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, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

This Circular has been reviewed by UOB Kay Hian Securities (M) Sdn Bhd, being the Adviser to Straits Inter Logistics Berhad for the Proposals (as defined herein).

STRAITS INTER LOGISTICS BERHAD

STRAITS INTER LOGISTICS BERHAD

(Company No. 412406-T)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

I. PROPOSED ACQUISITION BY STRAITS INTER LOGISTICS BERHAD ("STRAITS") OF 8,250,000 ORDINARY SHARES OF TUMPUAN MEGAH DEVELOPMENT SDN. BHD. ("TUMPUAN MEGAH"), REPRESENTING 55.0% EQUITY INTEREST IN TUMPUAN MEGAH FOR A PURCHASE CONSIDERATION OF RM35,750,000 TO BE SATISFIED VIA A COMBINATION OF CASH PAYMENT OF RM7,800,000 AND THE REMAINING PURCHASE CONSIDERATION OF RM27,950,000 TO BE SATISFIED VIA NEW ISSUANCE AND ALLOTMENT OF 116,458,333 ORDINARY SHARES OF STRAITS ("SHARE(S)") AT THE ISSUE PRICE OF RM0.24 PER SHARE; AND

II. PROPOSED PRIVATE PLACEMENT OF 36,790,438 NEW SHARES ("PLACEMENT SHARE(S)") AT THE SUBSCRIPTION PRICE OF RM0.24 PER PLACEMENT SHARE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd
(Company No. 194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of Straits Inter Logistics Berhad which is scheduled to be held at Maple Room, Level C, One World Hotel, First Avenue Bandar Utama City Centre, 47800 Petaling Jaya, Selangor on Tuesday, 18 September 2018 at 10.00 a.m., together with the Form of Proxy are enclosed herein.

A member who is entitled to attend, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, speak and vote on his/ her behalf. In such event, the Form of Proxy should be completed and lodged at the Office of Share Registrar of Straits Inter Logistics Berhad, namely Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Wilayah Persekutuan Kuala Lumpur, not less than 48 hours before the time stipulated for holding the EGM as indicated below or at any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending, speaking and voting in person at the EGM should you subsequently decide to do so.

Last date and time for lodging the Form of Proxy .... : Sunday, 16 September 2018 at 10.00 a.m.

Date and time of the EGM .... : Tuesday, 18 September 2018 at 10.00 a.m.

This Circular is dated 20 August 2018

DEFINITIONS

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

"Act"	:	The Companies Act, 2016
"Board"	:	The Board of Directors of Straits
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Company No.: 635998-W)
"Captain Tony Tan" or the "Placee"	:	Captain Tony Tan Han (Chen Han), who is the subscriber/ placee in the Subscription Agreement
"Cash Consideration"	:	Cash payment of RM7,800,000 as part of the Purchase Consideration for the Proposed Acquisition
"CDS"	:	Central Depository System
"Consideration Share(s)"	:	The issuance and allotment of 116,458,333 new Straits Shares to be issued to the Vendor at the Issue Price per Consideration Share amounting to RM27,950,000, being part of the Purchase Consideration pursuant to the Proposed Acquisition
"Deed Poll"	:	The deed poll dated 4 July 2017 executed by Straits constituting Warrants
"Director(s)"	:	The director(s) of Straits and shall have the meaning given in Section 2(1) of the Capital Markets And Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- i. a director of the listed issuer, its subsidiary or holding company; or ii. a chief executive of the listed issuer, its subsidiary or holding company
"EGM"	:	Extraordinary General Meeting
"EPS"	:	Earnings per share
"EV/ EBITDA"	:	Enterprise value-to-earnings before interest, taxation, depreciation and amortisation
"FYE"	:	Financial year ended/ ending
"Issue Price"	:	Being RM0.24 per Consideration Share pursuant to the Proposed Acquisition
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"LPD"	:	8 August 2018, being the latest practicable date prior to the printing and dispatch of this Circular
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
"Maximum Scenario"	:	Assuming all of 183,952,000 Warrants are exercised prior to the completion of the Proposals

"Minimum Scenario"	:	Assuming none of 183,952,000 Warrants are exercised prior to the completion of the Proposals
"NA"	:	Net assets
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PE"	:	Price-to-earnings
"Placement Share(s)"	:	The placement of 36,790,438 new Straits Shares to be placed out to the Placee at the Subscription Price per Placement Share amounting to RM8,829,705 pursuant to the Proposed Private Placement
"Proposals"	:	The Proposed Acquisition and the Proposed Private Placement, collectively
"Proposed Acquisition"	:	The proposed acquisition by Straits of 55.0% equity interest in Tumpuan Megah, comprising 8,250,000 Tumpuan Megah Shares for a purchase consideration of RM35,750,000 to be fully satisfied via a combination of Cash Consideration and Consideration Shares
"Proposed Private Placement"	:	The proposed private placement of 36,790,438 new Straits Shares at the Subscription Price per Placement Share raising gross proceeds of RM8,829,705
"Purchase Consideration"	:	The purchase consideration of RM35,750,000 for the Proposed Acquisition to be fully satisfied via a combination of Cash Consideration and Consideration Shares
"Raja Ismail bin Raja Mohamed" or the "Vendor"	:	Raja Ismail bin Raja Mohamed, being the vendor in relation to the Proposed Acquisition
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"Sale Shares"	:	8,250,000 Tumpuan Megah Shares, representing 55.0% of the equity interest in Tumpuan Megah
"Selatan Bunker"	:	Selatan Bunker (M) Sdn Bhd (Company No: 1159029-H), which is a 51.0% owned subsidiary company of Straits
"SGD"	:	Singapore Dollar(s)
"SSA"	:	The conditional share sale and purchase agreement dated 7 June 2018 entered into between the Vendor and the Company in respect of the Proposed Acquisition
"Straits" or the "Company"	:	Straits Inter Logistics Berhad (Company No.: 412406-T)
"Straits Group" or the "Group"	:	Straits and its subsidiary companies, collectively
"Straits Share(s)" or the "Share(s)"	:	Ordinary share(s) in Straits
"Subscription Agreement"	:	The subscription agreement dated 7 June 2018 entered into between the Placee and the Company in respect of the Proposed Private Placement

"Subscription Price"	:	Being RM0.24 per Placement Share pursuant to the Proposed Private Placement
"Total Profit Guarantee"	:	Vendor's guarantee on the aggregate PAT of Tumpuan Megah for the FYE 31 December 2019 and FYE 31 December 2020 which shall not be less than RM10,000,000 (cumulative PAT for the 2 financial years). For the avoidance of doubt, the cumulative PAT attributable to Straits amounts to RM5,500,000 over 2 financial years of FYE 31 December 2019 and FYE 31 December 2020
"Tumpuan Megah"	:	Tumpuan Megah Development Sdn Bhd (Company No.: 798898-A)
"Tumpuan Megah Share(s)"	:	Ordinary share(s) in Tumpuan Megah
"UOB Kay Hian" or the "Adviser" or the "Placement Agent"	:	UOB Kay Hian Securities (M) Sdn Bhd (Company No.: 194990-K)
"USD"	:	United State Dollar(s)
"VWAP"	:	Volume weighted average market price
"Warrant(s)"	:	The 183,952,000 outstanding warrant(s) 2017/ 2022 in Straits as at the LPD constituted by the Deed Poll. Pursuant to the terms and conditions of the Deed Poll, each Warrant is convertible into 1 Straits Share at an exercise price of RM0.115 per Warrant (as may be adjusted in accordance with the Deed Poll) and at any time during the exercise period of 5 years up to 10 August 2022 (including this date)

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole sen, for ease of reference.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any 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.

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TABLE OF CONTENTS

STRAITS INTER LOGISTICS BERHAD

STRAITS INTER LOGISTICS BERHAD

(Company No. 412406-T)
(Incorporated in Malaysia)

Registered Office

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

20 August 2018

Board of Directors

YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud *(Non-Independent & Non-Executive Chairman)*
Dato' Sri Ho Kam Choy *(Group Managing Director)*
Captain Tony Tan Han (Chen Han) *(Executive Director)*
Tan Sri Mohd Bakri Bin Mohd Zinin *(Non-Independent & Non-Executive Director)*
Leong Fook Heng *(Independent Non-Executive Director)*
Ho Fook Meng *(Independent Non-Executive Director)*
Ho Hung Ming *(Alternate Director to Tan Sri Mohd Bakri Bin Mohd Zinin)*

To: The Shareholders of Straits Inter Logistics Berhad

Dear Sir/ Madam,

I. PROPOSED ACQUISITION; AND

II. PROPOSED PRIVATE PLACEMENT

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1. INTRODUCTION

On 7 June 2018, UOB Kay Hian had, on behalf of the Board, announced that the Company had proposed to undertake the following:-

(i) acquisition of the Sale Shares from the Vendor for a purchase consideration of RM35,750,000, to be satisfied via a combination of cash payment of RM7,800,000 whilst the remaining purchase consideration of RM27,950,000 to be satisfied via an issuance of 116,458,333 new Shares at the issue price of RM0.24 per Share; and

(ii) private placement of 36,790,438 Placement Shares, representing approximately 9.1% of the total issued Shares as at the LPD, at the subscription price of RM0.24 per Placement Share to Captain Tony Tan.

On 7 August 2018, UOB Kay Hian had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 7 August 2018, resolved to approve the listing of and quotation for the Consideration Shares and the Placement Shares, on the ACE Market of Bursa Securities, subject to the terms and conditions as set out in **Section 8** of this Circular.

The shareholders' approvals for the Proposed Acquisition and the Proposed Private Placement will be sought concurrently at the same EGM to be convened by the Company. However, in respect of the implementation, the Proposed Private Placement will be implemented prior to the Proposed Acquisition as the gross proceeds raised from the Proposed Private Placement will be utilised to partially satisfy the Purchase Consideration for the Proposed Acquisition.

The purpose of this Circular is to provide the shareholders of Straits with the relevant information on the Proposals, as well as to seek the approval from the shareholders of Straits for the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company. The notice of the forthcoming EGM and the Form of Proxy are enclosed together with this Circular.

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

2. DETAILS OF THE PROPOSALS

2.1 Proposed Acquisition

On 7 June 2018, Straits had entered into the SSA with the Vendor for the proposed acquisition of 8,250,000 Tumpuan Megah Shares, representing 55.0% equity interest of Tumpuan Megah for a purchase consideration of RM35,750,000, which will be satisfied in the following manner:-

	RM
Cash Consideration	7,800,000
Issuance of 116,458,333 Consideration Shares at RM0.24 per Consideration Share	27,950,000
Total	**35,750,000**

The Cash Consideration of the Purchase Consideration will be funded via the proceeds raised from the Proposed Private Placement, further details of which are set out in **Sections 2.3 and 2.4** of this Circular.

Subject to the terms and conditions of the SSA, the Vendor as legal and beneficial owner shall sell and the Company shall purchase the Sale Shares free from any and all encumbrances (includes any interest or equity of any person or any mortgage, charge, lien, pledge, assignment, hypothecation, security interest, encumbrance, title retention or any other security agreement or arrangement or other liabilities) and with all rights, benefits and advantages accruing to those Sale Shares.

For the avoidance of doubt, Straits via its 51.0%-owned subsidiary company namely, Selatan Bunker has entered into a collaboration agreement with Tumpuan Megah on 29 December 2015 and was subsequently supplemented on 6 March 2017 ("**Collaboration Agreement**"), to allow Selatan Bunker and Tumpuan Megah to jointly explore and develop the business of carrying out the provision of bunkering services, specifically for marine gas oil, petroleum and petroleum-based products as well as marketing and sales of bunkering services in the operating ports of Tumpuan Megah.

Pursuant to the salient terms and conditions of the Collaboration Agreement, Selatan Bunker (a 51.0%-owned subsidiary company of Straits) is responsible to provide, amongst others, the technical expertise and technical support in relation to oil bunkering activities, to promote/ market the oil bunkering business activities and to identify customers for the purpose of the Collaboration Agreement, to fund and to raise working capital for the purposes of the business collaboration pursuant to the Collaboration Agreement.

Tumpuan Megah on the other hand, is responsible to provide, amongst others, the expertise to manage warehouse and other logistics facilities in relation to oil bunkering activities, logistics supports in the supply chain management process and the access to all vessels available to Tumpuan Megah including all existing arrangement and contracts with ship owners and operators. As at the LPD, Selatan Bunker and Tumpuan Megah are still serving the obligations under the terms of the Collaboration Agreement and it shall be terminated upon completion of the Proposed Acquisition.

Upon completion of the Proposed Acquisition, Straits will hold 55.0% equity interest in Tumpuan Megah and accordingly, Tumpuan Megah will become a subsidiary company of Straits. As mentioned above, Straits, via its 51.0%-owned subsidiary company namely Selatan Bunker and Tumpuan Megah have mutually agreed to terminate the Collaboration Agreement immediately upon the successful completion of the Proposed Acquisition as Tumpuan Megah will be a subsidiary company of Straits post-Proposed Acquisition.

Please refer to **Section 2.1.1** of this Circular and **Appendix I** of this Circular for further details on Tumpuan Megah.

2.1.1. Information on Tumpuan Megah

Tumpuan Megah was incorporated on 10 December 2007 in Malaysia under the Companies Act, 1965 as a private limited company under the present name.

Tumpuan Megah commenced its bunkering services in 2013 and is principally engaged in the oil bunkering services, which include ship-to-ship bunkering (which involves the provision of refuelling marine gas oil and/ or marine fuel to sea ferry vessels i.e. Tumpuan Megah supplies marine gas oil and/ or marine fuel through its vessels to other sea ferry vessels on onshore basis and on offshore basis), barging operations and dealing in oil and petroleum products (trading of oil and petroleum products which include, amongst others, marine gas oil, marine fuel, oil and petroleum), which are similar to the business activities of Straits.

Bunkering services refer to the provision of marine fuels to ships, ocean faring vessels such as oil tankers, container vessels, cargo vessels, cruise ships and vessels. Bunkering services are categorised into onshore bunkering, which involves the transfer of marine fuel on a shore-to-ship basis from an onshore facility, and offshore bunkering, which involves the transfer of marine fuels on a ship-to-ship basis.

At present, Tumpuan Megah is currently having its operations in 8 ports in Malaysia, which include, Pasir Gudang Port, Tanjung Pelepas Port, Johor Bahru Port, Kuantan Port, Kemaman Port, Kuala Terengganu Port, Labuan Port and Miri Port, all of which are licenced under Petroleum Development Act 1974 ("**PDA Licence(s)**") for its bunkering services. In addition, Tumpuan Megah also owns 3 PDA Licences for the distribution and wholesale of petroleum products and petroleum materials (for a foreign-based oil company) in states of Pahang, Terengganu and Johor, 1 PDA Licence for the distribution and wholesale of petroleum products and petroleum materials (for a local-based oil company) throughout Malaysia, as well as 1 PDA Licence for transportation of petroleum products by oil tanker throughout Malaysia. For the avoidance of doubt, petroleum products and petroleum materials include, inter alia, marine gas oil, marine fuel, marine diesel oil, oil, kerosene and lubricating oil.

A summary of the PDA Licences held by Tumpuan Megah and Straits according to the respective categories under the PDA Licences are set out below:

Categories of PDA Licences	Tumpuan Megah		Straits	
	No. of PDA Licence(s) held	Ports	No. of PDA Licence(s) held	Ports
Bunkering services	23	(i) Pasir Gudang (ii) Tanjung Pelepas (iii) Kukup (iv) Batu Pahat (v) Muar (vi) Mersing (vii) Pelabuhan Labuan (viii) Miri (ix) Lumut (x) Kuala Terengganu (xi) Tok Bali (xii) Kuantan (xiii) Kemaman (xiv) Johor Bahru	2	(i) Pasir Gudang (ii) Tanjung Pelepas
Distribution and wholesale of petroleum products and petroleum materials	3 (For a foreign-based oil company)	(i) Johor (ii) Pahang (iii) Terengganu	-	Not applicable
Distribution and wholesale of petroleum products and petroleum materials	1 (For a local-based oil company)	Throughout Malaysia	-	Not applicable
Transportation of petroleum products by oil tanker	1	Throughout Malaysia	-	Not applicable

As at the LPD, save for an ongoing long term contract for the supply of oil bunkering services i.e. supply of marine gas oil/ fuel to other vessels (an 8-year contract from June 2017 to June 2025), there is no other ongoing long term contract that has been secured by Tumpuan Megah. For the avoidance of doubt, Tumpuan Megah's current business model is based on the supply of marine gas oil/ marine fuel oil to vessels on demand basis i.e. upon request by customer based on purchase order instead of entering into fixed and/ or long term contract with customer.

Tumpuan Megah carries out its bunkering services via 7 vessels. For the FYE 31 December 2017, Tumpuan Megah has a total of 83 customers. The current principal operating market for Tumpuan Megah is in Malaysia and the revenue generated is predominantly derived from Malaysian customers who contributed approximately 70.0% of the total revenue whilst the remaining of approximately 30.0% was contributed by overseas customers from, amongst others, Singapore, Brunei, Hong Kong and Indonesia, based on its latest audited financial statements for the FYE 31 December 2017. For clarity, the overseas customers are foreign-based companies who dock their vessels at the local ports, of which Tumpuan Megah is currently having its operations of oil bunkering and trading of oil and petroleum products.

As at the LPD, Tumpuan Megah has an issued share capital of RM15,000,000 comprising 15,000,000 Tumpuan Megah Shares. The shareholders and directors of Tumpuan Megah and their respective shareholdings in Tumpuan Megah as at the LPD are as follows:-

			< -------- Direct -------- >		< -------- Indirect -------- >	
Name	**Designation**	**Nationality/ Place of incorporation**	**No. of Tumpuan Megah Shares**	**%[*1]**	**No. of Tumpuan Megah Shares**	**%[*1]**
Raja Ismail bin Raja Mohamed	Director	Malaysian	11,970,000	79.8	3,000,000	20.0[*2]
Phoenix International Ltd[*3]	-	Labuan, Malaysia	3,000,000	20.0	-	-
Dato' Sri Ahmad Said bin Hamdan	Director	Malaysian	30,000	0.2	-	-
YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud	Director	Malaysian	-	-	-	-

Notes:

*1 *Based on the total issued shares of 15,000,000 in Tumpuan Megah.*

*2 *Deemed interest by virtue of his substantial interest in Phoenix International Ltd.*

*3 *Raja Ismail bin Raja Mohamed is the sole director and sole shareholder of Phoenix International Ltd.*

As at the LPD, Tumpuan Megah has 6 wholly-owned subsidiary companies and does not have any associate company, the details of the subsidiary companies are set out in **Appendix I** of this Circular.

A summary of the financial information of Tumpuan Megah for the past 3 financial years up to the FYE 31 December 2017 is set out below:-

	<------------Audited------------>		
	<--------FYE 31 December-------->		
	2015[*1] **RM**	**2016[*1]** **RM**	**2017** **RM**
Revenue	154,885,226	148,694,320	308,140,817
Gross profit	9,215,415	7,085,016	14,297,834
PBT	1,711,111	1,498,595	1,979,763
PAT	1,018,945	961,856	937,335
Total Equity/ NA	14,462,569	15,424,425	21,361,760
Total borrowings	5,972,245	13,411,320	27,727,638
Dividend declared for the financial year	-	-	-
Total issued shares (number)	10,000,000	10,000,000	15,000,000
PBT margin (%)	1.1	1.0	0.6
PAT margin (%)	0.7	0.6	0.3
Gross EPS (RM)	0.10	0.10	0.06
Net EPS (RM)	0.10	0.10	0.06
NA per share (RM)	1.45	1.54	1.42
Current ratio (times)	1.18	1.24	0.65
Gearing (times)	0.41	0.87	1.30

Note:

*1 *Being the restated audited figures, which were prepared based on Malaysian Financial Reporting Standards ("**MFRS**").*

For the avoidance of doubt, the financial statements for the FYE 31 December 2015 and FYE 31 December 2016 were prepared based on Malaysian Private Entities Reporting Standard, which were audited by Ecovis AHL PLT.

In conjunction with the Proposals and to be in compliance with Part G, Appendix 10B of the Listing Requirements, the Accountants' Report on Tumpuan Megah for the latest 3 financial years up to the FYE 31 December 2017 (which was prepared based on the MFRS) is enclosed in this Circular. Please refer to **Appendix III** of this Circular for the Accountants' Report on Tumpuan Megah for the past 3 financial years up to the FYE 31 December 2017.

Based on the past 3 financial years up to the FYE 31 December 2017, the revenue of Tumpuan Megah were recorded at RM154,885,226, RM148,694,320, and RM308,140,817, respectively. Tumpuan Megah had also, over the past 3 financial years up to the FYE 31 December 2017 recorded PAT of RM1,018,945, RM961,856, and RM937,335, respectively. Further financial information on Tumpuan Megah is set out in **Appendix I** of this Circular.

2.1.2. Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration was arrived at, on a willing-buyer willing-seller basis, after taking into account the following:-

(i) Vendor's guarantee of the PAT of Tumpuan Megah for RM10,000,000 in aggregate for the 2 financial years ending 31 December 2019 and 31 December 2020. This translates into an average PAT of RM5,000,000 for each financial year. Based on the yearly profit guarantee of RM5,000,000, the value accorded to 100.0% equity interest in Tumpuan Megah of RM65,000,000 represents a PE multiple of 13 times of the said forward earnings. Accordingly, the 55.0% equity interest in Tumpuan Megah is valued at approximately RM35,750,000.

    The profit attributable to Straits will be RM2,750,000 for each financial year, which is 55.0% of the yearly profit guarantee of RM5,000,000 (based on 55.0% equity interest of Tumpuan Megah to be acquired by Straits). The Total Profit Guarantee provides assurance on the earnings potential of Tumpuan Megah which is expected to contribute positively to the future profitability of Straits on a consolidated basis;

(ii) the historical profit track record of Tumpuan Megah which Tumpuan Megah recorded PAT of RM1,018,945, RM961,856 and RM937,335 for the past 3 financial years up to the FYE 31 December 2017, respectively; and

(iii) the favourable outlook of the logistics and maritime industries premised on the Government's initiatives to improve the logistics and maritime management industries as set out in **Section 4.2** of this Circular, which is expected to increase the demand for bunkering services.

