marine distillates have a maximum sulphur level ranging from 1.0% to 2.0%. The higher sulphur content in residual fuels may not be within the sulphur limits set by the International Maritime Organisation. In order to comply with the sulphur caps, the maritime industry can either opt to use marine distillate, liquefied natural gas or low sulphur fuel oils, or use an exhaust gas cleaning system on-board the vessels.

The use of marine distillates, liquefied natural gas or low sulphur fuel oils is costly. Marine distillates have lower sulphur emissions than residual fuels, but are also more expensive. Liquefied natural gas is considered to be a cleaner alternative for marine fuel. However, the use of liquefied natural gas as a marine fuel would require proper infrastructure, vessel compatibility and employee training, thus resulting in an increase in cost. Marine fuels can be blended according to low sulphur fuel oils specifications either the use of low sulphur crude residues or desulphurisation units, where sulphur dioxide is removed through a desulphurisation process.

An exhaust gas cleaning system, which is also called an exhaust scrubber, reduces sulphur emissions from ships, thereby allowing the continuous usage of residual fuel. Exhaust scrubbers can be fitted on-board vessels. However, this would incur a higher cost as extensive work on-board the vessel must be carried out, including but not limited to, the removal of the funnel structure, deck platforms and ladder, and exhaust gas pipes; and the installation of a deck extension, pillars, ladder and platforms, sludge tank, the scrubber, exhaust gas pipes and scrubber water pipes, and a funnel top structure.

As such, in complying with the global sulphur emissions cap, higher cost may be incurred as industry players use either marine distillates or liquefied natural gas as their main source of fuel, or install an exhaust scrubber. This may have an adverse impact on the business and financial performance of oil bunkering industry players.

Illegal bunkering activities may result in a change in licensing requirements for bunkering activities, which may lead to an adverse effect on the oil bunkering industry

The Petroleum Development Act 1974 regulates the oil and gas industry in Malaysia, including the oil bunkering industry. The Petroleum Development Act 1974 applies to all activities in the value chain of the oil and gas industry, except the supply of gas through pipelines to consumers. Under the Petroleum Development Act 1974, the Ministry of Domestic Trade, Co-operatives and Consumerism is responsible for the issuance of licenses for the marketing and distribution of petroleum and petrochemical products, which includes bunkering licenses.

In an effort to curb illegal bunkering in Malaysia, the Government may implement measures which may adversely affect the oil bunkering industry in the country. For instance, in 2014, the Government revoked bunkering licenses for private jetties as fuel smuggling activities commonly took place through licensed wholesalers which operated from private jetties.

Currently, the application process for bunkering licenses in Malaysia includes the submission of several documents to Ministry of Domestic Trade, Co-operatives and Consumerism. These documents include a completed application form, a copy of the company's record from the Companies Commission Malaysia, and the company's bank account statement for the latest two (2) months. In addition, the requirements for a bunkering licence application also states that the paid-up capital of bunkering activities must not be less than RM300,000 and bunkering activities are limited to private companies only. Bunkering licences are subject to RM25 annually.

The Government may impose changes on the licensing requirements and implement stricter penalties to reduce illegal bunkering activities. This may result in a fewer number of approved bunkering licences, thus negatively affecting the oil bunkering industry in Malaysia.

Competitive Landscape

The oil bunkering industry in Malaysia is highly regulated as industry players require a license under the Petroleum Development Act 1974 from the Ministry of Domestic Trade, Co-operatives and Consumerism to carry out oil bunkering activities in the country. Further, industry players require licenses by the respective port authorities to market and deliver bunkering services at the respective port areas.

The trajectory of the oil bunkering industry in Johor correlates with the growth in Malaysia's trade sector, tourism industry, and oil and gas industry as well as the increase in naval military activities in the country. The Government's efforts to transform Johor into the country's regional oil and gas hub further contributes to the growth of the oil bunkering industry in Johor. In Johor, oil bunkering service providers operate from Johor Port and the Port of Tanjung Pelepas.

Oil bunkering industry in Malaysia – financial performance of key industry players licensed to operate in Johor Port [a]

Industry player	Principal activities based on filings with the Companies Commission of Malaysia	Latest available FYE	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
Alam Armada Corporation Sdn Bhd	Marine services	31 December 2013	2,326,772	0	-213,197
Belungkor Services Sdn Bhd	To carry on the business to supply clean water and services in connection therewith	31 December 2014	2,823,578	11,850	2,625
Beyond Sea Sdn Bhd	Bunkering and marine services	31 December 2014	58,421,195	1,422,814	1,108,479
Billion Charisma (M) Sdn Bhd	Marine services provider	31 May 2008	54,000	-345,051	-345,051
D-Multiserve Marine Services Sdn Bhd	Business of marine engineering works	31 December 2012	6,400	-849	-849
EA Marine Services Sdn Bhd	Bunkering forwarding, marine logistics, supplies, shipping and marine services	31 March 2014	66,689,829	-454,779	-108,717
Great Future Petroleum Sdn Bhd	Transport services	31 December 2013	5,975,166	69,480	45,269
Jupiter Marine Sdn Bhd	Involved in letting out on a charter a Malaysian ship	31 December 2014	774,605	-213,556	-213,556
KA Petra Sdn Bhd	Distributor of marine lubricants and provider of shipping and oil and gas related services	31 December 2014	5,672,708	3,048,610	2,255,193
Prosper Pride Sdn Bhd	Bunkering, import and dealers in oil and gas	31 December 2012	5,115,327	9,966	6,450
Rat Auto Service Sdn Bhd	Trading of petrol, diesel and lubricants	31 December 2014	24,583,366	93,298	95,298
Sino Marine (M) Sdn Bhd	Dealers in oil and gas, petroleum and related products	31 August 2014	242,706	-52,840	-52,840
SS Oil & Gas Sdn Bhd	Production and supply of diesel	30 June 2007	225,000	130,289	130,289
Tumpuan Megah Development Sdn Bhd	Business bunkering ship, lorry tanker, pipeline, stores, supplies equipment, maintenance, transportation, clearing and forwarding agent, services petroleum,	31 December 2014	215,442,443	5,863,252	4,863,252

Industry player	Principal activities based on filings with the Companies Commission of Malaysia	Latest available FYE	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
	manufacturing, constructors, selling accessories machinery, business software designing, development, property, investment, general traders and dealers				

[a] Latest available as at 18 May 2016

Source: Companies Commission of Malaysia

Oil bunkering industry in Malaysia – financial performance of key industry players licensed to operate in the Port of Tanjung Pelepas [a]

Industry player	Principal activities based on filings with the Companies Commission of Malaysia	Latest available FYE	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
Alam Armada Corporation Sdn Bhd	Marine services	31 December 2013	2,326,772	0	-213,197
Beyond Sea Sdn Bhd	To carry on the business to supply clean water and services in connection therewith	31 December 2014	58,421,195	1,422,814	1,108,479
Billion Charisma (M) Sdn Bhd	Bunkering and marine services	31 May 2008	54,000	-345,051	-345,051
Jupiter Marine Sdn Bhd	Involved in letting out on a charter a Malaysian ship	31 December 2014	774,605	-213,556	-213,556
KA Petra Sdn Bhd	Distributor of marine lubricants and provider of shipping and oil and gas related services	31 December 2014	5,672,708	3,048,610	2,255,193
Tumpuan Megah Development Sdn Bhd	Business bunkering ship, lorry tanker, pipeline, stores, supplies equipment, maintenance, transportation, clearing and forwarding agent, services petroleum, manufacturing,	31 December 2014	215,442,443	5,863,252	4,863,252

Industry player	Principal activities based on filings with the Companies Commission of Malaysia	Latest available FYE	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
	constructors, selling accessories machinery, business software designing, development, property, investment, general traders and dealers				

[a] *Latest available as at 18 May 2016*

Source: Companies Commission of Malaysia

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENTS

2.1 Adviser

TA Securities, being the Adviser, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereon in the form and context in which they appear in this Circular.

2.2 Independent Market Researcher

SMITH ZANDER, being the Independent Market Researcher, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereon in the form and context in which they appear in this Circular.