In addition, the Purchase Consideration also takes into consideration the potential strategic benefits to be accrued to Straits via the Proposed Acquisition such as, amongst others, an expansion of business activities of Straits by tapping into the existing market presence and customer base of Tumpuan Megah, as well as the bunkering services licences that are currently owned by Tumpuan Megah i.e. PDA Licences for bunkering services, PDA Licences for the distribution and wholesale of petroleum products and petroleum materials as well as PDA Licence for transportation of petroleum products by oil tanker, as set out in **Sections 3.1 and 4.3** of this Circular.

For information purposes, PDA Licence grants the rights to the industry players in carrying out bunkering services, to operate petroleum transportation services and to carry out wholesale marketing of petroleum and petroleum-based materials within a prescribed area.

At present, Straits carries out its oil bunkering business activities mainly through the Collaboration Agreement, which will continue to serve its validity until the termination by either party of the agreement in writing. As such, there is no certainty of the continuation of the Collaboration Agreement and the termination of which, may adversely affect the financial performance and business operations of Straits.

Pursuant to the above, the Proposed Acquisition serves as a security for Straits Group to continue with its core business activities as the acquisition of the controlling stake in Tumpuan Megah will enable Straits to continue to enjoy the benefits arising from favourable business synergies between Selatan Bunker and Tumpuan Megah, which include, amongst others, a total of 28 PDA Licences currently held by Tumpuan Megah (against 2 PDA Licences currently owned by Straits Group), the access of all of the 8 operating ports of Tumpuan Megah, of which Straits has its presence in only 2 operating ports namely, Pasir Gudang Port and Tanjung Pelepas Port, and the immediate enlargement of fleet size by virtue of its controlling stake in Tumpuan Megah. The parties to the Collaboration Agreement intend to mutually terminate the Collaboration Agreement upon completion of the Proposed Acquisition.

For the purpose of further justifying the Purchase Consideration, the Board has considered the earnings multiples i.e. PE multiple method of valuation and EV/ EBITDA multiple method of valuation (as described below) of the comparable companies to evaluate the Purchase Consideration of Tumpuan Megah:-

Valuation multiple	General description
PE	PE multiple is the measure of the market price of a company's shares relative to its annual net income earned by the company per share. The computation of PE multiple is as follows:- $\frac{\text{Price } \textit{market}}{\text{EPS}}$
EV/ EBITDA	EV/ EBITDA multiple illustrates the market value of a company's business relative to its historical pre-tax operation cash flow performance, without regard to the company's capital structure. The computation of EV/EBITDA multiple is as follows:- $\frac{\text{EV}^{*1}}{\text{EBITDA}^{*2}}$ ^{*1} Enterprise value (EV) = market value of common stock (market capitalisation) (+) market value of preferred stock (+) market value of debt (+) minority interest (-) cash and cash equivalent ^{*2} Earnings before interest, tax, depreciation and amortisation (EBITDA) = recurring earnings from continuing operations (+) interest (+) taxes (+) depreciation (+) amortisation

The earnings multiples method of valuation is considered as most appropriate methods of valuation in ascribing the value of Tumpuan Megah on the basis that Tumpuan Megah was generating profits for the past 3 financial years.

However, there is no public listed company in Malaysia which is identical to Tumpuan Megah in respect of, amongst others, the principal activities of bunkering services and trading of oil and petroleum products, the composition of business activities, geographical markets, scale of business operations and financial positions. Premised on the foregoing and for the purpose of evaluating the Purchase Consideration, the comparable companies were selected mainly with reference to the substantial similarity of the functional activities to Tumpuan Megah, which is involved in the provision of marine support services to the oil and gas companies and marine logistics companies and are currently listed on Bursa Securities. Such selection is premised on the fact that the business activities of Tumpuan Megah is also considered as involved in the provision of marine logistics and marine support services to the oil and gas companies and marine logistics companies.

Based on the aforesaid criteria, we noted that high numbers of companies which are primarily involved in the provision of marine support services to the oil and gas companies and/ or marine logistics companies were suffering losses after taxation during the respective latest audited financial years. In view of the above, such companies were disregarded and the comparable companies are selected based on net profits recorded during the latest audited financial year, and that such net profits recorded were mainly contributed by the marine logistics and marine support services related business activities to provide a meaningful comparable valuation statistics.

Nevertheless, it should be noted that this comparable valuation statistics is carried out on a best effort basis, purely to provide an indicative benchmark valuation of the Purchase Consideration as there is no direct peer comparable to Tumpuan Megah which is currently a public listed company listed on Bursa Securities.

The valuation of Tumpuan Megah is calculated as follows:-

PE multiple

	RM
Purchase Consideration (assuming 100.0% equity value of Tumpuan Megah as implied by the Purchase Consideration)	65,000,000
Profit Guarantee (assuming 100.0% equity value of Tumpuan Megah as implied by the Profit Guarantee per annum basis)	5,000,000
Total issued shares of Tumpuan Megah (number)	15,000,000
Purchase Consideration per Tumpuan Megah Share	4.333
EPS (calculated based on the yearly profit guarantee of RM5.0 million per Tumpuan Megah Share)	0.333
PE (times)	**13.000**

EV/ EBITDA multiple

Enterprise Value		**RM**
	Market capitalisation (assuming 100.0% equity value of Tumpuan Megah as implied by the Purchase Consideration)	65,000,000
Less:	Cash and cash equivalent as at FYE 31 December 2017	(2,248,046)
Add:	Borrowings as at FYE 31 December 2017	27,727,638
	Non-controlling interests as at FYE 31 December 2017	-
	Preferred equity as at FYE 31 December 2017	-
		90,479,592

Earnings before interest, tax, depreciation and amortisation		**RM**
	Profit Guarantee for the FYE 31 December 2019	5,000,000
Add:	Taxation for the FYE 31 December 2017	1,042,428
	Interest expense for the FYE 31 December 2017	2,026,204
	Depreciation expense for the FYE 31 December 2017	1,081,567
	Amortisation expense for the FYE 31 December 2017	-
		9,150,199
EV/ EBITDA (times)		**9.888**

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The valuation statistics of the comparable companies and Tumpuan Megah using PE multiple and EV/ EBITDA multiple are as follows:-

Comparable companies	Latest audited FYE	Principal activities	Share price as at the LPD RM	Market capitalisation RM'million	PAT RM'million	EPS RM	PE[*1] times	Adjusted PE[*1] times	EV RM'million	EBITDA RM'million	EV/ EBITDA times
Marine and General Berhad[*2]	31 December 2017	Primarily involved in the provision of vessel charter services serving the upstream and downstream of oil and gas industry	0.110	79.627	152.429[*2]	0.211	0.521[*3]	0.391[*3]	997.801	(204.141)[*3]	(4.888)[*3]
Deleum Berhad	31 December 2017	Sales of gas turbines, repair & maintenance of valves flow regulators, repair, servicing, maintenance and overhaul motors, oilfield services	0.950	381.069	32.277	0.081	11.728	8.796	344.619	89.496	3.851
Yinson Holdings Berhad[*4]	31 January 2018	Primarily involved in the provision of marine vessels and marine related services	4.590	5,016.948	292.179	0.267	17.191	12.893	7,390.581	673.177	10.979
Straits	31 December 2017	Supply of petroleum products and provision of marine bunkering and related services to vessels	0.250	100.726	2.526	0.006	41.667	31.250	98.315	3.091	31.807
						High		**31.250**			**31.807**
						Average		**17.646**			**15.546**
						Low		**8.796**			**3.851**
						Tumpuan Megah		**13.000**			**9.888**

(Source: Bloomberg and the audited financial statements of the respective companies)

Notes:

*1 *Based on the closing market price as at the LPD where EPS is based on the audited financial statements of each company for the latest FYE available. The calculation of PE multiple is purely for illustration purpose, whilst the adjusted PE multiple has been accounted for 25.0% due to the non-marketability and discount factors as Tumpuan Megah Shares are not traded on any stock exchange and the size of Tumpuan Megah is smaller to that of comparable companies.*

*2 *Being PAT after the discontinuing operation of its highway concession business segment, whereby the company disposed off Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd on 28 April 2017. Solely evaluating its marine logistics business segment, Marine and General Berhad was incurring losses during the financial year.*

*3 *Being outliers, purely for illustration purpose.*

*4 *Discontinued its transport segment which consists of the provision of trucking services, trading segment which consists of trading activities mainly in the construction related materials and other operations which consist of the provision of warehouses and rental from investment properties during the FYE 31 January 2017 and FYE 31 January 2018.*

The earnings multiple is commonly used to estimate the value of the business. It indicates the market value of a company's shares relative to its annual earnings recorded by the company.

Based on the valuation statistics, the valuation of Marine and General Berhad is excluded as the latest PAT recorded by Marine and General Berhad is not purely contributed by the marine logistics business segment, hence the management deems the PE multiple of Marine and General Berhad as outlier. Therefore, the companies that are considered comparable to Tumpuan Megah are Yinson Holdings Berhad, Deleum Berhad and Straits.

The valuation statistics above indicates that the range of the adjusted PE multiple of the comparable companies (excluding outlier) is between the low of 8.796 times and the high of 31.250 times. Therefore, the PE multiple of Tumpuan Megah implied by the Purchase Consideration of 13.000 times falls within the aforesaid range accorded to the comparable companies. Moreover, the PE multiple of 13.000 times is below the simple average of 17.646 times accorded to the comparable companies.

Similarly, the EV/ EBITDA multiple implied by the Purchase Consideration of 9.888 times falls within the range of the EV/ EBITDA multiple of the low of 3.851 times and the high of 31.807 times accorded to the comparable companies (excluding outlier) and is lower than the simple average of 15.546 times accorded to the comparable companies.

Pursuant to the above, the Purchase Consideration is deemed reasonable premised on the valuation statistics of the comparable companies and Tumpuan Megah and the potential earnings of Tumpuan Megah moving forward.

Purely for the shareholders' information, other methods of valuation were not adopted for the evaluation of the Purchase Consideration of Tumpuan Megah in this valuation statistics premised on the following:-

(i) cash flows projection related method of valuation such as discounted cash flows method is not adopted in this valuation statistics mainly due to the absence of cash flow projection of Tumpuan Megah and there is no long-term contract and/ or agreement of Tumpuan Megah with its customers. Therefore, cash flows projection related method of valuation may not be appropriate in determining the value of Tumpuan Megah;

(ii) asset-based approach i.e. price-to-book multiple and the revaluation net assets method of valuation are not deemed as appropriate methods of valuation in respect of the business nature of Tumpuan Megah as Tumpuan Megah is not an asset-based company, hence these methods of valuation would not accurately reflect the value of Tumpuan Megah; and

(iii) price-to-sales multiple is not used as part of the basis of valuation as earnings is relatively more direct and meaningful indicator as compared to sales. In view that Tumpuan Megah is profit-making company, coupled with the Total Profit Guarantee that has been given by the Vendor, earnings multiples would be more applicable to reflect the value of the business of Tumpuan Megah against the price-to-sales multiple, of which may also be used for loss-making companies.

2.1.3. Basis of arriving at the Issue Price

The issue price of RM0.24 per Consideration Share was determined by the Board on a willing-buyer willing-seller basis, after taking into consideration the following:-

(i) a discount of not more than 10.0% to the 5-day VWAP of Straits Shares up to and including the date immediately preceding the date of the SSA. Premised on the foregoing, the Issue Price represents a discount of RM0.007 or approximately 2.8% to the 5-day VWAP of Straits Shares up to and including 6 June 2018, being the last transacted date immediately preceding the date of SSA of RM0.247 pursuant to the Proposed Acquisition.

The issue price of RM0.24 per Consideration Share also represents premium/ (discount) to the following historical volume VWAPs of Straits Shares:-

	Share price	**Premium/ (Discount)**	
	RM	**RM**	**%**
Last transacted price as at 6 June 2018	0.260	(0.020)	(7.7)
5-day VWAP of Shares up to and including 6 June 2018	0.247	(0.007)	(2.8)
1-month volume VWAP of Shares up to and including 6 June 2018	0.254	(0.014)	(5.5)
3-month VWAP of Shares up to and including 6 June 2018	0.250	(0.010)	(4.0)
6-month VWAP of Shares up to and including 6 June 2018	0.273	(0.033)	(12.1)
12-month VWAP of Shares up to and including 6 June 2018	0.238	0.002	0.8

(Source: Bloomberg)

Based on the above, the Issue Price represents a discount ranging from approximately 2.8% to approximately 12.1% over the last transacted price on 6 June 2018, 5-day VWAP, 1-month VWAP, 3-month VWAP and 6-month VWAP, whilst it represents a slight premium of approximately 0.8% to the 12-month VWAP of Straits Shares up to and including the date prior to the date of the SSA; and

(ii) the EPS of Straits Group is approximately 0.69 sen (or RM0.0069) based on the latest audited PAT of Straits Group for the FYE 31 December 2017 of RM2,526,458 divided by the total issued Shares of 367,904,380 during the same financial year of 2017. The PE multiple implied by the issue price of RM0.24 per Consideration Share is approximately 34.8 times. For information purpose, as at the LPD, the EPS of Straits Group is approximately 0.63 sen (or RM0.0063) based on the latest audited PAT of Straits Group for the FYE 31 December 2017 of RM2,526,458 divided by the total issued Shares of 402,904,380 as at the LPD. The PE multiple implied by the issue price of RM0.24 per Consideration Share is approximately 38.1 times.

As compared to the PE multiple of 13.0 times implied by the Purchase Consideration for the Proposed Acquisition, the Issue Price represents a higher PE multiple of approximately 34.8 times being issued to the Vendor (based upon the time of signing of the SSA), which means the valuation on Straits is relatively higher than Tumpuan Megah. With a higher PE multiple, a lesser number of Consideration Shares would be issued pursuant to the Proposed Acquisition, which in turn would mitigate the dilutive impact arising from the issuance of Consideration Shares on the shareholders of Straits in the Company.

Premised on the above, the Board considers that the issue price of the Consideration Shares to be fair and reasonable.

2.1.4. Mode of Settlement

Pursuant to the terms of the SSA, the mode of settlement of the Purchase Consideration comprises Cash Consideration and Consideration Shares, which shall be satisfied in the following manner:-

Timing	**Payment terms**	**Payments to be received RM**	**%**
On the Completion Date[*1]	Cash Consideration[(i)]	7,800,000	21.8
	Consideration Shares[(ii)]	27,950,000	78.2
Purchase Consideration		**35,750,000**	**100.0**

Note:

*[*1] Being a day falling within 45 business days after the date the last of the conditions precedent is satisfied, or such other date as Straits and the Vendor may agree in writing.*

(i) Cash Consideration

Payment of the Cash Consideration will be made on the Completion Date of the SSA. For the avoidance of doubt, the proceeds raised from the Proposed Private Placement will be received by the placement agent namely, UOB Kay Hian from the Placee within 5 Market Days from the date the last of the conditions precedent of the Subscription Agreement is satisfied, which will be the date of the EGM, after obtaining the approval from the shareholders of Straits for the Proposals.

(ii) Consideration Shares

On the Completion Date, the Consideration Shares shall be allocated and issued in the following manner:-

	Number of Consideration Shares	*RM value of the Consideration Shares RM*	*Percentage of the Consideration Shares %*
Pledged Shares[a]	*22,916,667*	*5,500,000*	*19.7*
Remaining Consideration Shares[b]	*93,541,666*	*22,450,000*	*80.3*
Total	***116,458,333***	***27,950,000***	***100.0***

(a) Pledged Shares

A total of 22,916,667 Straits Shares to be issued and pledged in a securities account agreed by Straits and the Vendor amounting to approximately RM5,500,000 based on the issue price of RM0.24 per Straits Share as security for the Total Profit Guarantee.

This amount represents 55.0% of the total profit guarantee of RM10,000,000 to be attributed to Straits by Tumpuan Megah.

(b) Remaining Consideration Shares (after deducting the Pledged Shares)

A total of 93,541,666 Straits Shares to be issued directly into the CDS account of the Vendor.

The Consideration Shares are expected to be issued and allotted upon fulfilment of all conditions precedent pursuant to the SSA which is after the completion of the Proposed Private Placement. Further details on the tentative timetable are set out in **Section 10** of this Circular.

2.1.5. Total Profit Guarantee

(i) the Vendor agrees, undertakes and guarantees that the aggregate PAT for the FYE 31 December 2019 and FYE 31 December 2020 of Tumpuan Megah ("**Profit Guarantee Period**") shall be not less than RM10,000,000.

(ii) as security for the Total Profit Guarantee, the Vendor agrees that Straits shall issue and deposit the Pledged Shares (as defined under **Section 2.1.4** of this Circular) into the securities account ("**Securities Account**") operated by a trustee company appointed by both Straits and the Vendor to hold the Pledged Shares ("**Security Stakeholder**").

(iii) the Vendor hereby agrees, covenants and undertakes to maintain, during the period commencing the date the Pledged Shares are deposited into the Securities Account up to the adoption of the audited financial statements as at FYE 31 December 2019 of Tumpuan Megah by the shareholder(s) of Tumpuan Megah, such amount of Pledged Shares and any additional securities added thereon ("**Stakeholding Securities**") in the Securities Account so that the actual total market value of the Stakeholding Securities quoted on the Bursa Securities shall not be less than RM5,500,000 being 55.0% of the Total Profit Guarantee; it being the proportion attributable to Straits.

(iv) upon adoption of the audited financial statements as at FYE 31 December 2019 of Tumpuan Megah:-

(a) the Security Stakeholder shall calculate the value of the Stakeholding Securities based on 5-day VWAP (as quoted by *Bloomberg, Malaysia*) immediately prior to the date of calculation; and

(b) in the event there is a PAT based on the audited financial statements as at FYE 31 December 2019 of Tumpuan Megah, the Security Stakeholder shall release all security interest over and if required, transfer such number of the Stakeholding Securities of up to an amount equivalent in value to 55.0% of the PAT of Tumpuan Megah for the FYE 31 December 2019 to the Vendor provided always that the remaining value of the Stakeholding Securities in the Securities Account shall not be less than 55.0% of the remaining Total Profit Guarantee amount which has not been met.

(v) in the event the aggregated PAT for the FYE 31 December 2019 and FYE 31 December 2020 ("**Total PAT**") is equivalent to or more than the Total Profit Guarantee amount, the Security Stakeholder shall release all security interest over all Stakeholding Securities and where applicable, transfer the said Stakeholding Securities into the CDS account of the Vendor.

(vi) in the event there is a shortfall between the Total PAT and the Total Profit Guarantee ("**Shortfall**"), then the Vendor shall be liable to Straits to fully pay the Shortfall amount attributable to Straits (it being 55.0% of the Shortfall amount) to Straits but up to amount of RM5,500,000 only ("**Shortfall To Purchaser**").

(vii) in the event that the Vendor fails to pay Straits the Shortfall To Purchaser in full (but up to the amount of RM5,500,000), Straits shall be entitled and the Vendor hereby authorises Straits to issue a written notice to the Security Stakeholder stating the same and the amount of the Shortfall To Purchaser that remains unpaid, whereupon the Security Stakeholder is authorised to sell all or part of the Stakeholding Securities and/ or utilise all or any moneys in the Securities Account sufficient to cover the said amount. In the event the proceeds of the sale and moneys in the Securities Account are insufficient to pay all of the Shortfall To Purchaser, the Security Stakeholder shall inform the Vendor and Straits in writing of the same and the Vendor shall be liable to pay Straits such differential amounts indicated in such notice within 14 days of such notice.

(viii) the Vendor's liability to pay the Shortfall To Purchaser shall be up to the aggregate amount of RM5,500,000 only.

Purely for better clarification purpose, set out below are the scenarios in respect of the financial performance of Tumpuan Megah, in which may occur during the Profit Guarantee Period and the limit of the liability from the Vendor to Straits based on the respective scenarios pursuant to the obligation under the Total Profit Guarantee provided by the Vendor to Straits. Shareholders shall take note that the liability owed by the Vendor to Straits pursuant to the total profit guarantee of RM10,000,000 shall be based on cumulative basis, throughout the Profit Guarantee Period:

Scenario A : In the event Tumpuan Megah achieves RM5,000,000 in each of the financial year under Profit Guarantee Period (Scenario whereby Tumpuan Megah is making profits during the Profit Guarantee Period and that the Vendor is able to achieve equivalent to or more than the Total Profit Guarantee during the FYE 31 December 2019 and FYE 31 December 2020)

Scenario B : In the event Tumpuan Megah achieves RM3,000,000 in each of the financial year under Profit Guarantee Period (Scenario whereby Tumpuan Megah is making profits during the Profit Guarantee Period. However, the Vendor is not able to achieve the Total Profit Guarantee during the FYE 31 December 2019 and FYE 31 December 2020)

Scenario C : In the event Tumpuan Megah is making losses during the Profit Guarantee Period (Scenario whereby Tumpuan Megah is not making profits during the Profit Guarantee Period and that the Total Profit Guarantee is not able to be achieved during the FYE 31 December 2019 and FYE 31 December 2020)

This scenario also applies in the event whereby Tumpuan Megah records net loss in Year 1 but net profit in Year 2, which on an accumulated basis, Tumpuan Megah records net loss throughout the Profit Guarantee Period.

Scenario D : In the event Tumpuan Megah achieves RM6,000,000 in Year 1 but records net loss of RM2,000,000 in Year 2 (Scenario whereby Tumpuan Megah is making profit in 1 of the year but recorded a net loss in another year during the Profit Guarantee Period)

Profit Guarantee Period		**Scenario A**	**Scenario B**	**Scenario C**	**Scenario D**
Year 1: FYE 31 December 2019	Value of the Pledged Shares being released to the Vendor (55.0% of PAT achieved)[*1]	RM2,750,000	RM1,650,000	-	RM3,300,000
	Value of the Pledged Shares withheld in the Securities Account[*2]	RM2,750,000	RM3,850,000	RM5,500,000	RM2,200,000
Year 2: FYE 31 December 2020	Value of the Pledged Shares being released to the Vendor (55.0% of PAT achieved)[*1]	RM2,750,000	RM1,650,000	-[*4]	-
	Value of the liability from the Vendor to Straits[*3]	-	RM2,200,000	RM5,500,000	RM2,200,000

Notes:

*1 *the aggregate maximum amount of Pledged Shares to be released and transferred to the Vendor, which is based on 55.0% of the PAT achieved during the respective financial year under which the Profit Guarantee Period is subject to.*

*2 *the value of the remaining Pledged Shares in the Securities Account shall not be less than 55.0% of the Total Profit Guarantee which has yet to be met.*

*3 *in the event there is shortfall between Total PAT achieved and the Total Profit Guarantee to be attributable to Straits, the Vendor shall be liable to Straits to fully pay the Shortfall amount attributable to Straits (it being 55.0% of the Shortfall amount) but up to amount of RM5,500,000 only.*

*4 *in the event Tumpuan Megah achieves net profit in Year 2, the value of Pledged Shares to be released to the Vendor will be equivalent to 55.0% of the PAT achieved in Year 2 whilst the Vendor will still be liable to pay Straits the remaining 55.0% of the Total Profit Guarantee which has yet to be met.*

The Board is of the opinion that the Total Profit Guarantee is reasonable and realistic, after taking into consideration the following factors:-

(i) historical financial performance recorded by Tumpuan Megah for the past 3 financial years up to the FYE 31 December 2017;

(ii) potential synergies to be accrued to the enlarged Straits Group moving forward based on the financial performance of Straits from the previous collaboration experience between Selatan Bunker and Tumpuan Megah; and

(iii) prospects of Tumpuan Megah as set out in **Section 4.3** of this Circular.

2.1.6. Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank *pari passu* in all respects with each other and with the existing Straits Shares, save and except that the holder of the Consideration Shares shall not be entitled to participate in any dividends, rights, allotment and/ or other distributions which are declared, made or paid to the shareholders of Straits for which the entitlement date for the said distributions precedes the date of allotment and issuance of the Consideration Shares.

2.1.7. Source of funding for the Purchase Consideration

The Cash Consideration shall be financed via the proceeds to be raised from the Proposed Private Placement, details of which are set out in **Sections 2.3 and 2.4** of this Circular.

2.1.8. Liabilities to be assumed by Straits

Save for the obligation and liabilities in and arising from, pursuant to or in connection with the SSA for the Proposed Acquisition, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by Straits arising from the Proposed Acquisition.

2.1.9. Additional financial commitment required

Save for the Purchase Consideration, there is no additional financial commitment required by Straits to put the business of Tumpuan Megah on-stream as it is an on-going business entity with operation.

2.1.10. Listing of and quotation for Consideration Shares

The approval has been obtained from Bursa Securities vide its letter dated 7 August 2018 for, amongst others, the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities.

For the avoidance of doubt, the Consideration Shares are intended to be issued and allotted after the completion of the Proposed Private Placement.

2.1.11. Information on the Vendor

Raja Ismail bin Raja Mohamed, a Malaysian aged 68, is the Senior Director of Tumpuan Megah. He was appointed as a director of Tumpuan Megah in 2008. He graduated from University Sains Malaysia in 1973 with a Bachelor Degree in Arts.

Raja Ismail bin Raja Mohamed started his career as a Government Administrative and Diplomatic Service Officer in 1973 and served in several different governmental departments and ministries in various positions thereafter. He was appointed as Malaysia's Trade Commissioner to Singapore from 1979 to 1981 and as Malaysia's Trade Commissioner to Brazil from 1981 to 1987. Subsequently in 1987, he served as Senior Assistant Director in the Ministry of International Trade and Industry, Malaysia where he was in-charged on bilateral trade issues between countries such as China, South Korea, India, Japan and Australia. He left the Ministry of International Trade and Industry, Malaysia in 1991 and joined the Ministry of Agriculture, Malaysia as Head of International Unit which he held his position until 1994. In 1994, he joined the Ministry of Domestic Trade and Consumer Affairs, Malaysia as director and in 2003, he served as the Head of Secretariat of the Cabinet Committee on Petroleum within the same ministry. Thereafter, he became the Senior Director of Domestic Trade Division within the same Ministry of Domestic Trade and Consumer Affairs, Malaysia until his retirement in 2006.

Subsequently in 2008, Raja Ismail bin Raja Mohamed joined Tumpuan Megah as the director and shareholder and has since been primarily involved in formulating the overall corporate strategies of Tumpuan Megah until today. Throughout his position in Tumpuan Megah, he provides strategic advice and guidance to the board of directors and the management of Tumpuan Megah on the developments in the oil and gas industry, shipping, regulatory framework and governmental policies relating to Tumpuan Megah's business activities. Raja Ismail bin Raja Mohamed is also the liason person with major customers of Tumpuan Megah and the regulatory and licensing authorities including government agencies and port authorities. He is also responsible for securing necessary approvals and licences required for Tumpuan Megah's businesses and operations and to ensure the continued compliance with the approvals and licences.

As at the LPD, Raja Ismail bin Raja Mohamed has a direct equity interest of 79.8% of the total issued Tumpuan Megah Shares and an indirect equity interest of 20.0% of the total issued Tumpuan Megah Shares via Phoenix International Ltd. Post Proposals, Raja Ismail bin Raja Mohamed will still hold a direct equity interest of 24.8% in Tumpuan Megah whilst his indirect equity interest in Tumpuan Megah remains unchanged.

2.2 Salient terms of the SSA

(i) Sale and purchase of Sale Shares

In consideration of the Purchase Consideration which shall be satisfied by the Cash Consideration and issuance and allotment of Consideration Shares in favour of the Vendor, the Vendor as legal and beneficial owner shall sell and Straits relying on the warranties and representations by the Vendor contained in the SSA shall purchase the Sale Shares free from any and all encumbrances and with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared made and paid as from the Completion Date (being 45 business days after the date the last of the conditions precedent is satisfied, or such other date as Straits and the Vendor may agree in writing) upon the terms and subject to the conditions contained in the SSA.

(ii) Conditions precedent

Completion of the SSA is conditional upon:-

(a) Straits obtaining the approval of its shareholders for the following:-

i. purchase of the Sale Shares in exchange for the Cash Consideration and Consideration Shares upon the terms and conditions of the SSA; and

ii. the Proposed Private Placement;

(b) Straits obtaining the approval of Bursa Securities for the listing of and quotation for the Consideration Shares (including the Pledged Shares) and the Placement Shares on the ACE Market of Bursa Securities;

(c) Straits conducting or cause to be conducted due diligence on Tumpuan Megah to the satisfaction of Straits;

(d) the completion of the Subscription Agreement with the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities; and

(e) the approvals, consents authorisations, permits or waivers of any other relevant governmental or regulatory body and any other third parties necessary or appropriate to carry out the sale and purchase of the Sale Shares pursuant to the terms of the SSA having been obtained.

Notwithstanding anything to the contrary, the conditions precedent shall be satisfied on or before 30 November 2018 ("**Cut-Off Date**"). Thereafter, Straits and the Vendor may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between them to comply with the conditions precedent. If the conditions precedent have not been fulfilled on the expiry of the Cut-Off Date or such extension of time agreed between Straits and the Vendor, then the SSA shall lapse and cease to have any further force or effect.

(iii) Events on Completion

(a) completion shall take place on the Completion Date, which is a day falling within 45 business days (any day on which commercial banks are open for business in Kuala Lumpur and Johor but excludes Saturdays, Sundays and public holidays in Kuala Lumpur and Johor) after the date the last of the conditions precedent of the SSA is satisfied or such other date as the parties to the SSA may agree in writing.

(b) completion of the SSA shall be conditional upon all the Sale Shares collectively being sold to Straits and that Straits and the Vendor performs all their respective obligations therein.

(c) at the Completion Date, the Vendor shall deliver or cause to be delivered to Straits:

i. the resolution of the board of directors of Tumpuan Megah approving the transfer and registration of the Sale Shares in favour of Straits subject only to the transfers having been duly stamped;

ii. the original share certificates to the Sale Shares, duly executed instrument of transfer together with such documents as may be required to give good title to the Sale Shares and to enable Straits to become the registered holder of the Sale Shares;

iii. the certified true copies of the approvals or documents referred to in **Section 2.2(ii)** of this Circular (conditions precedent of the SSA) if required;

iv. the resolution of the board of directors of Tumpuan Megah approving the appointment of such person(s) nominated by Straits as director(s) of the Company;

v. if so required by Straits, the resignation letters of such persons as directors of Tumpuan Megah and confirming that no liability is outstanding from Tumpuan Megah to them so that the total number of directors representing the Vendor remaining after the Completion Date shall be not more than 45% of the total board members; and

vi. all licences, approvals, permits and authorisations of Tumpuan Megah required for its business and operations and the completion of this SSA.

The Vendor hereby agrees and undertakes to forthwith do all acts and things so as to register Straits as a member of Tumpuan Megah in the register of members of Tumpuan Megah.

(d) Against the delivery of the documents set out above, Straits shall on the Completion Date:

i. pay the Vendor the Cash Consideration (as set out in **Section 2.1.4** of this Circular);

ii. allot and issue the Pledged Shares into the Securities Account;

iii. allot and issue the Remaining Consideration Shares after deducting the Pledged Shares directly into the CDS accounts of the Vendor and/ or his respective nominee(s); and

iv. produce and deliver to the Vendor the certified copies of the approvals, shareholders resolutions and/ or documents referred to in **Section 2.2(ii)** of this Circular (conditions precedent of the SSA).

(e) Completion is conditional on the Vendor and Straits complying with all of their respective obligations under the SSA and the listing and quotation of Consideration Shares on the ACE Market of Bursa Securities. For this purpose, Straits shall cause the Consideration Shares to be listed and quoted on the ACE Market of Bursa Securities within 30 days from the Completion Date or such other extended period as the parties may mutually agree upon in writing.

(f) If any party fails to comply with any of its obligations and those obligations are not waived by the other party on Completion, then:

i. each party must return or cause to be returned to the other party all monies, Purchase Consideration and documents delivered to it or its agent under the SSA; and

ii. each Party must do everything reasonably required by the other Party to reverse any action taken pursuant to the SSA.

(iv) Breach/ Termination

(a) If Straits shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA and/ or breaches any of the terms and/ or warranties of the SSA, then the Vendor shall be entitled to either:-

i. claim for specific performance of the SSA; or

ii. terminate the SSA and upon such termination, the Vendor shall return all monies paid towards the Purchase Consideration (free of interest) in exchange against Straits paying to the Vendor all reasonable costs and expense incurred by the Vendor pursuant to the negotiation and preparation of the SSA and any incidental costs thereto;

after which the Vendor shall have no other claims whatsoever against Straits and the Vendor shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties.

(b) If the Vendor shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA and/ or breaches any of the terms of the SSA, then Straits shall be entitled to either:-

i. claim for specific performance of the SSA; or

ii. terminate the SSA and upon such termination, the Vendor shall refund to Straits all monies paid towards the Purchase Consideration (free of interest) together with all reasonable costs and expenses incurred by Straits pursuant to the negotiation and preparation of the SSA and any incidental costs thereto;

after which Straits shall have no other claims whatsoever against the Vendor and the Vendor shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties.

(c) If the Vendor shall breach any of his obligations under **Section 2.1.5** of this Circular above (obligations pursuant to the Total Profit Guarantee), Straits shall be entitled to claim for specific performance in addition to any other remedies as may be available to Straits under law and/ or equity and the Vendor shall indemnify and hold Straits harmless against all costs, charges and expenses incurred or suffered by Straits arising from such breach.

(v) Total Profit Guarantee

The salient terms in relation to Total Profit Guarantee are set out in **Section 2.1.5** of this Circular.

2.3 Proposed Private Placement

On 7 June 2018, Straits has entered into a subscription agreement with Captain Tony Tan for a private placement of 36,790,438 Placement Shares, representing approximately 9.1% of the total issued Shares as at the LPD, at the subscription price of RM0.24 per Placement Share.

For the avoidance of doubt, the Placement Shares will be fully satisfied in cash, in accordance with the terms and conditions of the Subscription Agreement.

As at the LPD, the total issued share capital of Straits was RM49,159,619 comprising 402,904,380 issued Shares. In addition, as at the LPD, Straits has a total of 183,952,000 outstanding warrants, of which each warrant provides the right to the holder of the warrant to subscribe for 1 new Straits Share during the 5-year exercise period of up to 10 August 2022 at the exercise price of RM0.115 per Warrant.

Under the Minimum Scenario, the Proposed Private Placement and the issuance and allotment of Consideration Shares pursuant to the Proposed Acquisition will increase the issued Shares to 556,153,151 Straits Shares, whilst under the Maximum Scenario, the Proposed Private Placement and the issuance and allotment of Consideration Shares pursuant to the Proposed Acquisition will increase the issued Shares to 740,105,151 Straits Shares. Please refer to **Section 6.1** of this Circular for further details on the effects on share capital of Straits pursuant to the Proposals.

2.3.1. Information of Placee

Captain Tony Tan, a Singaporean aged 42, is the Executive Director of Straits.

He obtained his Master of Science (Maritime Studies) from Nanyang Technological University Singapore in 2018 and 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 has a Certificate of Competency 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, Singapore 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 organisation and for the fleet 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 2012 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 is well versed in the maritime industry and has approximately 19 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 appointments.

At present, Captain Tony Tan is in charge of the oil bunker and trading business segment of Straits. He is also responsible for formulating strategies to secure oil related product supplies and building customer base.

As at the LPD, Captain Tony Tan does not hold any Shares and has no family relationship with other Directors and/ or major shareholders of Straits. For the avoidance of doubt, the subscription of Placement Shares by Captain Tony Tan will result in him holding 36,790,438 Shares, representing approximately 6.6% of the total enlarged Shares of 556,153,151 under Minimum Scenario, or approximately 5.0% of the total enlarged Shares of 740,105,151 under Maximum Scenario, in which he will emerge as the substantial shareholder of the Company.

2.3.2. Basis of determining and justification for the Subscription Price of the Placement Shares

The Placement Shares will be placed out at subscription price of RM0.24 per Placement Share which is similar to the Issue Price for the Consideration Shares. The Subscription Price was arrived at between Straits and the Placee on a willing-buyer willing-seller basis, and after taking into consideration that a discount of not more than 10.0% to the 5-day VWAP of Straits Shares, up to and including 6 June 2018, being the last transacted date immediately preceding the date of Subscription Agreement. For the avoidance of doubt, the Subscription Price represents a discount of RM0.007 or 2.8% to the 5-day VWAP of Straits Shares, up to and including 6 June 2018, of RM0.247.

The discount of not more than 10.0% to the 5-day VWAP was determined in view of the proceeds raise from the Proposed Private Placement is significant to partially satisfy the Purchase Consideration for the Proposed Acquisition, which barring any unforeseen circumstances, is expected to contribute positively to the future earnings of the Group upon completion of the Proposed Acquisition (for the avoidance of doubt, the Total Profit Guarantee is for a period of 2 financial years only). The Board is of the view that the Placement Share is priced optimally to maximise the amount for the Cash Consideration whilst the remaining Purchase Consideration which will be satisfied via Consideration Shares, the issuance of which will not significantly dilute the shareholdings of the shareholders of Straits and will not reduce the EPS of the Company post completion of the Proposals.

2.3.3. Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date of such dividends, rights, allotments and/ or any other forms of distribution precedes the relevant date of allotment and issuance of the Placement Shares.

2.3.4. Listing of and quotation for the Placement Shares

The approval has been obtained from Bursa Securities vide its letter dated 7 August 2018 for, amongst others, the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

2.3.5. Utilisation of proceeds

Based on the subscription price of RM0.24 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of RM8,829,705. The proceeds are intended to be utilised by Straits in the following manner:-

Details of utilisation	Timeframe for utilisation	Amount of proceeds RM
Cash Consideration for the Proposed Acquisition[*1]	Upon the Completion Date of the Proposed Acquisition	7,800,000
Estimated expenses in relation to the Proposals[*2]	Upon completion of the Proposals	1,029,705
Total		**8,829,705**

Notes:

[*1] *As set out in **Sections 2.1 and 2.1.4** of this Circular, the gross proceeds raised from the Proposed Private Placement will be utilised as the Cash Consideration for the Proposed Acquisition.*

[*2] *The estimated expenses consist of professional fees, fees payable to authorities, placement fee and other incidental expenses in relation to the Proposals. Any variation in the actual amount of expenses will be adjusted to/ from the Company's working capital requirement.*

2.4 Salient terms of the Subscription Agreement

(i) Subscription Price

Subject to the terms and conditions of the Subscription Agreement, Straits agrees to allot and issue to the Placee and the Placee agrees to subscribe for 36,790,438 Placement Shares at the subscription price of RM0.24 per Placement Share, amounting to RM8,829,705.12 ("**Total Subscription Price**").

(ii) Conditions precedent

Issuance and allotment of the Placement Shares are conditional on the following:-

(a) Straits obtaining the approval of its shareholders for the following:-

i. issuance and allotment of Placement Shares in accordance with the terms and conditions contained in the Subscription Agreement; and

ii. the Proposed Acquisition;

(b) Straits obtaining the approval-in-principle of Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

The conditions precedent of the Subscription Agreement shall be satisfied on or before 30 November 2018 ("**Placement Cut-Off Date**"). Thereafter, Straits and the Placee may (before or on expiry of the Placement Cut-Off Date) have an extension(s) of time as may be agreed between Straits and the Placee to comply with the conditions precedent of the Subscription Agreement. If the conditions precedent of the Subscription Agreement have not been fulfilled on the expiry of the Placement Cut-Off Date or such extension of time agreed between Straits and the Placee and Straits does not waive the fulfilment of the same, then the Subscription Agreement shall lapse and cease to have any further force or effect and neither Straits nor the Placee shall have any further rights against the other(s).

The Subscription Agreement shall become unconditional on the date of which the last of the condition precedent for the Subscription Agreement is fulfilled or obtained.

(iii) Completion and payment

Within 5 business days from the date the Subscription Agreement becomes unconditional, the Placee shall:-

i. deposit with the placement agent, namely UOB Kay Hian the Total Subscription Price by way of telegraphic transfer to a bank account nominated by the Placement Agent and notified Straits and the Placee at least 5 business days prior to the date the payment for the Total Subscription Price was made; and

ii. notify Straits in writing of the details of the Placee's stockbrokers and the particulars of the securities account into which the Placement Shares are to be credited.

For the avoidance of doubt, the Subscription Agreement shall become unconditional on the date where Straits has successfully obtained its shareholders' approval for the Proposals at an EGM to be convened. As such, the Placee shall deposit the Total Subscription Price within 5 business days from the date of EGM for the Proposals with the Placement Agent, which is in compliance with Rule 6.14 of the Listing Requirements.

Upon the Placement Agent receiving the Total Subscription Price and within 5 business days from the payment for the Total Subscription Price was made:-

(a) the Placement Agent shall confirm to Straits of such receipt;

(b) Straits shall allot and issue the Placement Shares to the Placee;

(c) Straits shall deliver or caused to be delivered to Bursa Malaysia Depository Sdn Bhd the share certificates for the Placement Shares registered in the name of Bursa Malaysia Depository Sdn Bhd; and

(d) Straits shall instruct and procure Bursa Malaysia Depository Sdn Bhd to credit the securities account of the Placee with the Placement Shares.

Completion shall take place on the listing date of the Placement Shares on the ACE Market of Bursa Securities, and on such event, the Placement Agent is authorised by Straits and the Placee to release the Total Subscription Price to Straits.

(iv) Default

In the event that the Placee shall for any reason fail or refuse to complete the subscription of the Placement Shares under the terms of the Subscription Agreement or the Placee fails to comply with all the obligations or stipulations contained or defaults in the Subscription Agreement and does not remedy the same to the satisfaction of Straits within 14 days from the date of receipt of written notice by Straits or such breach is not waived by Straits at its absolute discretion, Straits shall be entitled to, without prejudice to its other rights and remedies including its right to sue for (i) specific performance of the Subscription Agreement; or (ii) terminate the Subscription Agreement and recover all amounts actually paid and expanded pursuant to or arising from the Subscription Agreement.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

3.1 Proposed Acquisition

The Proposed Acquisition entails the acquisition of 55.0% equity interest of Tumpuan Megah, a company engaged in the businesses of bunkering services, barging operations and dealing of oil, petroleum and petroleum-related products, which are similar to the current core business activities of Straits.

Due to the similarity in the business nature of both Straits and Tumpuan Megah, the Proposed Acquisition is a horizontal acquisition by Straits to acquire its peer with the intention to expand its existing business activities of bunkering services and oil trading, which is expected to enhance the revenue and earnings of Straits Group moving forward.

As set out in **Section 2.1.1** of this Circular, Tumpuan Megah holds a total of 23 PDA Licences for its bunkering services in 14 ports (for the avoidance of doubt, at this juncture, Tumpuan Megah only has operations in 8 ports in Malaysia). Straits on the other hand, is holding 2 PDA Licences to carry out its bunkering services in 2 ports namely, Pasir Gudang Port and Tanjung Pelepas Port. At present, Straits is able to undertake bunkering services and oil trading business activities in all of the operating ports of Tumpuan Megah via the Collaboration Agreement, which is subject to termination by either party at its own discretion.

Therefore, the acquisition of 55.0% equity interest in Tumpuan Megah would enable Straits to have a controlling stake in Tumpuan Megah, which allows Straits to have full access to the 28 PDA Licences currently held by Tumpuan Megah (which include 23 PDA Licences for oil bunkering services, 4 PDA Licences for distribution and wholesale of petroleum products and petroleum materials and 1 PDA Licence for transportation of petroleum products by oil tanker) by virtue of its controlling stake in Tumpuan Megah. Furthermore, the successful completion of the Proposed Acquisition would also enable Straits to continue tapping on the operating ports of Tumpuan Megah, which is expected to secure a continuous bunkering business deal flow and to improve the income stream of the enlarged Straits Group moving forward.

Furthermore, Tumpuan Megah currently operates through 7 licenced vessels to undertake its core business activities. As such, the Proposed Acquisition would enable Straits to recognise an immediate expansion in respect of its fleet size and assets base from the current 2 vessels to 9 vessels for its operations premised on its controlling equity interest in Tumpuan Megah. With such expansion of fleet size, Straits Group is capable to undertake higher volume of bunkering services, thereby increase its operational capacities.