3. CONFLICT OF INTERESTS

3.1 Adviser

TA Securities has confirmed that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the adviser for the Proposals.

3.2 Independent Market Researcher

SMITH ZANDER, has confirmed that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Independent Market Researcher.

4. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, neither the Company nor its subsidiaries are engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, which may materially and adversely affect the financial position or business of the Group. The Board is not aware of proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group.

5. MATERIAL CONTRACTS

Neither the Company nor any of its subsidiaries have entered into any contract outside the ordinary course of business which are or may be material during the two (2) years immediately preceding the date of the Circular, save as follows:

(i) Share sale agreement dated 9 April 2014 between the Company and Amreet Kaur A/P Jeet Singh and Mohammaad Rasel for the acquisition of 400,000 ordinary shares in Voyager Line Communications Sdn Bhd for a purchase consideration of RM1,100,000.00 vide the issuance of 11,000,000 ordinary shares of RM 0.10 each in the Company. This agreement was subsequently terminated by the parties on 22 July 2014;

(ii) Sale and purchase agreement dated 5 February 2015 between Raya Consumable Sdn Bhd and Ibronx Sdn Bhd in relation to the disposal by Raya Consumable Sdn Bhd of a corner 3-storey office block annexed to a single storey warehouse building for a purchase consideration of RM8,300,000.00 to be satisfied in cash, which was completed on 3 November 2015;

(iii) Collaboration Agreement dated 29 December 2015 between Selatan Bunker and Tumpuan Megah Development, the details of which are as set out in Section 2.1.1(c) above; and

(iv) Shareholders Agreement dated 22 March 2016 between Selatan Bunker, Puan Harison Binti Yusoff and the Company to regulate the rights, obligations and liabilities of Puan Harison Binti Yusoff and Raya as shareholders of Selatan Bunker for the purpose of developing and carrying out Selatan Bunker's business.

6. MATERIAL COMMITMENT

As at the LPD, the Board is not aware of any material commitment incurred or known to be incurred by the Company or the Group, which may have material impact on the financial position of the Group.

7. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liability incurred or known to be incurred by the Company or the Group, which may have material impact on the financial position of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office at No. 149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan during normal business hours (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of the forthcoming EGM:

(i) the Memorandum and Articles of Association of Raya;

(ii) the audited consolidated financial statements of Raya for the past three (3) FYE 2013 to FYE 2015;

(iii) the Independent Market Research Report on the oil bunkering industry in Malaysia prepared by SMITH ZANDER;

(iv) the material contracts as referred to in Section 5 above; and

(v) the letters of consent and conflict of interest as referred to in Sections 2 and 3 above;

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RAYA INTERNATIONAL BERHAD
(Company No.: 412406-T)
(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Raya International Berhad ("**Raya**" or the "**Company**") will be held at Crystal Hall 3, Level 4, Crystal Crown Hotel Petaling Jaya, No: 12, Lorong Utara A, Off Jalan Utara, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 3 June 2016 at 4.00 p.m. or immediately after the conclusion or adjournment of the Nineteenth Annual General Meeting of the Company, which will be held at the same venue, on the same date at 3.00 p.m., whichever is the later, for the purpose of considering and if thought fit to pass the following resolution(s), with or without any modifications:

ORDINARY RESOLUTION 1

PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF RAYA AND ITS SUBSIDIARIES' ("RAYA GROUP" OR "GROUP") TO INCLUDE OIL BUNKERING AND TRADING BUSINESS ("PROPOSED DIVERSIFICATION")

"**THAT** approval be and is hereby given to the Company and its subsidiaries to diversify its principal activities to include Oil Bunkering and Trading Business.

AND THAT the Board be and is hereby authorised to take all such necessary steps to give full effect to the Proposed Diversification with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board."