Further to the above, Straits could also continue to enjoy an enlarged customer base by tapping into the existing customer base of Tumpuan Megah. This would then allow Straits Group to officially capture larger market share and increase its market presence in the bunkering services industry in Malaysia thereby lifting its competitiveness and business sustainability in the marine logistics industry.

Additionally, through the Proposed Acquisition, Straits could also enlarge its suppliers' pool of oil products which encompasses both its existing suppliers and new suppliers from Tumpuan Megah. At present, Straits via Selatan Bunker has a total of 3 suppliers for its oil and petroleum products whilst Tumpuan Megah has a total of 14 suppliers for its oil and petroleum products (excluding common suppliers between Selatan Bunker and Tumpuan Megah). With the enlarged suppliers' pool, it enables Straits to reap such competitive advantage in sourcing its supplies at relatively competitive prices.

The Proposed Acquisition bodes well with the Board's intention to expand its oil trading and bunkering services by identifying any potential business/ investment opportunity. The Board believes that the Proposed Acquisition would provide an additional revenue and income source to Straits Group moving forward, premised on the fact that the PATs recorded by Tumpuan Megah for the past 3 financial years up to the FYE 31 December 2017 and the Total Profit Guarantee provided by the Vendor to Straits for a period of 2 financial years up to the FYE 31 December 2020, of which the profit to be contributed to Straits will be amounting to RM5,500,000, being 55.0% equity interest of Tumpuan Megah to be held by Straits. Barring any unforeseen circumstances, the achievement of the Total Profit Guarantee by Tumpuan Megah would improve the consolidated earnings and cash flows position of the Group throughout the Profit Guarantee Period.

3.2 Proposed Private Placement

After due consideration of the various methods of funds raising, the Board is of the view that the implementation of the Proposed Private Placement is the most ideal avenue to instantaneously raise funds to partially satisfy the Purchase Consideration for the Proposed Acquisition.

Through the execution of the Subscription Agreement, the Proposed Private Placement provides certainty in respect of the source of funding whereby the Placee and the Subscription Price have been identified and agreed upfront, which also gives more assurance to the successful completion of the Proposed Acquisition and the Proposed Private Placement. Furthermore, the Proposed Private Placement would fulfil the funding requirements within short period of time against other funds raising options such as rights issues exercise and/ or bank borrowing in which the application processes typically consume longer period of time. For the avoidance of doubt, the full payment of the Total Subscription Price shall be remitted by the Placee to Placement Agent within 5 Market Days from the date of the EGM.

Furthermore, the Proposed Private Placement is also the most efficient avenue for funds raising as it enables the Group to raise funds with a relatively lower costs and expenses against other form of financing options such as bank borrowings, which will increase the debt obligation and interest costs to the Group. This would allow the Group to preserve its existing cash flow for its operational purposes and for its future business investment opportunities.

4. INDUSTRY OVERVIEW AND OUTLOOK, FUTURE PROSPECTS OF TUMPUAN MEGAH AND THE ENLARGED STRAITS GROUP

4.1 Overview and outlook of the Malaysian economy

In 2017, the Malaysian economy recorded a robust growth of 5.9% (2016: 4.2%), supported by faster expansion in both private and public sectors spending. A key highlight for the year was the rebound in gross exports growth as global demand strengthened. This was due mainly to higher demand from major trading partners following the upswing in the global technology cycle, investment expansion in the advanced economies and the turnaround in commodity prices. Altogether, the global technology upturn translated into robust demand for electronics and electrical (E&E) products while the stronger regional demand and the revival in investment activity in the advanced economies lifted exports of non-E&E products. Commodity exports also turned around in 2017, supported largely by the recovery in major commodity prices.

While real gross domestic product ("**GDP**") growth was boosted by the external sector, domestic demand continued to anchor growth. In particular, private consumption growth strengthened to 7.0% in 2017 (2016: 6.0%), supported mainly by continued wage and employment growth, with additional impetus from Government measures. Public consumption grew by 5.4% (2016: 0.9%) due to higher spending on supplies and services by the Federal Government amid sustained growth of emoluments. Gross fixed capital formation (GFCF) grew at a faster pace of 6.2% (2016: 2.7%), driven by improvements in both public and private investments. Public investment recovered to grow at 0.1% (2016: -0.5%), supported by continued spending by the General Government and public corporations. Private investment growth accelerated to 9.3% (2016: 4.3%), as firms benefited from the conducive external and domestic operating environment.

On the supply side, most sectors registered higher growth in 2017. The performance of the two largest sectors, services and manufacturing, benefited from marked improvements in domestic and external conditions, growing at 6.2% and 6.0%, respectively (2016: 5.6% and 4.4%). The construction sector recorded a moderate growth of 6.7% (2016: 7.4%), while growth in agriculture production rebounded to 7.2% (2016: -5.1%). Growth in the mining sector, however, moderated to 1.1% (2016: 2.2%), reflecting the voluntary crude oil supply adjustments by PETRONAS, in line with the Organization of the Petroleum Exporting Countries (OPEC) agreement to limit oil production until end-2018.

Overall, the fundamentals of the Malaysian economy continued to strengthen. Structural policies carried out over the decades have resulted in a highly open and diversified economy with multiple sources of growth. Improving labour market conditions amid faster wage growth continued to support household spending. Healthy financial institutions and sufficient domestic liquidity also ensured orderly financial intermediation. Furthermore, Malaysia's external position remained strong and well-protected from a sharper depreciation, supported by sufficient international reserves and manageable levels of external debt.

Despite the strong growth in 2017, structural reforms remained a priority to strengthen economic fundamentals and to safeguard the sustainability of the growth momentum. These include efforts to enhance domestic value-added in production and exports, promote higher quality domestic and foreign investments, raise productivity and cultivate a future-ready quality labour force.

(Source: Executive Summary, Annual Report 2017, Bank Negara Malaysia)

Outlook for the Malaysian Economy in 2018

The global economy is projected to expand at a faster pace in 2018, driven largely by private consumption and boosted by investment activity in the advanced economies. In Asia, trade activity will continue to expand, albeit at a more moderate pace. Financing conditions are likely to remain accommodative despite the ongoing normalisation of global monetary policy. In the advanced economies, the strength of investments is likely to persist through 2018 and Asian economies will continue to benefit from positive spill overs from the external sector. Other emerging market economies are also likely to see a pickup in growth, while commodity exporters will observe a rebound in domestic demand due to higher global crude oil prices. Overall, risks to the global outlook are poised to become more broadly balanced. Nevertheless, several downside risks stemming from 2017 linger. These include uncertainties surrounding the effects of a synchronised monetary policy normalisation across major economies, the inward-looking trade policies that threaten international trade, in addition to geopolitical risks that could adversely affect sentiments in global financial markets.

Amid the stronger global economic conditions, the Malaysian economy is projected to grow by 5.5% - 6.0% in 2018. Domestic demand will continue to be the anchor of growth, underpinned by private sector activity. Private consumption growth is expected to remain sustained, supported by continued growth in employment and income, lower inflation and improving sentiments. Income growth will be supported by a robust export performance and continued Government measures, such as the continuation of Bantuan Rakyat 1Malaysia cash transfers, individual income tax reduction, and the special payment to all civil servants and retirees. Private investment growth will also be sustained, underpinned by ongoing and new capital spending in both the manufacturing and services sectors, and strengthened by continued positive business sentiments. Public sector expenditure is projected to decline due to the contraction in public investment amid more moderate growth in public consumption.

Apart from domestic demand, GDP growth will also be supported by the favourable external demand conditions. Both gross exports and imports are forecasted to grow at above-average trends in 2018. Exports will be lifted by favourable demand from major trading partners, the continued expansion in the global technology upcycle, increase in domestic productive capacity and broadly sustained global commodity prices. Despite the projected higher goods surplus of the current account, deficits in the services and income accounts will continue to weigh on the current account balance. Overall, the current account balance is expected to record a surplus of between 2.0% – 3.0% of GNI in 2018.

On the supply side, all economic sectors are forecasted to expand in 2018. The services and manufacturing sectors will continue to be the key drivers of overall growth. The construction sector is expected to register a stronger expansion, driven by large new and existing multi-year civil engineering projects. Growth in the mining sector is also projected to be higher, reflecting the continued pickup in natural gas production. The agriculture sector is expected to register a more moderate growth, following the exceptional post-El Niño crude palm oil production recovery in 2017.

Overall, the economic outlook is marked by several upside risks to growth. This includes stronger-than-expected global demand, which in turn would improve the prospects for export-oriented industries. The potential increase in minimum wage and a faster-than-expected pickup of existing and new production facilities in various industries would also support a more favourable growth outlook. Nevertheless, several downside risks to growth remain. The strength of Malaysia's exports to major trading partners could be impacted by unfavourable effects arising from monetary and regulatory policy shifts in the advanced economies, rising trade protectionism by major trading partners and a sharper-than-expected growth moderation in PR China. In addition, a re-emergence of volatile global commodity prices or abrupt corrections in the global financial markets could weigh down sentiments, which in turn could dampen the strength of domestic economic activity.

Malaysia is, however, well-positioned to withstand these headwinds should these downside risks materialise. The structural reforms that were undertaken over the years have endowed the Malaysian economy with multiple sources of growth, ample buffers and robust policy frameworks. Going forward, the positive economic environment will provide policymakers with ample policy space to continue with the necessary reforms. The domestic financial markets are resilient and well-positioned to intermediate large swings of capital flows in the event of heightened financial market volatility. Fundamentally, policymakers have the tools, capacity and flexibility to undertake the necessary measures to steer the economy along a steady growth path

(Source: Executive Summary, Annual Report 2017, Bank Negara Malaysia)

The Malaysian economy is expected to remain on a steady growth path in 2018

The Malaysian economy continued to expand in the first half of 2018. Private sector activity remained firm. Going forward, growth is expected to be broadly sustained, supported mainly by private sector spending. Greater certainty in domestic policy in the coming months is expected to provide support to growth prospects. Malaysia's macroeconomic fundamentals remain strong, and thus provides the country with the requisite buffers to effectively manage potential shocks to the economy.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2018, Bank Negara Malaysia)

4.2 Overview and outlook of the logistics and maritime industries in Malaysia

The logistic industry is crucial to stimulate trade, facilitate business efficiency and spur economic growth. In this context, the Economic Planning Unit (EPU) has formulated the Logistics and Trade Facilitation Masterplan (2015-2020) which provides the strategic framework and roadmap to elevate Malaysia to be the "Preferred Logistics Gateway to Asia" by 2020 and beyond.

With the successful implementation of the Masterplan, the contribution of the transport and storage sub-sector to the GDP is targeted to increase from 3.6% in 2013 to 4.3% in 2020. Cargo volume is projected to grow 8.0% annually to reach 880 million tonnes by 2020.

Two initiatives – amendments to the Merchant Shipping Ordinance 1952 and drafting of the regulations on off-dock depots are in the final stages, and will be implemented once the relevant authorities approve them.

The review of the Malaysian Ship Registry structure is in the final stage. Its objectives are to simplify the ship registration process and generate revenue for the Government. The proposed Malaysian Ship Registry is expected to be completed in 2017.

(Source: Logistics and Trade Facilitation Masterplan – Performance Report 2016)

Malaysia has the opportunities to further develop its maritime economy, with the support of numerous shipyards, ports and terminals, in addition to a prime geographical location.

"More players are also looking at building new vessels that are more energy efficient and environment friendly due to tighter environmental regulations in the shipping industry.

"With the government lending stronger support to the industry with the recent launch of the Malaysia Shipping Master Plan, the country is set to become a self-sufficient and internationally competitive nation, that can benefit players along the maritime industry supply chain," Nazey Khalid, honorary secretary of the Association of Marine Industries Malaysia said in a statement.

Jackie Chieng, director of Siong Ping Engineering Sdn Bhd, which will be exhibiting at the Asia-Pacific Maritime (APM) 2018, echoed a similar sentiment.

"We forecast the deck machinery market for tugboats, barges and land crafts will slowly increase in 2018. For Malaysia, recovery in the maritime industry will be gradual but optimistic," Jackie Chieng said.

(Source: Press article entitled "Opportunities for Malaysia to develop maritime economy", dated February 2, 2018, https://www.thestar.com.my/business/business-news/2018/02/02/opportunities-for-malaysia-to-develop-maritime-economy/)

The Malaysian maritime industry needs more seafarers to ensure a successful and competitive industry. *(Former)* Transport Minister Datuk Seri Liow Tiong Lai said the maritime industry depends on the adequate supply of highly qualified maritime personnel as the industry is lacking in local seafarers.

"We need to strengthen our shipping line since we have only 10 million dead weight tonnages registered under the Malaysian maritime industry compared to 15 million tonnes because of bureaucracy. This is why we passed the amendments to the Merchant Shipping Ordinance 1952 recently.

"There is a need for more efforts to attract the younger generation into considering a career in the maritime industry as well as its related services. Plus, sustainable shipping and ports activities can improve the economy and ultimately the people's livelihood.

(Source: Press article entitled "Attracting more seafarers to strengthen Malaysian maritime industry", dated September 5, 2017, https://www.nst.com.my/news/nation/2017/09/276486/attracting-more-seafarers-strengthen-malaysian-maritime-industry)

The maritime sector is of crucial importance to modern societies. The United Nations Conference on Trade and Development 2017 cites that 90 per cent of world trade is carried by the international shipping industry, and the maritime sector is more than just ocean-based transportation and its management.

Industry components include the naval industry comprising naval engineering and shipbuilding companies, and the component supply sector; commercial fishing and aquaculture industry; the cruise and recreational sector; sport and commercial ports and marinas; marine and ocean research and sciences; and maritime training academies and training centres.

The maritime sector is a potential source of vibrant employment and career opportunities, especially for Malaysia, a trading and maritime nation.

"The shipping industry in this region is poised for tremendous growth and along with the dynamic environment of the shipping industry, it is expected that professionals, industrial leaders as well as managers with the capabilities to analyse and deal with the growth and highly competitive nature of the industry will be much sought after.

"In addition, managers are expected to apply their knowledge of theories, concepts and shipping practices to facilitate sound decision-making with the use of strategic management tools to seek opportunities," said Halim (shipping tycoon Tan Sri Halim Mohammad, the founder and executive chairman of formerly listed Halim Mazmin Bhd which has diversified business interests in shipping, aviation, education, hospitality and tourism).

As much as there is a need for management professionals in the maritime sector, there is also an urgent demand for those sailing the seas. In Malaysia, there are 3,000 local officers sailing Malaysian ships but there is a constant demand for 5,000 officers annually to fill vacancies.

The industry partners will work hand-in-hand with the university in the areas of maritime research and consultation. Companies play an important role in providing feedback on the skills and jobs required by the industry.

(Source: Press article entitled "Sea of career opportunities", dated November 29, 2017, https://www.nst.com.my/education/2017/11/308713/sea-career-opportunities)

4.3 Prospects of Tumpuan Megah and the enlarged Straits Group

The Proposed Acquisition involves an acquisition of a direct peer, who is operating in the same business activities and industry as Straits, which is in the dealing of oil and bunkering services.

As set out in **Section 2.1.1** of this Circular, Tumpuan Megah carries out its bunkering services through 7 licenced vessels. Premised on the above, the Proposed Acquisition would result in an immediate expansion of the fleet size of the enlarged Group by virtue of its controlling interest in Tumpuan Megah and from a long-term perspective, the Proposed Acquisition is expected to increase the operational capacities and provide security in respect of the capabilities of the enlarged Group to undertake higher volume of bunkering services in a continuous manner.

Additionally, Tumpuan Megah holds a total of 23 PDA Licences for its bunkering services in 14 ports (for the avoidance of doubt, at this juncture, Tumpuan Megah only has operations in 8 ports in Malaysia), a total of 4 PDA Licences for distribution and wholesale of petroleum products and petroleum materials and 1 PDA Licence for transportation of petroleum products by oil tanker. Straits on the other hand, has 2 PDA Licences for bunkering services in 2 ports namely, Pasir Gudang Port and Tanjung Pelepas Port.

Through the Proposed Acquisition, Straits is able to continue tapping into the operations in the operating ports of Tumpuan Megah and continue to leverage on the PDA Licences currently owned by Tumpuan Megah. Furthermore, by leveraging on the advantage of a higher operational capacities, the enlarged Group may explore for business opportunities in other ports which are presently not in their portfolio or no operation i.e. Kukup Port, Batu Pahat Port, Muar Port, Mersing Port, Tok Bali Port and Lumut Port, after the completion of the Proposed Acquisition, as and when the Board deems fit and appropriate, which could potentially enhance the geographical market presence of the enlarged Group in the local marine logistics industry.

The Proposed Acquisition is also expected to expand the business operations of the enlarged Group in the marine logistics industry whereby Straits could immediately enlarge the customer base of the enlarged Group through direct access into the existing customer base of Tumpuan Megah. With the combine customer base between Straits and Tumpuan Megah, it provides greater flexibility for the enlarged Group to seek for new customers with different profiles such as organisations in other industries which operate vessels such as cargo vessels, passenger ferries and naval vessels.

Given the wider pool of suppliers' base from Straits and Tumpuan Megah as a result of the Proposed Acquisition, it places the enlarged Group a better position to source for its supplies for instance, oil and petroleum products as well as ship maintenance services, at a competitive price. This could potentially provide greater economies of scale to the enlarged Group as a result of the supplies sourced from the wider pool of suppliers' base.

Premised on the above and the positive outlook of the Malaysian economy, the Board sees the Proposed Acquisition as favourable to the enlarged Straits Group as it accords well with the Group's plan to expand its oil trading and bunkering services. As Tumpuan Megah is already an on-going entity, Tumpuan Megah has adequate cash flows to sustain its operations and to implement the aforesaid expansion strategies, which consist of the expansion of other operating ports that are presently not in their portfolio or no operation as well as to widen their client base by seeking for new customers in different client profiles. In summary, the Board believes that the Proposed Acquisition could contribute positively to the future performance of the enlarged Straits Group moving forward.

(Source: Management of Straits)

5. RISK FACTORS

Tumpuan Megah is subject to risks inherent in the bunkering services and dealing of oil and petroleum business activities, of which Straits Group is also subject to the similar known business and industry risks. Therefore, the enlarged Straits Group would be exposed to similar risks after the completion of the Proposals and mitigating measures would have already been and will continuously be implemented by Straits Group. Nevertheless, the additional potential risks that may have an impact on the enlarged Straits Group, which may not be exhaustive, pertaining to the Proposals are set out below:-

5.1 Investment risks

The Proposed Acquisition is expected to contribute positively to the future performance of the enlarged Straits Group. However, there is no assurance that the anticipated benefits from the Proposed Acquisition will be realised in the long run.

Notwithstanding the foregoing, Straits will constantly monitor the progress and performance of Tumpuan Megah and to leverage on its strong management expertise to properly manage the operations of Straits.

5.2 Foreign exchange risks

At present, Tumpuan Megah sources its supplies from Singapore, Brunei and Malaysia where the supplies from Singapore and Brunei represent approximately 90.0% of Tumpuan Megah's total supplies. Such purchases are mainly quoted and made in USD which will be translated into RM, whilst the sales of the products and services of Tumpuan Megah are mainly quoted and made in RM, of which the functional currency of Tumpuan Megah is denominated in. The majority of the supplies are sourced from Singapore and Brunei as there are relatively larger pool of suppliers from these countries which enable Tumpuan Megah a wider selection of the alternative suppliers and to make comparisons in respect of the quality and price of supplies.

Furthermore, the maintenance of vessels of Tumpuan Megah are mainly carried out in Singapore and the costs of such maintenance are quoted and made in SGD. Therefore, any fluctuations between the exchange rate of RM against USD and SGD from the purchases of supplies by Tumpuan Megah and the maintenance costs on vessels, respectively may affect the financial position of the enlarged Group post Proposed Acquisition.

In mitigating such risk, Straits Group will continue to monitor Tumpuan Megah's foreign currency exposures and will take necessary measures to minimise exchange rate exposures such as by implementing hedging policy on foreign currency in respect of the purchases of supplies, whenever deemed necessary. Furthermore, Tumpuan Megah may explore the alternative of carrying out its maintenance of vessels in Malaysia to reduce foreign exchange exposure. Notwithstanding the above, there is no assurance that any future significant exchange rate fluctuations or changes in foreign exchange control regulations will not have a material and adverse impact on the operating results and financial conditions of the enlarged Straits Group.

5.3 Completion risk of the Proposals

Under the terms of the SSA and the Subscription Agreement, the completion of the Proposals is subject to the satisfaction of the conditions precedent of the SSA and the Subscription Agreement as set out in **Sections 2.2(ii) and 2.4(ii)** of this Circular, respectively.

Therefore, there can be no certainty that all the conditions precedent of the SSA and the Subscription Agreement will be satisfied and that the completion will occur within the stipulated timeframe. In the event any of the conditions precedent are not satisfied or waived (in accordance with the terms of the SSA and the Subscription Agreement, respectively), the Proposals will not be completed.

Further, the Proposals are also subject to the approval by the shareholders of Straits to be obtained at the forthcoming EGM. In the event the aforesaid approval by the shareholders of Straits is not successfully obtained, the Proposals will not be completed.

Notwithstanding the foregoing, Straits shall endeavor to ensure that the conditions precedent set out in the SSA and the Subscription Agreement are fulfilled in a timely manner to facilitate the completion of the Proposals and to address any concerns that raised by the shareholders of Straits arising from the Proposals.

6. EFFECTS OF THE PROPOSALS

The effects of the Proposals on the issued share capital, NA and gearing level of the Company, substantial shareholders' shareholdings, earnings and EPS of Straits Group are set out below.

6.1 Issued share capital

The Purchase Consideration will be satisfied via a combination of Cash Consideration and Consideration Shares. Therefore, the pro forma effects of the Proposals on the issued share capital of Straits are as follows:-

	Minimum Scenario		**Maximum Scenario**	
	No. of Shares	**RM**	**No. of Shares**	**RM**
Existing issued share capital as at the LPD	402,904,380	49,159,619	402,904,380	49,159,619
Assuming all outstanding Warrants are fully exercised	-	-	183,952,000	21,154,480*1
	402,904,380	49,159,619	586,856,380	70,314,099
Shares to be issued pursuant to the Proposed Private Placement (A)	36,790,438	8,829,705	36,790,438	8,829,705
	439,694,818	**57,989,324**	**623,646,818**	**79,143,804**
Consideration Shares to be issued pursuant to the Proposed Acquisition (B)	116,458,333	27,950,000	116,458,333	27,950,000
Enlarged issued share capital (C)	**556,153,151**	**85,939,324**	**740,105,151**	**107,093,804**

	Minimum Scenario No. of Shares	RM	Maximum Scenario No. of Shares	RM
Percentage of Placement Shares over total enlarged issued Share (A)/(C)	**6.6%**		**5.0%**	
Percentage of Consideration Shares over enlarged issued Share (B)/(C)	**20.9%**		**15.7%**	

Note:

*1 *Assuming that Warrants are converted at the exercise price of RM0.115 per Warrant.*

6.2 NA and gearing

Based on the latest audited consolidated financial statements of financial position of Straits Group for the FYE 31 December 2017, the pro forma effects of the Proposals on the NA per Straits Share and gearing ratio of Straits Group are set out below:-

Minimum Scenario

			I	II
	Audited as at 31 December 2017 RM	**Subsequent event after the audited FYE 31 December 2017*1 RM**	**After the Proposed Private Placement RM**	**After I and after the Proposed Acquisition RM**
Share capital	41,109,619	49,159,619	57,989,324	85,939,324
Accumulated losses	(4,532,370)	(4,532,370)	(4,532,370)	(5,562,075)*2
Reserves	(299,736)	(299,736)	(299,736)	(299,736)
Shareholders' funds/ NA	**36,277,513**	**44,327,513**	**53,157,218**	**80,077,513**
Number of Shares in issue	367,904,380	402,904,380	439,694,818	556,153,151
NA per Share (RM)	0.10	0.11	0.12	0.14
Total borrowings (RM)	-	-	-	27,727,638*3
Gearing ratio (times)	-	-	-	0.35

Notes:

*1 *After taking into account the new issuance of a total of 35,000,000 Straits Shares at the issue price of RM0.23 per Share, which were issued and allotted on 4 July 2018 and 11 July 2018 pursuant to the private placement exercise which was announced on 15 December 2017. The private placement exercise was completed on 18 July 2018.*

*2 *After deducting the estimated expenses of RM1,029,705 in relation to the Proposals.*

*3 *After consolidating the existing bank borrowings of Tumpuan Megah based on its latest audited financial statements for the FYE 31 December 2017 of RM27,727,638.*

Maximum Scenario

			I	II	III
	Audited as at 31 December 2017 RM	**Subsequent event after the audited FYE 31 December 2017[*1] RM**	**Assuming all outstanding Warrants are fully exercised RM**	**After I and after the Proposed Private Placement RM**	**After II and after the Proposed Acquisition RM**
Share capital	41,109,619	49,159,619	70,314,099	79,143,804	107,093,804
Accumulated losses	(4,532,370)	(4,532,370)	(4,532,370)	(4,532,370)	(5,562,075)[*1]
Reserves	(299,736)	(299,736)	(299,736)	(299,736)	(299,736)
Shareholders' funds/ NA	**36,277,513**	**44,327,513**	**65,481,993**	**74,311,698**	**101,231,993**
Number of Shares in issue	367,904,380	402,904,380	586,856,380	623,646,818	740,105,151
NA per Share (RM)	0.10	0.11	0.11	0.12	0.14
Total borrowings (RM)	-		-	-	27,727,638[*2]
Gearing ratio (times)	-	-	-	-	0.27

Notes:

**1* *After taking into account the new issuance of a total of 35,000,000 Straits Shares at the issue price of RM0.23 per Share, which were issued and allotted on 4 July 2018 and 11 July 2018 pursuant to the private placement exercise which was announced on 15 December 2017. The private placement exercise was completed on 18 July 2018.*

**2* *After deducting the estimated expenses of RM1,029,705 in relation to the Proposals.*

**3* *After consolidating the existing bank borrowings of Tumpuan Megah based on its latest audited financial statements for the FYE 31 December 2017 of RM27,727,638.*

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6.3 Substantial shareholders' shareholding

The Proposals will have an effect on the substantial shareholders' shareholdings in Straits due to the Purchase Consideration is financed via a combination of Cash Consideration, which in turn is financed via proceeds raised from the Proposed Private Placement, and the remaining Purchase Consideration is satisfied via the issuance of Consideration Shares. The pro forma effects of the Proposals on the substantial shareholdings of Straits as at the LPD are as follows:-

Minimum Scenario

	Shareholdings as at the LPD				I After the Proposed Private Placement				II After I and after the Proposed Acquisition			
	<--------Direct--------->		<-------Indirect------>		<--------Direct--------->		<-------Indirect-------->		<---------Direct-------->		<------Indirect------>	
	No. of Shares	%[*1]	No. of Shares	%[*1]	No. of Shares	%[*2]	No. of Shares	%[*2]	No. of Shares	%[*3]	No. of Shares	%[*3]
Rithauddin Hussein Jamalatiff bin Jamaluddin	42,501,200	10.5	-	-	42,501,200	9.7	-	-	42,501,200	7.6	-	-
Sturgeon Asia Ltd	41,464,900	10.3	-	-	41,464,900	9.4	-	-	41,464,900	7.5	-	-
Ang Tun Young	34,208,200	8.5	-	-	34,208,200	7.8	-	-	34,208,200	6.2	-	-
Dato' Sri Ho Kam Choy	19,396,600	4.8	42,788,600	10.6[*4]	19,396,600	4.4	42,788,600	9.7[*4]	19,396,600	3.5	42,788,600	7.7[*4]
Captain Tony Tan	-	-	-	-	36,790,438	8.4	-	-	36,790,438	6.6	-	-
Raja Ismail bin Raja Mohamed	-	-	-	-	-	-	-	-	116,458,333	20.9	-	-

Notes:

*1 *Based on the issued Shares of 402,904,380 in Straits.*

*2 *Based on the enlarged issued Shares of 439,694,818 in Straits.*

*3 *Based on the enlarged issued Shares of 556,153,151 in Straits.*

*4 *Deemed interest by virtue of his shareholdings in Sturgeon Asia Ltd and his brothers who collectively hold a total of 1,323,700 Shares as at the LPD.*

As illustrated above, Captain Tony Tan, being the Placee for the Placement Shares and Raja Ismail bin Raja Mohamed, being the Vendor for the Proposed Acquisition will hold approximately 6.6% and 20.9% of the enlarged issued Shares, respectively after the completion of the Proposals. Therefore, the completion of the Proposals will neither result in the change of controlling shareholder nor the emergence of new controlling shareholder* of Straits Group who is entitled to exercise or control the exercise of more than 33.0% of the voting shares in Straits or who is in a position to control the composition of a majority of the Board, which will lead to mandatory take-over offer implication as stipulated under the provisions of the Rules on Take-overs, Mergers and Compulsory Acquisitions.

Maximum Scenario

	Shareholdings as at the LPD				I Assuming all outstanding Warrants are fully exercised				II After I and after the Proposed Private Placement				III After II and after the Proposed Acquisition			
	<-------Direct------->		<----Indirect------>		<-------Direct------->		←---Indirect------>		<-------Direct-------->		<------Indirect----->		<-------Direct-------->		<------Indirect----->	
	No. of Shares	%[*1]	No. of Shares	%[*1]	No. of Shares	%[*2]	No. of Shares	%[*2]	No. of Shares	%[*3]	No. of Shares	%[*3]	No. of Shares	%[*4]	No. of Shares	%[*4]
Rithauddin Hussein Jamalatiff bin Jamaluddin	42,501,200	10.5	-	-	42,501,200	7.2	-	-	42,501,200	6.8	-	-	42,501,200	5.7	-	-
Sturgeon Asia Ltd	41,464,900	10.3	-	-	62,929,800[*5]	10.7	-	-	62,929,800	10.1	-	-	62,929,800	8.5	-	-
Ang Tun Young	34,208,200	8.5	-	-	51,916,400[*5]	8.8	-	-	51,916,400	8.3	-	-	51,916,400	7.0	-	-
Dato' Sri Ho Kam Choy	19,396,600	4.8	42,788,600	10.6[*6]	27,940,000[*5]	4.8	64,453,400[*5]	11.0[*6]	27,940,000	4.5	64,453,400	10.3[*6]	27,940,000	3.8	64,453,400	8.7[*6]
Captain Tony Tan	-	-	-	-	-	-	-	-	36,790,438	5.9	-	-	36,790,438	5.0	-	-
Raja Ismail bin Raja Mohamed	-	-	-	-	-	-	-	-	-	-	-	-	116,458,333	15.7	-	-

Notes:

*1 *Based on the issued Shares of 402,904,380 in Straits.*

*2 *Based on the enlarged issued Shares of 586,856,380 in Straits.*

*3 *Based on the enlarged issued Shares of 623,646,818 in Straits.*

*4 *Based on the enlarged issued Shares of 740,105,151 in Straits.*

*5 *Assuming full conversion of warrants owned by Sturgeon Asia Ltd of 21,464,900 Warrants (direct), Ang Tun Young of 17,708,200 Warrants (direct), and Dato' Sri Ho Kam Choy of 8,543,400 Warrants (direct) and 21,664,800 Warrants (indirect).*

*6 *Deemed interest by virtue of his shareholdings in Sturgeon Asia Ltd and his brothers who collectively hold a total of 1,323,700 Shares as at the LPD. For the avoidance of doubt, as at the LPD, the brothers of Dato' Sri Ho Kam Choy hold an aggregate of 199,900 Warrants of the Company.*

Under the Maximum Scenario, the Placee and the Vendor will hold approximately 5.0% and 15.7% of the enlarged issued Shares, respectively after the completion of the Proposals. Therefore, the completion of the Proposals will neither result in the change of controlling shareholder* nor the emergence of new controlling shareholder of Straits Group who is entitled to exercise or control the exercise of more than 33.0% of the voting shares in Straits or who is in a position to control the composition of a majority of the Board, which will lead to mandatory take-over offer implication as stipulated under the provisions of the Rules on Take-overs, Mergers and Compulsory Acquisitions.

***Note (*)**: controlling shareholder means any person who is or a group of persons who together are entitled to exercise or control the exercise of more than 33.0% of the voting shares in a company (or such other percentage as may be prescribed in the Take-Overs and Mergers Code as being the level for triggering a mandatory general offer) or who is or are in a position to control the composition of a majority of the board of directors of such company as defined under Chapter 1 of the Listing Requirements.*

6.4 Earnings and EPS

The Proposals are expected to be completed in the fourth quarter of 2018. The effects of the Proposed Acquisition on the future consolidated earnings and EPS of Straits Group would depend on, amongst others, the future performance of Tumpuan Megah. Notwithstanding the above, the Proposed Acquisition is expected to contribute positively to the earnings of the Group over the near future through its shareholdings in Tumpuan Megah.

Pursuant to the Proposed Acquisition, the Vendor had provided total profit guarantee of not less than RM10,000,000 for the FYE 31 December 2019 and FYE 31 December 2020, translating to a yearly profit guarantee of RM5,000,000. Based on the above and a 55.0% share of profits of Tumpuan Megah, Straits Group stands to recognise RM2,750,000 per annum for the FYE 31 December 2019 and FYE 31 December 2020 of Tumpan Megah, respectively.

Assuming that the Proposals had been completed on 1 January 2017, being the beginning of the latest audited FYE 31 December 2017 of Straits and the yearly profit guarantee attributable to Straits of RM2,750,000 is recognised for the FYE 31 December 2017, the pro forma effects of the Proposals on the earnings of Straits Group are illustrated as below:-

Minimum Scenario

			I	II
	Audited FYE 31 December 2017 RM	**Subsequent event after the audited FYE 31 December 2017*[1] RM**	**After the Proposed Private Placement RM**	**After I and after the Proposed Acquisition RM**
PAT (attributable to shareholders)	2,526,458	2,526,458	2,526,458	2,526,458
PAT of Tumpuan Megah attributable to Straits Group	-	-	-	**2,750,000**
Total number of Shares in issue	367,904,380	402,904,380	439,694,818	556,153,151
Basic EPS (sen)*[2]	**0.69**	**0.63**	**0.57**	**0.95**

Notes:

*1 *After taking into account the new issuance of a total of 35,000,000 Straits Shares at the issue price of RM0.23 per Share, which were issued and allotted on 4 July 2018 and 11 July 2018 pursuant to the private placement exercise which was announced on 15 December 2017. The private placement exercise was completed on 18 July 2018.*

*2 *The basic EPS is calculated based on the aggregate of PAT (attributable to shareholders) and the yearly profit guarantee of RM2,750,000 (attributable to Straits Group) (in the case of after the Proposed Acquisition) divided by the total number of Straits Shares in issue subsequent to the FYE 31 December 2017.*

<u>Maximum Scenario</u>

	Audited FYE 31 December 2017 RM	**Subsequent event after the audited FYE 31 December 2017 RM**	**I Assuming all outstanding Warrants are fully exercised RM**	**II After I and after the Proposed Private Placement RM**	**III After II and after the Proposed Acquisition RM**
PAT (attributable to shareholders)	2,526,458	2,526,458	2,526,458	2,526,458	2,526,458
PAT of Tumpuan Megah attributable to Straits Group	**-**	**-**	**-**	**-**	**2,750,000**
Total number of Shares in issue	367,904,380	402,904,380	586,856,380	623,646,818	740,105,151
Basic EPS (sen)	**0.69**	**0.63**	**0.43**	**0.41**	**0.71**

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be earnings accretive premised on the Total Profit Guarantee which would contribute positively to the earnings of the enlarged Straits Group for the FYE 31 December 2019 and FYE 31 December 2020. For clarification, the Total Profit Guarantee given by the Vendor is only for the FYE 31 December 2019 and FYE 31 December 2020 of Tumpuan Megah. Moving forward, Straits Group would benefit from the profit contribution from Tumpuan Megah in the event Tumpuan Megah continues to perform financially at the current track record.

6.5 Convertible securities

Save for the Warrants, as at the LPD, Straits does not have any outstanding convertible securities.

The Proposals are not expected to give rise to any adjustments to the exercise price and/ or subscription rights of the outstanding Warrants pursuant to the deed poll dated 4 July 2017 constituting Warrants.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted prices of Straits Shares for the past 12 months from the date of this Circular as traded on Bursa Securities from August 2017 to July 2018 are as follows:-

	High RM	Low RM
2017		
August	0.230	0.170
September	0.265	0.200
October	0.295	0.255
November	0.290	0.260
December	0.275	0.250
2018		
January	0.300	0.270
February	0.280	0.245
March	0.270	0.235
April	0.275	0.220
May	0.285	0.240
June	0.285	0.240
July	0.260	0.240
Last transacted market price on 6 June 2018 (being the date prior to the announcement on the Proposals)		0.260
Last transacted market price on the LPD		0.250

(Source: Bloomberg)

8. APPROVALS REQUIRED/ OBTAINED

The Proposals are subject to the following approvals being obtained from:-

(i) Bursa Securities, for which the approval was obtained vide its letter dated 7 August 2018 for the following:-

(a) listing of:

i. 116,458,333 Consideration Shares to be issued pursuant to the Proposed Acquisition; and

ii. 36,790,438 Placement Shares to be issued pursuant to the Proposed Private Placement,

on the ACE Market of Bursa Securities, subject to the following conditions:-

1. Straits and UOB Kay Hian must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition and Proposed Private Placement.

2. Straits and UOB Kay Hian to inform Bursa Securities upon the completion of the Proposed Acquisition and Proposed Private Placement.

3. Straits to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition and Proposed Private Placement are completed.

4. UOB Kay Hian to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirements to Bursa Securities upon completion of the Proposed Acquisition and Proposed Private Placement, indicating compliance with the public shareholding spread;

(ii) The shareholders of Straits, for the Proposals at an EGM to be convened; and

(iii) Any other relevant authority and/ or third parties, if required.

The Proposed Acquisition and the Proposed Private Placement are inter-conditional upon each other. For clarification, the Proposals are not conditional upon any other proposal undertaken or to be undertaken by the Company.

For information purposes, the voting on the resolutions pertaining to the Proposals at the EGM will be taken on a poll, of which the results of the poll will be validated by an independent scrutineer to be appointed.

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

Save as disclosed below, none of the Directors and/ or major shareholder of Straits and/ or person connected to them have any interests, whether direct or indirect, in the Proposals:-

YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud, who is the Non-Independent & Non-Executive Chairman of Straits, is also the director of Tumpuan Megah. Notwithstanding the common directorships held by YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud in Straits and Tumpuan Megah, YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud does not have any equity interest in both Straits and Tumpuan Megah.

For good corporate governance, YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud has abstained and will continue to abstain from deliberating and voting for the Proposals at the relevant Board meeting(s). YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud has also undertaken to ensure that persons connected with him will abstain from voting in respect of their direct and/ or indirect shareholdings in Straits, if any, on the resolutions pertaining to the Proposals at the upcoming EGM of the Company to be convened.

Captain Tony Tan is deemed interested in the Proposed Private Placement by virtue of him being the Placee of the Subscription Agreement. As the Proposed Acquisition and the Proposed Private Placement are inter-conditional upon each other, premised on good corporate governance practice, Captain Tony Tan has abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant Board meeting(s). Captain Tony Tan has also undertaken to ensure that persons connected with him will abstain from voting in respect of their direct and/ or indirect shareholdings in Straits, if any, on the resolutions pertaining to the Proposals at the upcoming EGM of the Company to be convened.

As at the LPD, both YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud and Captain Tony Tan do not hold any shares and any convertible securities, whether direct or indirect, in Straits.

For clarification purpose, the Proposed Acquisition is not deemed as a related party transaction under the provision of Rule 10.08(11)(c) of the Listing Requirements on the ground that YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud does not have any equity interest in both Straits and Tumpuan Megah but merely a common director in both Straits and Tumpuan Megah, as such, the Proposed Acquisition is an exempted related party transaction.

10. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposals to be completed by the fourth quarter of 2018. The tentative timetable in relation to the Proposals is set out below:-

Month	Events
18 September 2018	• Convening of EGM to obtain the approval of shareholders of Straits for the Proposals
End-September 2018	• Listing of Placement Shares
Mid-October 2018	• Listing of Consideration Shares • Completion of the Proposals

11. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, the Board is not aware of any other corporate exercise that has been announced but not yet completed as at the LPD.

12. DIRECTORS' RECOMMENDATION

The Board (save for YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud and Captain Tony Tan), having considered all aspects of the Proposals, including the rationale and justification for the Proposals, the salient terms of the SSA and the Subscription Agreement, the basis and justification of arriving at the Purchase Consideration and the Subscription Price, the effects of the Proposals and the future prospects of Tumpuan Megah, is of the opinion that the Proposals are in the best interest of the Company and the terms and conditions of the SSA and the Subscription Agreement are fair and reasonable.

Accordingly, the Board (save for YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud and Captain Tony Tan) recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

13. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at Maple Room, Level C, One World Hotel, First Avenue Bandar Utama City Centre, 47800 Petaling Jaya, Selangor on Tuesday, 18 September 2018 at 10.00 a.m., for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

If you are unable to attend, speak 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 contained therein, to be deposited at the Office of the Company's Share Registrar, namely Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Wilayah Persekutuan Kuala Lumpur not less than 48 hours before the time stipulated for holding the EGM. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

Shareholders of the Company are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
STRAITS INTER LOGISTICS BERHAD

DATO' SRI HO KAM CHOY
Group Managing Director

INFORMATION ON TUMPUAN MEGAH

1. HISTORY AND BUSINESS

Tumpuan Megah was incorporated on 10 December 2007 in Malaysia under the Companies Act, 1965 as a private limited company under the present name.

Tumpuan Megah commenced its bunkering services in 2013 and is principally engaged in the oil bunkering services, which include ship-to-ship bunkering, barging operations and dealing in oil and petroleum products. At present, Tumpuan Megah holds a total of 23 PDA Licences for its bunkering services in 14 ports and is currently having its operations in 8 ports in Malaysia, which include, Pasir Gudang Port, Tanjung Pelepas Port, Johor Bahru Port, Kuantan Port, Kemaman Port, Kuala Terengganu Port, Labuan Port and Miri Port, all of which are licensed under PDA Licences for its bunkering services.

In addition, Tumpuan Megah also owns 3 PDA Licences for the distribution and wholesale of petroleum products and petroleum materials in states of Pahang, Terengganu and Johor (for a foreign-based oil company), 1 PDA Licence for the distribution and wholesale of petroleum products and petroleum materials throughout Malaysia (for a local-based oil company), as well as 1 PDA Licence for transportation of petroleum products by oil tanker throughout Malaysia.

Tumpuan Megah carries out its bunkering services via 7 licenced vessels. For the FYE 31 December 2017, Tumpuan Megah has a total of 83 customers. The current principal operating market for Tumpuan Megah is in Malaysia and the revenue generated is predominantly derived from Malaysian customers which contribute approximately 70.0% of the total revenue whilst the remaining of approximately 30.0% was contributed by overseas customers from, amongst others, Singapore, Brunei, Hong Kong and Indonesia, based on its latest audited financial statements for the FYE 31 December 2017. For clarity, the overseas customers are foreign-based companies who dock their vessels at the local ports, where Tumpuan Megah has its operations of oil bunkering and trading of oil and petroleum products.