ORDINARY RESOLUTION 2

PROPOSED SPECIAL BUMIPUTERA ISSUE OF UP TO 12.5% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF RAYA, REPRESENTING UP TO APPROXIMATELY 20,500,000 NEW ORDINARY SHARES OF RM0.10 EACH IN RAYA ("BUMIPUTERA SHARES"), TO BUMIPUTERA INVESTORS TO BE RECOGNISED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY ("MITI") ("PROPOSED SPECIAL BUMIPUTERA ISSUE")

"**THAT** subject to the passing of Ordinary Resolution 1 approval be and is hereby given to the Board of Directors of the Company ("Board") for the following:

(i) provisionally allot and issue the Bumiputera Shares at an issue price to be determined based on the five (5)-day volume weighted average market price of Raya Shares immediately preceding the date on which the price of the Bumiputera Shares will be fixed with a discount of not more than ten percent (10%) or at par value, whichever is higher, to such persons and at such time as the Board deem fit, for such purpose and utilisation of proceeds as disclosed in the circular to shareholders dated 19 May 2016 ("Circular"); and

(ii) utilise the proceeds to be derived from the Proposed Special Bumiputera Issue in the manner as set out in Section 2.2.5 of the Circular and vary the manner and/or purpose of utilization of such proceeds as they may deem fit and in the best interest of the Company.

THAT the Bumiputera Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing Raya Shares, save and except that the Bumiputera Shares shall not be entitled to any rights, allotments, dividends and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the Bumiputera Shares;

AND THAT the Board be and is hereby authorised to take all such necessary steps to give full effect to the Proposed Special Bumiputera Issue with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Special Bumiputera Issue."

BY ORDER OF THE BOARD
RAYA INTERNATIONAL BERHAD

WAN HASLINDA BINTI WAN YUSOFF (MAICSA 7055478)
SANGAR NALLAPPAN (MACS 01413)
Company Secretaries

Port Klang
Dated: 19 May 2016

Notes:

1. *A member entitled to attend and vote at this meeting is entitled to appoint more than two (2) proxies who may but need not be a member/members of the Company. In the event the proxy/proxies is/are not a member/members, he/she needs not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.*

2. *Where a member appoints more than two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.*

3. *Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depository) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. In the event the appointer is a corporation, the instrument appointing a proxy must be either under the common seal or under the hand of an officer or attorney duly authorised.*

5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at No. 149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.*

6. *For the purpose of determining a member who shall be entitled to attend this EGM, only members whose name appears on the Record of Depositors as at 27 May 2016 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote on his/her behalf.*

FORM OF PROXY

CDS ACCOUNT NO.	
NUMBER OF SHARES HELD	

I / We ____
(*Full Name in Block Letters)*

(NRIC No. / Passport No. / Company No. ______________________________)

of ____
(*Full Address)*

being a member of **RAYA INTERNATIONAL BERHAD**, hereby appoint ____________________

____________________NRIC No. / Passport No.____________________
(*Full Name in Block Letters)*

of ____
(*Full Address)*

and/or ____________________NRIC No. / Passport No.____________________
(*Full Name in Block Letters)*

of ____
(*Full Address)*

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Crystal Hall 3, Level 4, Crystal Crown Hotel Petaling Jaya, No. 12, Lorong Utara A, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 3 June 2016 at 4.00 p.m. or immediately after the conclusion or adjournment of the Nineteenth Annual General Meeting of the Company, which will be held at the same venue, on the same date at 3.00 p.m., whichever is the later, on the following resolutions in the manner indicated below:

Ordinary Resolutions:		**For**	**Against**
1.	Proposed Diversification		
2.	Proposed Special Bumiputera Issue		

(Please indicate with a "X" in the space provided on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion)

Dated this __________ day of ________________, 2016.   ____________________________
Signature of Member

NOTES:

1. *A member entitled to attend and vote at this meeting is entitled to appoint more than two (2) proxies who may but need not be a member/members of the Company. In the event the proxy/proxies is/are not a member/members, he/she needs not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.*
2. *Where a member appoints more than two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depository) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. In the event the appointer is a corporation, the instrument appointing a proxy must be either under the common seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at No. 149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.*
6. *For the purpose of determining a member who shall be entitled to attend this EGM, only members whose name appears on the Record of Depositors as at 27 May 2016 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote on his/her behalf.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE COMPANY SECRETARIES
RAYA INTERNATIONAL BERHAD (412406-T)
No. 149A, 149B, 151B
Persiaran Raja Muda Musa 42000 Port Klang
Selangor Darul Ehsan

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