2. SHARE CAPITAL

As at the LPD, the details of the issued share capital of Tumpuan Megah is as follows:-

	No. of Tumpuan Megah Shares	RM
Issued share capital	15,000,000	15,000,000

3. SHAREHOLDERS AND BOARD OF DIRECTORS

The shareholders and directors of Tumpuan Megah and their respective shareholdings in Tumpuan Megah as at the LPD are as follows:-

			<-------- Direct -------->		<-------- Indirect -------->	
Name	Designation	Nationality/ Place of incorporation	No. of Tumpuan Megah Shares	%[*1]	No. of Tumpuan Megah Shares	%[*1]
Raja Ismail bin Raja Mohamed	Director	Malaysian	11,970,000	79.8	3,000,000	20.0[*2]
Phoenix International Ltd[*3]	-	Labuan, Malaysia	3,000,000	20.0	-	-

Name	Designation	Nationality/ Place of incorporation	< -------- Direct -------- > No. of Tumpuan Megah Shares	%*1	< -------- Indirect -------- > No. of Tumpuan Megah Shares	%*1
Dato' Sri Ahmad Said bin Hamdan	Director	Malaysian	30,000	0.2	-	-
YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud	Director	Malaysian	-	-	-	-

Notes:

*1 *Based on the total issued shares of 15,000,000 in Tumpuan Megah.*

*2 *Deemed interest by virtue of his substantial interest in Phoenix International Ltd.*

*3 *Raja Ismail bin Raja Mohamed is the sole director and sole shareholder of Phoenix International Ltd.*

4. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, Tumpuan Megah has 6 wholly-owned subsidiary companies and does not have any associate company. The details of the subsidiary companies of Tumpuan Megah are as follows:-

Subsidiary companies	Date/ place of incorporation	Effective equity interest held by Tumpuan Megah %	Issued share capital (USD)	Principal activities
Cavalla Asia Ltd	1 June 2018 Labuan, Malaysia	100.0	100	Offshore trading and investment holding
Dolphin Asia Ltd	1 June 2018 Labuan, Malaysia	100.0	100	Offshore trading and investment holding
Escolar Asia Ltd	1 June 2018 Labuan, Malaysia	100.0	100	Offshore trading and investment holding
Omura Asia Ltd	1 June 2018 Labuan, Malaysia	100.0	100	Offshore trading and investment holding
Oscar Asia Ltd	1 June 2018 Labuan, Malaysia	100.0	100	Offshore trading and investment holding
S3 Asia Ltd	1 June 2018 Labuan, Malaysia	100.0	100	Offshore trading and investment holding

5. MATERIAL COMMITMENTS

As at the LPD, the board of directors of Tumpuan Megah is not aware of any material commitments incurred or known to be incurred by Tumpuan Megah and/ or its subsidiary companies that has not been provided for, which may have a material impact on the financial results/ position of Tumpuan Megah and/ or its subsidiary companies.

6. CONTINGENT LIABILITIES

As at the LPD, the board of directors of Tumpuan Megah is not aware of any contingent liabilities incurred or known to be incurred by Tumpuan Megah and/ or its subsidiary companies which, upon becoming enforceable, may have a material impact on the financial results/ position of Tumpuan Megah and/ or its subsidiary companies.

7. SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information of Tumpuan Megah for the past 3 financial years up to the FYE 31 December 2017 is set out below:-

	<------Audited------		**------>**
	<------FYE 31 December------		**------>**
	2015[*1]	**2016[*1]**	**2017**
	RM	**RM**	**RM**
Revenue	154,885,226	148,694,320	308,140,817
Gross profit	9,215,415	7,085,016	14,297,834
Total administrative and operating expenses	7,483,600	6,094,972	11,846,856
Finance cost	492,430	441,653	2,026,204
PBT	1,711,111	1,498,595	1,979,763
PAT	1,018,945	961,856	937,335
Total Equity/ NA	14,462,569	15,424,425	21,361,760
Total borrowings	5,972,245	13,411,320	27,727,638
Dividend declared for the financial year	-	-	-
Total issued shares (number)	10,000,000	10,000,000	15,000,000
Share capital	10,000,000	10,000,000	15,000,000
Gross profit margin (%)	5.9	4.8	4.6
PBT margin (%)	1.1	1.0	0.6
PAT margin (%)	0.7	0.6	0.3
Gross EPS (RM)	0.10	0.10	0.06
Net EPS (RM)	0.10	0.10	0.06
NA per share (RM)	1.45	1.54	1.42
Current ratio (times)	1.18	1.24	0.65
Gearing (times)	0.41	0.87	1.30

Note:

*1 *Being the restated audited figures, which were prepared based on the MFRS.*

In conjunction with the Proposals and to be in compliance with Part G, Appendix 10B of the Listing Requirements, the Accountants' Report of Tumpuan Megah for the latest 3 financial years up to the FYE 31 December 2017 is enclosed in this Circular. Please refer to **Appendix III** of this Circular for the Accountants' Report on Tumpuan Megah for the past 3 financial years up to the FYE 31 December 2017.

For the FYE 31 December 2015 to 31 December 2017, there was no:-

(i) exceptional or extraordinary item during the financial years under review;

(ii) accounting policy adopted by Tumpuan Megah which are peculiar to Tumpuan Megah because of the nature of its business or the industry it is involved in; and

(iii) audit qualification of the financial statements of Tumpuan Megah for the financial years under review.

Commentaries on past performance:-

FYE 31 December 2015

For the FYE 31 December 2015, the revenue of Tumpuan Megah decreased by approximately RM60.5 million or approximately 28.1% to approximately RM154.9 million as compared to the preceding year of approximately RM215.4 million. The sales volume of marine gas oil and petroleum-based products of Tumpuan Megah during the FYE 31 December 2015 was at approximately 82 million litres, whilst for the FYE 31 December 2014, the sales volume of Tumpuan Megah was at approximately 83 million litres.

The decrease in revenue was mainly attributable to the lower average marine gas oil price recorded during the FYE 31 December 2015, which was at RM1.943 per litre against the average marine gas oil price of RM2.616 per litre in the preceding financial year of FYE 31 December 2014.

For the FYE 31 December 2015, Tumpuan Megah had recorded higher gross profit margin at approximately 5.9% against the gross profit margin at approximately 2.1% recorded during FYE 31 December 2014. This was mainly attributable to the lower maintenance costs of vessels incurred during the FYE 31 December 2015 of approximately RM1.5 million. For clarification purpose, the cost of sales components consist of the purchasing cost of marine gas oil, oil, petroleum and petroleum-based products, maintenance cost of vessels, and bunkering and handling costs (such as licence fee, handling charges, dock-to-dock delivery charges and ports' tax charges).

For the FYE 31 December 2015, PBT and PAT were recorded lower at approximately RM1.7 million and approximately RM1.0 million during the financial year, respectively, representing a decrease of approximately RM3.0 million or approximately 63.6% and approximately RM2.1 million or approximately 67.8%, respectively against the previous financial year of approximately RM4.7 million and approximately RM3.2 million, respectively.

The lower of PBT and PAT were mainly attributable to high foreign exchange losses recorded during the financial year of approximately RM0.9 million, as compared to foreign exchange losses recorded during the preceding financial year of approximately RM0.2 million. This is mainly due to Tumpuan Megah has been sourcing 90.0% of its supplies i.e. marine gas oil mainly from Singapore and Brunei which were paid in USD whilst Tumpuan Megah sells its supplies in RM. For the FYE 31 December 2014, the value of USD was range between RM3.18 to RM3.48 per USD as compared to RM3.57 to RM4.31 per USD for the FYE 31 December 2015.

As a result from the above, lower PBT margin was recorded by Tumpuan Megah from approximately 2.2% from the preceding financial year i.e. FYE 31 December 2014 to approximately 1.1% during the financial year of FYE 31 December 2015. Similarly, PAT margin was also registered at a lower margin from approximately 1.5% during FYE 31 December 2014 to 0.7% in the FYE 31 December 2015.

For the FYE 31 December 2015, total NA of Tumpuan Megah increased from approximately RM13.4 million to approximately RM14.5 million, mainly attributable to the PAT of approximately RM1.0 million recorded during the financial year.

During the FYE 31 December 2015, total borrowings of Tumpuan Megah decreased from approximately RM8.6 million to approximately RM6.0 million mainly attributable to the decrease in banker acceptance of approximately RM2.9 million. This has resulted in lower gearing ratio at 0.41 times during the financial year against the preceding financial year of 0.64 times.

No dividend was declared for, or paid during the FYE 31 December 2015.

FYE 31 December 2016

For the FYE 31 December 2016, the revenue of Tumpuan Megah decreased by approximately RM6.2 million or approximately 4.0% to approximately RM148.7 million as compared to the preceding financial year of approximately RM154.9 million. During the FYE 31 December 2016, a total of 96 million litres of marine gas oil and petroleum-based products were sold, whilst for the FYE 31 December 2015, the sales volume of Tumpuan Megah was recorded at approximately 82 million litres.

The decrease in revenue for the FYE 31 December 2016 was mainly attributable to the lower average marine gas oil price recorded during the financial year, which was at RM1.558 per litre against the average marine gas oil price of RM1.943 per litre in the preceding financial year of FYE 31 December 2015.

For the FYE 31 December 2016, higher cost of goods sold was incurred during the financial year which consists of purchase of marine gas oil, and handling and bunkering costs such as licences fee, forwarding agent fee, crew permits and ports' taxes. As mentioned above, Tumpuan Megah has been sourcing its supplies i.e. marine gas oil mainly from Singapore and Brunei which were paid in USD whilst Tumpuan Megah sells its supplies in RM. During the FYE 31 December 2016, the value of USD was within the range of RM3.90 to RM4.46 per USD as compared to the value of USD of RM3.57 to RM4.31 per USD during the FYE 31 December 2015. This has resulted in higher purchase cost of marine gas oil during the financial year as compared to the preceding financial year of FYE 31 December 2015. Accordingly, the gross profit margin had reduced from approximately 5.9% during the FYE 31 December 2015 to 4.8% during the FYE 31 December 2016.

For the FYE 31 December 2016, the PBT and PAT were also on the decreasing trend whereby the PBT decreased by approximately RM0.2 million or approximately 12.4% from approximately RM1.7 million recorded during the FYE 31 December 2015 to approximately RM1.5 million, whilst the PAT decreased by RM57,089 or approximately 5.6% from approximately RM1.0 million to RM961,856 mainly attributable to the decrease in PBT, as a result of higher cost of goods sold incurred during the financial year as explained above. As a result of such decreases, the PBT margin and PAT margin were also recorded slightly lower at 1.0% and 0.6%, respectively against the PBT margin and PAT margin of 1.1% and 0.7%, respectively during the FYE 31 December 2015.

For the FYE 31 December 2016, total NA of Tumpuan Megah increased from approximately RM14.5 million to approximately RM15.4 million, mainly attributable to the PAT of approximately RM1.0 million recorded during the financial year.

For the FYE 31 December 2016, total borrowings increased by approximately RM7.4 million to approximately RM13.4 million mainly due to higher banker acceptance by approximately RM7.5 million. This has resulted in an increased in gearing ratio from 0.41 times during the preceding financial year to 0.87 times during the FYE 31 December 2016.

No dividend was declared for, or paid during the FYE 31 December 2016.

FYE 31 December 2017

For the FYE 31 December 2017, the revenue of Tumpuan Megah increased by approximately RM159.4 million or approximately 107.2% from approximately RM148.7 million recorded in the preceding financial year i.e. FYE 31 December 2016 to approximately RM308.1 million. The sales volume of marine gas oil and petroleum-based products transacted during the FYE 31 December 2017 by Tumpuan Megah was at approximately 142 million litres, whilst for the FYE 31 December 2016, the sales volume of Tumpuan Megah was at approximately 96 million litres.

The increase in revenue during the FYE 31 December 2017 was mainly due to the increase in average marine gas oil price of RM1.985 per litres and the increase in sales volume as set out above during the financial year against the average marine gas oil price of RM1.558 per litre during the preceding year i.e. FYE 31 December 2016.

For the FYE 31 December 2017, the gross profit margin declined slightly from 4.8% recorded during the FYE 31 December 2016 to 4.6% mainly due to high maintenance costs of vessels recorded during the FYE 31 December 2017 of approximately RM2.3 million from RM88,939 during the FYE 31 December 2016. The high maintenance costs of vessels was mainly attributable to the dry docking expenses of vessels, which is in line with Tumpuan Megah's internal periodic inspection and maintenance practice, of which is also in accordance with the industry practice on dry docking of vessels.

During the FYE 31 December 2017, the PBT increased by approximately RM0.5 million or approximately 32.1% against the preceding financial year mainly due to higher revenue recorded during the financial year. However, PAT decreased slightly from approximately RM1.0 million from the FYE 31 December 2016 to RM0.9 million for the FYE 31 December 2017 mainly due to the recognition of deferred tax liabilities arising from the temporary differences in respect of tax charges for the depreciation of the vessels (difference between the carrying amount of equipment and its tax base).

For the FYE 31 December 2017, the PBT margin and PAT margin were registered lower at approximately 0.6% and 0.3%, respectively against the preceding financial year of approximately 1.0% and 0.6%, respectively, despite higher revenue and PBT incurred during the FYE 31 December 2017. This was mainly attributable to the higher foreign exchange loss of approximately RM3.1 million during the FYE 31 December 2017 coupled with higher interest expenses of approximately RM2.0 million incurred during the FYE 31 December 2017 against the interest expenses of approximately RM0.4 million incurred during the FYE 31 December 2016. During the FYE 31 December 2017, higher interest expenses were incurred mainly due to the increase of total borrowings being drawn down by Tumpuan Megah.

For the FYE 31 December 2017, total NA of Tumpuan Megah increased from approximately RM15.4 million to approximately RM21.4 million, mainly attributable to the increase in the share capital of RM5.0 million and the PAT of approximately RM1.0 million recorded during the financial year.

For the FYE 31 December 2017, total borrowings increased by approximately RM14.3 million from approximately RM13.4 million to approximately RM27.7 million mainly due to higher banker acceptance by approximately RM14.4 million. This has resulted in an increased in gearing ratio from 0.87 times during the preceding financial year to 1.30 times during the FYE 31 December 2017.

No dividend was declared for, or paid during the FYE 31 December 2017.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF STRAITS GROUP AS AT 31 DECEMBER 2017 TOGETHER WITH THE NOTES

MOORE STEPHENS

8 August 2018

Moore Stephens Associates PLT
(LLP0000963-LCA & AF002096)
Chartered Accountants
Unit 3.3A, 3rd Floor, Surian Tower
No 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia
T 603 7728 1800 (General) ; 7724 1033 (Assurance)
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The Board of Directors
Straits Inter Logistics Berhad
B-10-06, Plaza Mont Kiara,
2 Jalan Kiara, Mont Kiara,
50480 Kuala Lumpur.

Dear Sirs,

STRAITS INTER LOGISTICS BERHAD ("STRAITS")
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

We report on the pro forma consolidated statement of financial position of Straits and its proposed subsidiary ("Group") as at 31 December 2017 together with the accompanying notes thereon, which we have stamped for the purpose of identification.

The pro forma consolidated statement of financial position of Straits has been prepared for illustrative purposes only for inclusion in the circular to shareholders of Straits in connection with the proposed private placement ("Proposed Private Placement") and the proposed acquisition of 55% equity interest in Tumpuan Megah Development Sdn Bhd ("TMD") ("Proposed Acquisition").

The pro forma consolidated statement of financial position has been compiled by the Directors of Straits to illustrate the financial position of the Group as at 31 December 2017, adjusted for the effects of the Proposed Private Placement and Proposed Acquisition ("Proposals").

As the pro forma consolidated statement of financial position has been prepared for illustrative purposes only, such information, because of its nature, may not reflect the Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial results, financial position and cash flows.

Responsibilities

It is the sole responsibility of the Directors of Straits to prepare the pro forma consolidated statement of financial position.

It is our responsibility to express an opinion, on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the Directors on the basis of the Proposals.

STRAITS INTER LOGISTICS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

Basis of Opinion

We conducted our engagement in accordance with the International Approved Standard on Assurance Engagements, ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the Malaysian Institute of Accountants. This standard requires us to comply with ethical requirements and plan and perform procedures to obtain reasonable assurance on whether the Directors has compiled, in all material respects, the pro forma consolidated statement of financial position adjusted for the effects of the Proposals.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence on whether:

(i) The related pro forma adjustments give appropriate effect to those criteria; and
(ii) The pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the entity, the event or transaction in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances. The engagement also involves evaluation the overall presentation of the pro forma consolidated statement of financial position. We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

STRAITS INTER LOGISTICS BERHAD
PRO FORMA STATEMENT OF FINANCIAL POSITION (Cont'd)

Opinion

In our opinion:

(a) the pro forma consolidated statement of financial position of Straits as set out in the accompanying notes, which is provided for illustrative purposes only, has been prepared based on the audited financial statements for Financial Year Ended 31 December 2017 and, in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and is presented on a basis consistent with both the format and accounting policies normally adopted by the Group and after taking into account adjustments appropriate for the purpose of the pro forma consolidated statement of financial position as set out in the accompanying notes; and

(b) the adjustments made to the information used in the preparation of the pro forma consolidated statement of financial position are appropriate for the purposes of preparing the pro forma consolidated statement of statement of financial position.

Other Matter

This letter has been prepared for the purpose of inclusion in the Circular issued in connection with the Proposed Private Placement and Proposed Acquisition of Straits Inter Logistics Berhad. As such, this letter should not be relied upon for any other purposes without our prior consent.

Yours faithfully,

Moore Stephens

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

STRAITS INTER LOGISTICS BERHAD ("STRAITS")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Introduction

The pro forma consolidated statement of financial position as at 31 December 2017, for which the Directors of Straits are solely responsible, has been prepared for illustration purposes only, for inclusion in the Circular in connection with the Proposed Private Placement and Proposed Acquisition of Straits Inter Logistics Berhad, on the assumption that these proposals have been effected as at that date.

2.0 Proposals ("Proposal")

2.1 Proposed Private Placement

Private placement of 36,790,438 Placement Shares at the subscription price of RM0.24 per Placement Share amounting to RM8,829,705 to Captain Tony Tan Han (Chen Han).

2.2 Proposed Acquisition

On 7 June 2018, Straits had entered into the SSA with the Vendor for the proposed acquisition of 8,250,000 Tumpuan Megah Shares, representing 55.0% equity interest of Tumpuan Megah for a purchase consideration of RM35,750,000, which will be satisfied in the following manner:-

	RM
Cash Consideration	7,800,000
Issuance of 116,458,333 Consideration Shares at RM0.24 per Consideration Share	27,950,000
Total	**35,750,000**

The Cash Consideration of the Purchase Consideration will be funded via the proceeds raised from the Proposed Private Placement.

3. Basis of Preparation

3.1 The pro forma consolidated statement of financial position of Straits is prepared for illustrative purposes only and has been prepared using the bases and accounting policies consistent with those adopted by Straits, after giving effect to the adjustments considered appropriate.

The pro forma consolidated statement of financial position has been prepared for illustrative purposes based on the audited financial statements for financial year ended 31 December 2017. The audited financial statements used in the preparation of this report for the financial period under review were not subject to any modification on the respective audit reports.

3.2 The pro forma consolidated statement of financial position comprises the audited consolidated statement of financial position as at 31 December 2017, adjusted for the effects of the Proposals.

3.3 The pro forma consolidated statement of financial position has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and is presented on a basis consistent with both the format and accounting policies normally adopted by Straits and after taking into account the adjustments appropriate for the purposes of the pro forma consolidated statement of financial position as set out in the accompanying notes.

3. Basis of Preparation (Cont'd)

3.4 Effect of the Proposals

The effects of the proposals are set out below:

(a) Subsequent event after 31 December 2017

(i) On 4 July 2018, the shares pursuant to a private placement of 28,500,000 ordinary shares in Straits at the subscription price of RM0.23 per share was allotted for a total consideration of RM6,555,000.

(ii) On 11 July 2018, the shares pursuant to a private placement of 6,500,000 ordinary shares in Straits at the subscription price of RM0.23 per share was allotted for a total consideration of RM1,495,000.

The total number of shares allotted pursuant to the private placements subsequent to 31 December 2017 amounted to 35,000,000 for a total consideration of RM8,050,000.

(b) Minimum Scenario

The minimum scenario entails the following:

(i) The private placement of 35,000,000 ordinary shares in Straits for a total consideration of RM8,050,000;
(ii) The proposed private placement of 36,790,438 Placement Shares, at the subscription price of RM0.24 per Placement Share amounting to RM8,829,705 to Captain Tony Tan Han (Chen Han); and
(iii) The proposed acquisition of 8,250,000 Tumpuan Megah Shares, representing 55.0% equity interest of Tumpuan Megah for a purchase consideration of RM35,750,000, which will be satisfied by way of cash of RM7,800,000 and issuance of 116,458,333 ordinary shares in Straits at the subscription price of RM0.24 per share, amounting to RM27,950,000.

(c) Maximum Scenario

The maximum scenario entails the following:

(i) The private placement of 35,000,000 ordinary shares in Straits for a total consideration of RM8,050,000;
(ii) The exercise of all outstanding warrants comprising 183,952,000 warrants at the exercise price of RM0.115 per warrant;
(iii) The proposed private placement of 36,790,438 Placement Shares, at the subscription price of RM0.24 per Placement Share amounting to RM8,829,705 to Captain Tony Tan Han (Chen Han); and
(iv) The proposed acquisition of 8,250,000 Tumpuan Megah Shares, representing 55.0% equity interest of Tumpuan Megah for a purchase consideration of RM35,750,000, which will be satisfied by way of cash of RM7,800,000 and issuance of 116,458,333 ordinary shares in Straits at the subscription price of RM0.24 per share, amounting to RM27,950,000.

4. Pro Forma Consolidated Statement of Financial Position as at 31 December 2017

The pro forma consolidated statement of financial position of Straits as at 31 December 2017 has been prepared for illustrative purposes only and after making such adjustments as considered necessary on the assumption that the Proposals was completed on that date.

4.1 Minimum Scenario

		Straits Audited 31-Dec-17 RM	Subsequent event after audited FYE 31-Dec-17 RM	Pro Forma I After Proposed Private Placement RM	Pro Forma II After I and Proposed Acquisition RM
Non-Current Assets					
Property, plant and equipment		6,102,168	6,102,168	6,102,168	50,656,705
Other investment		-		-	-
Investment in subsidiaries		-		-	-
Goodwill on consolidation	4.1.1	-	-	-	24,001,034
		6,102,168	6,102,168	6,102,168	74,657,739
Current Assets					
Inventories		1,072,216	1,072,216	1,072,216	7,154,455
Trade receivables		33,179,673	33,179,673	33,179,673	58,584,653
Other receivables		435,670	435,670	435,670	6,493,899
Amount due from an associate		5,336	5,336	5,336	5,336
Tax recoverable		148,936	148,936	148,936	148,936
Cash and bank balances	4.1.2	2,790,279	10,840,279	19,669,984	13,088,325
		37,632,110	45,682,110	54,511,815	85,475,604
Total Assets		43,734,278	51,784,278	60,613,983	160,133,343

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MOORE STEPHENS ASSOCIATES PLT
Chartered Accountants
(LLP0000963-LCA & AF002096)

For Identification Purposes Only

4. Pro Forma Consolidated Statement of Financial Position as at 31 December 2017 (Cont'd)

4.1 Minimum Scenario (Cont'd)

		Straits Audited 31-Dec-17 RM	Subsequent event after audited FYE 31-Dec-17 RM	Pro Forma I After Proposed Private Placement RM	Pro Forma II After I and Proposed Acquisition RM
Equity					
Share capital	4.1.3	41,109,619	49,159,619	57,989,324	85,939,324
Accumulated losses	4.1.4	(4,532,370)	(4,532,370)	(4,532,370)	(5,562,075)
Other reserve		(21,154,480)	(21,154,480)	(21,154,480)	(21,154,480)
Warrants reserve		21,154,480	21,154,480	21,154,480	21,154,480
Foreign currency translation reserve		(299,736)	(299,736)	(299,736)	(299,736)
		36,277,513	44,327,513	53,157,218	80,077,513
Non-controlling interests	4.1.5	379,140	379,140	379,140	9,991,931
Total Equity		36,656,653	44,706,653	53,536,358	90,069,444
Non-current Liabilities					
Deferred tax liabilities		2,504	2,504	2,504	1,515,632
Hire purchase payables		-	-	-	122,380
		2,504	2,504	2,504	1,638,012
Current Liabilities					
Trade payables		6,477,862	6,477,862	6,477,862	36,210,905
Other payables		457,701	457,701	457,701	3,999,476
Bankers acceptance		-	-	-	27,559,178
Hire purchase payables		-	-	-	46,080
Tax payable		139,558	139,558	139,558	610,248
		7,075,121	7,075,121	7,075,121	68,425,887
Total Liabilities		7,077,625	7,077,625	7,077,625	70,063,899
Total Equity and Liabilities		43,734,278	51,784,278	60,613,983	160,133,343

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4. Pro Forma Consolidated Statement of Financial Position as at 31 December 2017 (Cont'd)

4.1 Minimum Scenario (Cont'd)

Pro Forma Adjustments to the Pro Forma Consolidated Statement of Financial Position

Subsequent Event after 31 December 2017

The subsequent event incorporates the private placement of 28,500,000 ordinary shares in Straits at the subscription price of RM0.23 per share for a total consideration of RM6,555,000 and the private placement of 6,500,000 ordinary shares in Straits at the subscription price of RM0.23 per share for a total consideration of RM1,495,000.

Pro Forma I

Pro Forma I incorporates the effects of Proposed Private Placement and none of the outstanding Warrants are exercised.

Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and after the acquisition of Tumpuan Megah Development Sdn Bhd.

4.1.1 Goodwill

		RM
As at 31 December 2017		-
Pro Forma II	Acquisition of subsidiary	24,001,033
After Pro Forma I and II		24,001,033

4.1.2 Cash and bank balances

		RM
As at 31 December 2017		2,790,279
Subsequent Event	Private Placements	8,050,000
After Subsequent Event		10,840,279
Pro Forma I	Private Placement	8,829,705
After Pro Forma I		19,669,984
Pro Forma II	- Cash and bank balances of TMD	2,248,046
	- Corporate exercise expenses	(1,029,705)
	- Purchase consideration paid	(7,800,000)
After Pro Forma I and II		13,088,325

4. Pro Forma Consolidated Statement of Financial Position as at 31 December 2017 (Cont'd)

4.1 Minimum Scenario (Cont'd)

4.1.3 Share Capital

		RM
As at 31 December 2017		41,109,619
Subsequent Event	Private Placements	8,050,000
After Subsequent Event		49,159,619
Pro Forma I	Private Placement	8,829,705
After Pro Forma I		57,989,324
Pro Forma II	Acquisition of subsidiary	27,950,000
After Pro Forma I and II		85,939,324

4.1.4 Accumulated losses

		RM
As at 31 December 2017		(4,532,370)
Pro Forma II	Corporate exercise expenses	(1,029,705)
After Pro Forma I and II		(5,562,075)

4.1.5 Non-Controlling Interest

		RM
As at 31 December 2017		379,140
Pro Forma II	Acquisition of subsidiary	9,612,791
After Pro Forma I and II		9,991,931

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4. Pro Forma Consolidated Statement of Financial Position as at 31 December 2017 (Cont'd)

4.2 Maximum Scenario

		Straits Audited 31-Dec-17 RM	Subsequent event after audited FYE 31-Dec-17 RM	Pro Forma I After Exercise of Warrants RM	Pro Forma II After Proposed Private Placement RM	Pro Forma III After I and Proposed Acquisition RM
Non-Current Assets						
Property, plant and equipment		6,102,168	6,102,168	6,102,168	6,102,168	50,656,705
Goodwill on consolidation	4.2.1	-	-	-	-	24,001,033
		6,102,168	6,102,168	6,102,168	6,102,168	74,657,739
Current Assets						
Inventories		1,072,216	1,072,216	1,072,216	1,072,216	7,154,455
Trade receivables		33,179,673	33,179,673	33,179,673	33,179,673	58,584,653
Other receivables		435,670	435,670	435,670	435,670	6,493,899
Amount due from an associate		5,336	5,336	5,336	5,336	5,336
Tax recoverable		148,936	148,936	148,936	148,936	148,936
Cash and bank balances	4.2.2	2,790,279	10,840,279	31,994,759	40,824,464	34,242,805
		37,632,110	45,682,110	66,836,590	75,666,295	106,630,084
Total Assets		43,734,278	51,784,278	72,938,758	81,768,463	181,287,823
Equity						
Share capital	4.2.3	41,109,619	49,159,619	70,314,099	79,143,804	107,093,804
Accumulated Loss	4.2.4	(4,532,370)	(4,532,370)	(4,532,370)	(4,532,370)	(5,562,075)
Other reserve	4.2.5	(21,154,480)	(21,154,480)	-	-	-
Warrants reserve	4.2.6	21,154,480	21,154,480	-	-	-
Foreign currency translation reserve		(299,736)	(299,736)	(299,736)	(299,736)	(299,736)
		36,277,513	44,327,513	65,481,993	74,311,698	101,231,993
Non-controlling interests	4.2.7	379,140	379,140	379,140	379,140	9,991,931
Total Equity		36,656,653	44,706,653	65,861,133	74,690,838	111,223,924
Non-current Liabilities						
Deferred tax liabilities		2,504	2,504	2,504	2,504	1,515,632
Hire purchase payables		-	-	-	-	122,380
		2,504	2,504	2,504	2,504	1,638,012
Current Liabilities						
Trade payables		6,477,862	6,477,862	6,477,862	6,477,862	36,210,905
Other payables		457,701	457,701	457,701	457,701	3,999,476
Bankers acceptance		-	-	-	-	27,559,178
Hire purchase payables		-	-	-	-	46,080
Tax payable		139,558	139,558	139,558	139,558	610,248
		7,075,121	7,075,121	7,075,121	7,075,121	68,425,887
Total Liabilities		7,077,625	7,077,625	7,077,625	7,077,625	70,063,899
Total Equity and Liabilities		43,734,278	51,784,278	72,938,758	81,768,463	181,287,823

4. Pro Forma Consolidated Statement of Financial Position as at 31 December 2017 (Cont'd)

4.2 Maximum Scenario (Cont'd)

Pro Forma Adjustments to the Pro Forma Consolidated Statement of Financial Position

Subsequent Event after 31 December 2017

The subsequent event incorporates the private placement of 28,500,000 ordinary shares in Straits at the subscription price of RM0.23 per share for a total consideration of RM6,555,000 and the private placement of 6,500,000 ordinary shares in Straits at the subscription price of RM0.23 per share for a total consideration of RM1,495,000.

Pro Forma I

Pro Forma I incorporates the effects assuming all outstanding Warrants are fully exercised at an exercise price of RM0.115 per warrant.

Pro Forma II

Pro Forma II incorporates the effects assuming all outstanding Warrants are fully exercised and after the Proposed Private Placement.

Pro Forma III

Pro Forma III incorporates the effects of Pro Forma I and II and after the acquisition of Tumpuan Megah Development Sdn Bhd.

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4. Pro Forma Consolidated Statement of Financial Position as at 31 December 2017 (Cont'd)

4.2 Maximum Scenario (Cont'd)

4.2.1 Goodwill

		RM
As at 31 December 2017		-
Pro Forma III	Acquisition of subsidiary	24,001,033
After Pro Forma I, II and III		24,001,033

4.2.2 Cash and bank balances

		RM
As at 31 December 2017		2,790,279
Subsequent Event	Private Placements	8,050,000
After Subsequent Event		10,840,279
Pro Forma I	Full exercise of outstanding Warrants	21,154,480
After Pro Forma I		31,994,759
Pro Forma II	Private Placement	8,829,705
After Pro Forma I and II		40,824,464
Pro Forma III	- Cash and bank balances of TMD	2,248,046
	- Corporate exercise expenses	(1,029,705)
	- Purchase consideration paid	(7,800,000)
After Pro Forma I, II and III		34,242,805

4.2.3 Share Capital

		RM
As at 31 December 2017		41,109,619
Subsequent Event	Private Placements	8,050,000
After Subsequent Event		49,159,619
Pro Forma I	Full exercise of outstanding Warrants	21,154,480
After Pro Forma I		70,314,099
Pro Forma II	Private Placement	8,829,705
After Pro Forma I and II		79,143,804
Pro Forma III	Acquisition of subsidiary	27,950,000
After Pro Forma I, II and III		107,093,804

4. Pro Forma Consolidated Statement of Financial Position as at 31 December 2017 (Cont'd)

4.2 Maximum Scenario (Cont'd)

4.2.4 Accumulated Losses

		RM
As at 31 December 2017		(4,532,370)
Pro Forma III	Corporate exercise expenses	(1,029,705)
After Pro Forma I, II and III		(5,562,075)

4.2.5 Other Reserve

		RM
As at 31 December 2017		(21,154,480)
Pro Forma I	Warrants fully exercised	21,154,480
After Pro Forma I, II and III		-

4.2.6 Warrants Reserve

		RM
As at 31 December 2017		21,154,480
Pro Forma I	Warrants fully exercised	(21,154,480)
After Pro Forma I, II and III		-

4.2.7 Non-Controlling Interest

		RM
As at 31 December 2017		379,140
Pro Forma III	Acquisition of subsidiary	9,612,791
After Pro Forma I, II and III		9,991,931

MOORE STEPHENS

8 August 2018

ACCOUNTANTS' REPORT

The Board of Directors
Straits Inter Logistics Berhad
B-10-06, Plaza Mont Kiara,
2 Jalan Kiara, Mont Kiara,
50480 Kuala Lumpur.

Dear Sirs,

ACCOUNTANTS' REPORT
FINANCIAL STATEMENTS OF TUMPUAN MEGAH DEVELOPMENT SDN BHD ("TMD")

1.0 PURPOSE OF THE ACCOUNTANTS' REPORT

The Accountants' Report has been prepared in connection with the proposed acquisition of 55% equity interest of TMD for a purchase consideration of RM35,750,000, to be satisfied via a combination of cash payment of RM7,800,000 whilst the remaining purchase consideration of RM27,950,000 to be satisfied via an issuance of 116,458,333 new ordinary share of Straits Inter Logistics Berhad ("the Company") at the issue price of RM0.24 per Share.

The Accountants' Report in respect of TMD has been prepared based on the financial statements of TMD which comprise the statements of financial position of TMD as at 31 December 2015, 31 December 2016 and 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of TMD for the corresponding financial years then ended, and a summary of significant accounting policies and other explanatory information.

1.1 REPORT ON THE FINANCIAL STATEMENTS

Opinion

The financial statements of TMD for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board and International Financial Reporting Standards ("IFRSs"). These financial statements incorporate the financial information included in the audited financial statements of the entities for the respective financial years, restated where applicable to comply with the requirements of MFRSs and IFRSs.

We have audited the financial statements of TMD, which comprise the statements of financial position of TMD as at 31 December 2015, 31 December 2016 and 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of TMD for corresponding financial years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of TMD as at 31 December 2015, 31 December 2016 and 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with MFRSs and IFRSs.

1.1 REPORT ON THE FINANCIAL STATEMENTS (cont'd)

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company and TMD in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Responsibilities of Directors for the Financial Statements

The directors of TMD are responsible for the preparation of the financial statements of TMD that give a true and fair view in accordance with MFRSs and IFRSs. The respective directors are also responsible for such internal control as the respective directors determine is necessary to enable the preparation of financial statements of TMD that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the TMD's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate TMD or to cease operations, or have no realistic alternative but to do so.

1.1 REPORT ON THE FINANCIAL STATEMENTS (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of TMD, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TMD's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of TMD or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause TMD to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of TMD, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

1.1 REPORT ON THE FINANCIAL STATEMENTS (cont'd)

Other Matters

(i) This report is made solely to the members of the Company, as a body, in connection with the proposed acquisition of 55% equity interest in TMD by the Company and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF 002096
Chartered Accountants

STEPHEN WAN YENG LEONG
02963/07/2019 J
Chartered Accountant

Petaling Jaya, Selangor

2.0 ABBREVATIONS

Unless the context otherwise requires, the following definitions shall apply throughout this report:

Abbreviation	Description
Act	the Companies Act, 2016
Bursa Securities	Bursa Malaysia Securities Berhad
FYE 2015	Financial year ended 31 December 2015
FYE 2016	Financial year ended 31 December 2016
FYE 2017	Financial year ended 31 December 2017
IFRSs	International Financial Reporting Standards
LPD	Last Practicable Date
MASB	Malaysian Accounting Standards Board
MFRSs	Malaysian Financial Reporting Standards
MS	Moore Stephens Associates PLT
Placee	Captain Tony Tan Han (Chen Han)
Placement Share(s)	The placement of 36,790,438 new Straits Shares to be placed out to the Placee at the Subscription Price per Placement Share amounting to RM8,829,705 pursuant to the Proposed Private Placement
Proposals	Proposed Acquisition and Proposed Private Placement
Raja Ismail bin Raja Mohamed or the Vendor	Raja Ismail bin Raja Mohamed, being the vendor in relation to the Proposed Acquisition
Sale Shares	8,250,000 TMD Shares, representing 55.0% of the equity interest in TMD
SSA	The conditional share sale and purchase agreement dated 7 June 2018 entered into between the Vendor and the Company in respect of the Proposed Acquisition
Straits or the Company	Straits Inter Logistics Berhad (Company No.: 412406-T)
Straits Share(s) or the Share(s)	Ordinary share(s) in Straits
Subscription Price	RM0.24
TMD	Tumpuan Megah Development Sdn Bhd (Company No.: 798898-A)

2.1 Foreign Currencies

Abbreviation	Description
RM and sen	Ringgit Malaysia and sen, the lawful currency of Malaysia
SGD	Singapore Dollar
USD	United States Dollar

3.0 BACKGROUND INFORMATION

3.1 TUMPUAN MEGAH DEVELOPMENT SDN BHD

3.1.1 Corporate Information

TMD was incorporated on 10 December 2007 in Malaysia. The principal activities of the Company are of provision of oil trading and bunkering services for marine fuel and petroleum-based products.

3.1.2 Share Capital

TMD's issued and fully paid-up share capital is RM15,000,000 comprising 15,000,000 ordinary shares.

4.0 Proposals ("Proposals")

4.1 Proposed Acquisition

On 7 June 2018, Straits had entered into the SSA with the Vendor for the proposed acquisition of 8,250,000 TMD Shares, representing 55.0% equity interest of TMD for a purchase consideration of RM35,750,000, which will be satisfied in the following manner:-

	RM
Cash Consideration	7,800,000
Issuance of 116,458,333 Consideration Shares at RM0.24 per Consideration Share	27,950,000
Total	**35,750,000**

The Cash Consideration of the Purchase Consideration will be funded via the proceeds raised from the Proposed Private Placement.

4.2 Proposed Private Placement

Private placement of 36,790,438 Placement Shares, representing 9.10% of the total issued Shares (under minimum scenario) at the subscription price of RM0.24 per Placement Share to Captain Tony Tan Han (Chen Han).

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5.0 RELEVANT FINANCIAL PERIODS

The relevant financial periods of the audited financial statements presented for the purposes of this report are FYE 2015, FYE 2016 and FYE 2017.

6.0 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Company for FYE 2015 and FYE 2016 for statutory purposes were prepared in accordance with the Malaysian Private Entities Reporting Standard ("MPERS"). For the purposes of this Accountants' Report, the financial statements for FYE 2015 and FYE 2016 have been migrated to the Malaysian Financial Reporting Standards ("MFRS") financial reporting framework in accordance with MFRS 1, First Time Adoption of Malaysian Financial Reporting Standards. The accounting policies set out in Note 6.4 have been applied in the preparation of the financial statements of the Company for FYE 2015 and FYE 2016 and in the preparation of the opening MFRSs statement of financial position as at 1 January 2015, being the date of transition to the MFRS financial reporting framework, for the purposes of the preparation of this Accountants' Report.

The reconciliation of the financial statements previously prepared under the MPERS financial reporting framework to the financial statements prepared under the MFRS financial reporting framework is disclosed in Note 7.5.20 to the financial statements.

6.1 Basis of Preparation

The Accountant's Report is prepared based on the financial statements of TMD for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017.

The financial statements of TMD for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 have been prepared in accordance with the MFRSs issued by the MASB and IFRSs. These financial statements incorporate the financial information included in the audited financial statements of the entities for the respective financial years, restated where applicable to comply with the requirements of MFRSs and IFRSs.

These financial statements have been prepared on the historical cost basis, except for those financial instruments which have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

6.2 Significant Changes in Accounting Policies (cont'd)

(a) Statement of compliance

New And Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int

(i) Adoption of New MFRS and Amendments/Improvements to MFRSs and IC Int

The Company had adopted the following Amendments/Improvements to MFRSs that are mandatory for the current financial year:

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiative
Annual improvements to MFRSs 2014 – 2016 Cycle	

The adoption of the above Amendments/Improvements to MFRSs did not have any significant effect on the financial statements of the Company.

(ii) New MFRS, Amendments/Improvements to MFRSs and New IC Int issued but not yet effective and have not been early adopted

The Company has not adopted the following new MFRSs and Amendments/Improvements to MFRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Company:-

Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Clarifications to MFRS 15: Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advances Consideration
Annual improvements to MFRSs 2014 – 2016 Cycle	

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty Over Income Tax Treatment
Annual improvements to MFRSs 2015 – 2017 Cycle	

6.2 Significant Changes in Accounting Policies (cont'd)

(a) Statement of compliance (cont'd)

New And Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(ii) New MFRS, Amendments/Improvements to MFRSs and New IC Int issued but not yet effective and have not been early adopted (cont'd)

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 2	Share-Based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting

Effective for financial periods beginning on or after 1 January 2020 (cont'd)

Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets—Web Site Costs
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material financial impact to the current period financial statements of the Company upon their initial application, except for:-

6.2 Significant Changes in Accounting Policies (cont'd)

(a) Statement of compliance (cont'd)

New And Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(ii) New MFRS, Amendments/Improvements to MFRSs and New IC Int issued but not yet effective and have not been early adopted (cont'd)

MFRS 9 Financial Instruments

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

MFRS 9 Financial Instruments also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 Financial Instruments aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

This Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The Company is currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment, but the requirements for hedge accounting is not relevant to the Company.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers was issued in September 2014 and establishes a new five-step model that will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of this Standard and plan to adopt this Standard on the required effective date.

6.2 Significant Changes in Accounting Policies (cont'd)

(a) Statement of compliance (cont'd)

New And Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(ii) New MFRS, Amendments/Improvements to MFRSs and New IC Int issued but not yet effective and have not been early adopted (cont'd)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on- balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company is currently assessing the impact of MFRS 16 and plan to adopt the new standards on the required effective date.

(b) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in Note 6.4.

6.3 Critical Accounting Estimates and Judgements

The summary of accounting policies as described in Note 6.4 are essential to understand the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The Directors exercise their judgement in the process of applying the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. The Directors estimate the useful lives of these property, plant and equipment to be within 2 - 15 years. The Company anticipates that the certain residual values of its property, plant and equipment will be insignificant, other than oil tanker. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.
(iii) Impairment of non-financial assets

(iii) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

6.3 Critical Accounting Estimates and Judgements (cont'd)

(iv) Impairment of loans and receivables

The Company assesses at each reporting date whether there is any objective evidence that a loan or receivable is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Company's loans and receivables at the reporting date are disclosed in note to the financial statements.

(v) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

6.4 Summary of Significant Accounting Policies

(a) Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

6.4 Summary of Significant Accounting Policies (cont'd)

(b) Revenue and other income recognition

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Revenue from service

Revenue from services provided is recognised net of discount, where applicable, as and when the services are performed. The stage of completion is assessed by reference to the proportion that cost of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expense recognised that are recoverable.

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Rental income

Rental income is accounted for on a straight line basis over the lease terms.

(c) Employee Benefits

(i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Company has no further payment obligations.

6.4 Summary of Significant Accounting Policies (cont'd)

(d) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

(e) Income tax

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial period, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

6.4 Summary of Significant Accounting Policies (cont'd)

(e) Income tax (cont'd)

Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivable and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

(f) Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

(i) Finance leases - the Company as lessee

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating leases - the Company as lessee

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which is in substance is an operating lease is classified as prepaid lease payments and amortised on a straight-line basis over the lease period as disclosed in the notes to the financial statements.

6.4 Summary of Significant Accounting Policies (cont'd)

(g) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight-line basis over its estimated useful lives of each component of an item of property, plant and equipment at the following annual rates:

Oil tanker	38 years from date of manufacture
Dry-docking expenditures	18 months from date of dry dock
Shipping equipment	10 years
Furniture and fittings	10 years
Office equipment	10 years
Computers	2 years
Renovation	10 years
Signboard	10 years
Motor vehicles	5 years

6.4 Summary of Significant Accounting Policies (cont'd)

(g) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

Fully depreciated property, plant and equipment is retained in the financial statements until they is no longer in use and no further charge for depreciation is made in respect of this property, plant and equipment.

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is determined on the weighted average basis. Costs of raw materials and consumables comprise the cost of purchase plus the cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash at banks that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(j) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

6.4 Summary of Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

(ii) Financial instruments categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments and financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

6.4 Summary of Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

(iv) Regular way purchase or sale of financial assets (cont'd)

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(k) Impairment

(i) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

6.4 Summary of Significant Accounting Policies (cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

6.4 Summary of Significant Accounting Policies (cont'd)

(l) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(m) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the controls of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Company.

(o) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

6.4 Summary of Significant Accounting Policies (cont'd)

(o) Fair value measurement (cont'd)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

7.0 AUDITED FINANCIAL INFORMATION OF TUMPUAN MEGAH DEVELOPMENT SDN BHD

7.1 Statements of Comprehensive Income

	Note	2015 RM	2016 RM	2017 RM
Revenue	7.5.1	154,885,226	148,694,320	308,140,817
Cost of sales		(145,669,811)	(141,609,304)	(293,842,983)
Gross profit		9,215,415	7,085,016	14,297,834
Other income		471,726	950,204	1,554,989
Administrative expenses		(5,693,084)	(5,227,930)	(5,516,115)
Other expenses		(1,790,516)	(867,042)	(6,330,741)
Profit from operations		2,203,541	1,940,248	4,005,967
Finance costs		(492,430)	(441,653)	(2,026,204)
Profit before tax	7.5.2	1,711,111	1,498,595	1,979,763
Income tax expense	7.5.3	(692,166)	(536,739)	(1,042,428)
Profit for the year, representing total comprehensive income for the year		1,018,945	961,856	937,335

7.2 Statements of Financial Position

	Note	Restated 1.1.2015 RM	31.12.2015 RM	31.12.2016 RM	31.12.2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7.5.4	8,884,232	8,509,029	7,841,967	44,554,540
Other investments	7.5.5	150,000	150,000	150,002	-
		9,034,232	8,659,029	7,991,969	44,554,540
Current assets					
Inventories	7.5.6	6,767,533	4,136,044	2,663,144	6,082,239
Trade receivables	7.5.7	15,529,150	10,482,646	22,562,297	25,404,980
Other receivables	7.5.8	4,998,099	24,046,613	16,951,595	6,058,229
Cash and bank balances		2,800,034	4,525,040	1,844,649	2,248,046
		30,094,816	43,190,343	44,021,685	39,793,494
Total assets		39,129,048	51,849,372	52,013,654	84,348,034
EQUITY AND LIABILITIES					
Equity					
Share capital	7.5.9	10,000,000	10,000,000	10,000,000	15,000,000
Retained earnings		3,443,624	4,462,569	5,424,425	6,361,760
Total equity		13,443,624	14,462,569	15,424,425	21,361,760
Non-current liabilities					
Finance lease liabilities	7.5.10	62,567	223,132	176,887	122,380
Deferred tax liabilities	7.5.14	416,367	479,486	869,776	1,513,128
		478,934	702,618	1,046,663	1,635,508
Current liabilities					
Trade payable	7.5.12	5,067,589	10,077,066	7,790,520	29,733,043
Other payables	7.5.13	10,425,837	20,378,502	14,283,710	3,541,775
Finance lease liabilities	7.5.10	12,415	39,559	40,076	46,080
Borrowings	7.5.11	8,572,089	5,709,554	13,194,357	27,559,178
Tax liabilities		1,128,560	479,504	233,903	470,690
Total current liabilities		25,206,490	36,684,185	35,542,566	61,350,766
Total liabilities		25,685,424	37,386,803	36,589,229	62,986,274
Total equity and liabilities		39,129,048	51,849,372	52,013,654	84,348,034

7.3 Statements of Changes In Equity

	Share Capital RM	Distributable Retained Earnings RM	Total Equity RM
At 1 January 2015 (restated)	10,000,000	3,443,624	13,443,624
Profit for the year, representing total comprehensive income for the financial year	-	1,018,945	1,018,945
At 31 December 2015/1 January 2016	10,000,000	4,462,569	14,462,569
Profit for the year, representing total comprehensive income for the financial year	-	961,856	961,856
At 31 December 2016/1 January 2017	10,000,000	5,424,425	15,424,425
Issuance of shares	5,000,000	-	5,000,000
Profit for the year, representing total comprehensive income for the financial year	-	937,335	937,335
At 31 December 2017	15,000,000	6,361,760	21,361,760

7.4 Statements of Cash Flows

	2015 RM	2016 RM	2017 RM
Cash Flows from Operating Activities			
Profit before tax	1,711,111	1,498,595	1,979,763
Adjustments for:			
Bad debt written off	6,105	704	2,087,825
Depreciation of property, plant and equipment	671,531	682,962	1,081,567
Deposit written off	3,000	-	-
Impairment loss on trade receivables	209,556	23,225	23,161
Interest expense	492,505	441,653	2,026,204
Interest income	(4,027)	(42,571)	(192,825)
Unrealised loss/(gain) on foreign exchange	2,066,550	(66,334)	85,112
Operating profit before changes in working capital	5,156,331	2,538,234	7,090,807
Changes in working capital:			
Inventories	2,631,489	1,472,900	(3,419,095)
Trade and other receivables	(15,124,875)	(4,939,381)	(31,023,967)
Trade and other payables	13,799,796	(8,384,187)	11,099,140
Cash from/(used in) operations	6,462,741	(9,312,434)	(16,253,115)
Tax paid	(1,278,103)	(392,050)	(253,125)
Tax refund	-	-	90,836
Interest received	4,027	42,571	192,825
Interest paid	(492,505)	(441,653)	(2,026,204)
Net cash from/(used in) operating activities	4,696,160	(10,103,566)	(18,248,783)
Cash Flows from Investing Activity			
Proceeds from disposal of other investment	-	-	150,002
Purchase of property, plant and equipment	(76,328)	(15,900)	(814,140)
Net cash used in investing activities	(76,328)	(15,900)	(664,138)
Cash Flows from Financing Activities			
(Repayment)/Drawdown of banker acceptance	(2,862,535)	7,484,803	14,364,821
Repayment of finance lease liabilities	(32,291)	(45,728)	(48,503)
Issuance of shares	-	-	5,000,000
Net cash (used in)/generated from financing activities	(2,894,826)	7,439,075	19,316,318
Net increase/(decrease) in cash and cash equivalents	1,725,006	(2,680,391)	403,397
Cash and cash equivalents at beginning of the financial year	2,800,034	4,525,040	1,844,649
Cash and cash equivalents at the end of the financial year	4,525,040	1,844,649	2,248,046

7.5 Notes to Financial Statements

7.5.1 Revenue

Revenue represents revenue from oil bunkering and related services.

7.5.2 Profit before tax

Profit before tax is arrived at after charging/(crediting):

	2015 RM	2016 RM	2017 RM
Auditors' remuneration	30,000	30,000	50,000
Bad debt written off	6,105	704	2,087,825
Depreciation of property, plant and equipment	671,531	682,962	1,081,567
Deposit written off	3,000	-	-
Directors fee	264,000	264,000	264,000
Employee benefits expense [Note (a)]	987,546	1,611,312	1,757,847
Finance costs:			
- Banker acceptance	482,972	432,973	2,017,523
- Finance leases liabilities	9,533	8,680	8,681
Impairment loss on trade receivables	209,556	23,225	23,161
Interest income	(4,027)	(42,571)	(192,825)
Realised (gain)/loss on foreign exchange	(1,166,227)	160,151	3,053,075
Rental of premise	69,100	73,400	75,890
Rental of equipment	2,600	3,600	2,800
Unrealised loss/(gain) on foreign exchange	2,066,550	(66,334)	85,112

(a) Employee benefit expenses comprise of:

	2015 RM	2016 RM	2017 RM
Staff costs			
Salaries, overtime and allowance	804,569	1,344,991	1,464,600
Bonus	71,588	86,791	95,378
Contribution to defined contribution plan	101,621	165,524	182,264
Social security contributions	9,768	14,006	15,605
	987,546	1,611,312	1,757,847

7.5.3 Income Tax Expense

	Restated 2015 RM	2016 RM	2017 RM
Current income tax			
Based on result for the year	604,968	149,785	402,627
- Under/(Over)provision in prior year	24,079	(3,336)	(3,551)
	629,047	146,449	399,076
Deferred tax (Note 7.5.14)			
Origination of temporary differences	79,774	390,290	643,352
Relating to reduction in Malaysian income tax rate	(16,655)	-	-
	63,119	390,290	643,352
Income tax expense for the year	692,166	536,739	1,042,428

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%; 2015:25%) of the estimated assessable result for the year.

The reconciliation from the tax amount at the statutory income tax rate to the Company's tax expenses is as follows:-

	2015 RM	2016 RM	2017 RM
Profit before tax	1,711,111	1,498,595	1,979,763
Tax at the Malaysian statutory income tax rate of 24% (2016: 24%; 2015: 25%)	427,778	359,663	475,143
Effect on opening deferred tax of reduction in Malaysian income tax rate	(16,655)	-	-
Non-taxable income	-	-	(168,507)
Non-deductible expenses	256,964	180,412	739,343
Under/(Over)provision in prior year	24,079	(3,336)	(3,551)
Income tax expense for the year	692,166	536,739	1,042,428

The Company has estimated unabsorbed capital allowance of RM Nil (2016: RM1,699,460 ; 2015: RM Nil) to set off future taxable profits.

7.5.4 Property, plant and equipment

	Oil tanker RM	Furniture and fittings RM	Office equipment RM	Computers RM	Renovation RM	Signboard RM	Motor vehicles RM	Total RM
2015								
Cost								
At 1 January 2015 (restated)	9,020,000	46,288	62,315	54,672	146,648	2,900	107,377	9,440,200
Additions	-	-	2,172	8,156	-	-	286,000	296,328
Written off	-	-	-	(4,150)	-	-	-	(4,150)
At 31 December 2015	9,020,000	46,288	64,487	58,678	146,648	2,900	393,377	9,732,378
Accumulated depreciation								
At 1 January 2015 (restated)	425,195	9,212	11,912	35,718	35,478	870	37,583	555,968
Charge for the financial year	566,927	4,629	6,324	14,321	14,665	290	64,375	671,531
Written off	-	-	-	(4,150)	-	-	-	(4,150)
At 31 December 2015	992,122	13,841	18,236	45,889	50,143	1,160	101,958	1,223,349
Net carrying amounts								
At 31 December 2015	8,027,878	32,447	46,251	12,789	96,505	1,740	291,419	8,509,029
At 1 January 2015	8,594,805	37,076	50,403	18,954	111,170	2,030	69,794	8,884,232

7.5.4 Property, plant and equipment (cont'd)

	Oil tanker RM	Furniture and fittings RM	Office equipment RM	Computers RM	Renovation RM	Signboard RM	Motor vehicles RM	Total RM
2016								
Cost								
At 1 January 2016	9,020,000	46,288	64,487	58,678	146,648	2,900	393,377	9,732,378
Additions	-	-	-	-	15,900	-	-	15,900
At 31 December 2016	9,020,000	46,288	64,487	58,678	162,548	2,900	393,377	9,748,278
Accumulated depreciation								
At 1 January 2016	992,122	13,841	18,236	45,889	50,143	1,160	101,958	1,223,349
Charge for the financial year	566,927	4,629	6,449	10,267	15,725	290	78,675	682,962
At 31 December 2016	1,559,049	18,470	24,685	56,156	65,868	1,450	180,633	1,906,311
Net carrying amounts								
At 31 December 2016	7,460,951	27,818	39,802	2,522	96,680	1,450	212,744	7,841,967

7.5.4 Property, plant and equipment (cont'd)

	Oil tanker RM	Dry-docking expenditures RM	Shipping equipment RM	Furniture and fittings RM	Office equipment RM	Computers RM	Renovation RM	Signboard RM	Motor vehicles RM	Total RM
2017										
Cost										
At 1 January 2017	9,020,000	-	-	46,288	64,487	58,678	162,548	2,900	393,377	9,748,278
Additions	36,980,000	724,131	59,069	17,210	8,910	2,300	2,520	-	-	37,794,140
At 31 December 2017	46,000,000	724,131	59,069	63,498	73,397	60,978	165,068	2,900	393,377	47,542,418
Accumulated depreciation										
At 1 January 2017	1,559,049	-	-	18,470	24,685	56,156	65,868	1,450	180,633	1,906,311
Charge for the financial year	566,927	402,296	2,220	5,776	6,510	3,001	15,872	290	78,675	1,081,567
At 31 December 2017	2,125,976	402,296	2,220	24,246	31,195	59,157	81,740	1,740	259,308	2,987,878
Net carrying amounts										
At 31 December 2017	43,874,024	321,835	56,849	39,252	42,202	1,821	83,328	1,160	134,069	44,554,540

7.5.4 Property, plant and equipment (cont'd)

(a) Acquisition of property, plant and equipment

During the year, the Company made the following cash payment to purchase property, plant and equipment:

	2015 RM	2016 RM	2017 RM
Addition of property, plant and equipment	296,328	15,900	37,794,140
Less: Finance lease arrangement	(220,000)	-	-
Less: Arising from debt settlement arrangement	-	-	(36,980,000)
Cash payment on purchase of property, plant and equipment	76,328	15,900	814,140

(b) At the reporting date, net carrying amount of property, plant and equipment acquired under finance lease arrangements are as follows:

	2015 RM	2016 RM	2017 RM
Motor vehicles	291,419	212,744	134,069

(c) The property, plant and equipment of the Company was pledged for borrowings of the Company as disclosed in Note 7.5.11.

7.5.5 Other investments

	2015 RM	2016 RM	2017 RM
Unquoted shares, at cost			
At 1 January	150,000	150,000	150,002
Addition	-	2	-
Disposal	-	-	(150,002)
At 31 December	150,000	150,002	-

The investment in unquoted equity instruments that are carried at cost because the fair value cannot be measured reliably. These equity instruments represent investment in the ordinary shares of the company, which is not quoted on any market. The further details of the investment are disclosed in Note 7.5.20.

7.5.6 Inventories

	2015 RM	2016 RM	2017 RM
At cost:			
Bunkering marine oil	4,136,044	2,663,144	6,082,239
Cost of inventory recognised as cost of sales	137,449,944	134,015,429	284,180,762

7.5.7 Trade receivables

	Restated 1.1.2015 RM	31.12.2015 RM	31.12.2016 RM	31.12.2017 RM
Trade receivables	15,829,150	10,992,202	23,095,078	25,960,922
Less: Allowance for impairment losses				
At 1 January	-	300,000	509,556	532,781
Addition	300,000	209,556	23,225	23,161
At 31 December	300,000	509,556	532,781	555,942
Carrying value	15,529,150	10,482,646	22,562,297	25,404,980

The Company's normal trade credit term is 30 days (2016 and 2015: 30 days). Other credit terms are assessed and approved on a case-by-case basis.

7.5.8 Other receivables

	Restated 1.1.2015 RM	31.12.2015 RM	31.12.2016 RM	31.12.2017 RM
Other receivables	4,518,087	23,816,995	16,795,611	5,865,048
Deposits	321,704	19,104	28,441	44,241
Prepayments	158,308	210,514	127,543	148,940
	4,998,099	24,046,613	16,951,595	6,058,229

7.5.9 Share capital

	Number of ordinary shares		
	2015 Unit	2016 Unit	2017 Unit
Authorised:			
At beginning of the financial year	10,000,000	10,000,000	10,000,000
Created during the year	-	-	5,000,000
Effect of adoption of Companies Act, 2016	-	-	(15,000,000)
At end of the financial year	10,000,000	10,000,000	-
Issued and fully paid:			
At beginning of the financial year	10,000,000	10,000,000	10,000,000
Issued during the year	-	-	5,000,000
At end of the financial year	10,000,000	10,000,000	15,000,000

7.5.9 Share capital (cont'd)

	Amount 2015 RM	2016 RM	2017 RM
Issued and fully paid:			
At beginning of the financial year	10,000,000	10,000,000	10,000,000
Issued during the year	-	-	5,000,000
At end of the financial year	10,000,000	10,000,000	15,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

On 30 January 2017, the Company increased its issued and paid up share capital from RM10,000,000 to RM15,000,000 by way of capitalisation of amount due from a shareholder. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing issued ordinary shares of the Company.

"No Par Value" Regime

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act, 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

7.5.10 Finance lease liabilities

	2015 RM	2016 RM	2017 RM
Minimum finance lease payments:			
Within 1 year	54,408	54,408	54,408
More than 1 year and less than 2 years	54,408	54,408	54,408
More than 2 year and less than 5 years	200,977	146,569	89,385
	309,793	255,385	198,201
Less: Future finance charges	(47,102)	(38,422)	(29,741)
Present value of finance lease payables	262,691	216,963	168,460
Present value of finance lease payables:			
Within 1 year	39,559	40,076	46,080
More than 1 year and less than 2 years	39,559	40,076	46,080
More than 2 year and less than 5 years	183,573	136,811	76,300
	262,691	216,963	168,460
Representing:			
Current	39,559	40,076	46,080
Non-current	223,132	176,887	122,380
	262,691	216,963	168,460

7.5.10 Finance lease liabilities (cont'd)

The finance lease liabilities of the Company bear interest at rates of 2.36% to 2.87% (2016 and 2015: 2.36% to 2.87%) per annum.

7.5.11 Borrowings

	31.12.2015 RM	31.12.2016 RM	31.12.2017 RM
Banker acceptances	5,709,554	13,194,357	27,559,178

The borrowing of the Company bear interest at rates of 8.10% (2016 and 2015: 6%) per annum.

The Company's bank borrowings are secured as follows:
- Registered legal charge by way of debenture over all the present and future assets, rights, interests and undertakings of the Company;
- Joint and several guarantees by external parties.

7.5.12 Trade payables

The normal trade credit terms granted to the Company are range from cash in advance to 14 days (2016 and 2015: cash in advance to 14 days). Other credit terms are assessed and approved on a case by-case basis.

7.5.13 Other payables

	Restated 1.1.2015 RM	31.12.2015 RM	31.12.2016 RM	31.12.2017 RM
Other payables	10,348,787	19,906,575	13,989,979	3,174,775
Accruals	77,050	471,927	293,731	367,000
	10,425,837	20,378,502	14,283,710	3,541,775

Included in other payables was an amount of RM17,580 (2016: RM5,017,580; 2015: RMnil) owing to certain shareholders of the Company. This amount was non-trade in nature, unsecured, interest-free and are repayable on demand.

7.5.14 Deferred tax liabilities

	Restated 1.1.2015 RM	31.12.2015 RM	31.12.2016 RM	31.12.2017 RM
At 1 January	-	416,367	479,486	869,776
Recognised in profit or loss (Note 7.5.3)	416,367	63,119	390,290	643,352
At 31 December	416,367	479,486	869,776	1,513,128

7.5.14 Deferred tax liabilities (cont'd)

This is in respect of estimated deferred tax (assets)/liabilities arising from temporary differences as follows:

	Restated 1.1.2015 RM	31.12.2015 RM	31.12.2016 RM	31.12.2017 RM
Deferred tax assets				
Impairment loss on trade receivables	(75,000)	(122,294)	(127,868)	(127,868)
Unrealised loss on foreign exchange	(343,835)	(495,972)	-	(20,427)
Unabsorbed capital allowance	-	-	(407,870)	-
Deferred tax liabilities				
Unrealised gain on foreign exchange	-	-	15,920	-
Differences between the carrying amount of property, plant and equipment and its tax base	835,202	1,097,752	1,389,594	1,661,423
	416,367	479,486	869,776	1,513,128

7.5.15 Significant related party transactions

(a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationships with its shareholders.

(b) Related party transactions:

	2015 RM	2016 RM	2017 RM
Shareholders			
Advances/(repayment)	-	5,017,580	(17,580)
Capitalised into ordinary shares	-	-	(5,000,000)

Information regarding outstanding balances arising from related parties transaction as at reporting date are disclosed in Note 7.5.13.

(c) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel is referring to all the Directors of the Company.

Remuneration paid by the Company to key management personnel during the financial year has been disclosed in Note 7.5.2 to the financial statements.

7.5.16 Commitments

	2015 RM	2016 RM	2017 RM
Lease rental payable			
Less than one year	40,500	20,100	32,100

7.5.17 Financial instruments

Categories of financial instruments

The Company's financial assets and financial liabilities are all categorised as loans and receivables and other financial liabilities at amortised costs respectively.

Financial risks management objectives and policies

The Company's activities are exposed to a variety of financial risks which include credit risk, foreign currency risk and liquidity risk. The Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is integral to the whole business of the Company. Management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Company's activities.

There have been no changes to the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from its receivables. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating units, the Company does not offer credit terms without the approval of the Directors.

7.5.17 Financial instruments (cont'd)

Credit risk (cont'd)

Receivables

Exposure to credit risk, credit quality and collateral

As at the end of the financial year, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables (which consist of trade receivables, other receivables and amount due from related companies). The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Credit risk concentration profile

As at reporting date, the Company's major concentration of credit risk in relates to the amount owing by 4 (2016 and 2015: 5) customers which constituted approximately 76% (2016: 56% and 2015: 47%) of trade receivables as at the end of the reporting period.

Impairment losses

Information regarding the ageing and allowance of impairment of trade receivables are as follows:

	Gross amount RM	Individual impairment RM	Carrying value RM
2015			
Not past due	5,065,016	-	5,065,016
Past due:			
1 to 30 days	3,357,596	-	3,357,596
31 to 60 days	559,246	-	559,246
61 to 90 days	282,762	-	282,762
More than 90 days	1,727,582	(509,556)	1,218,026
	10,992,202	(509,556)	10,482,646

7.5.17 Financial instruments (cont'd)

Credit risk (cont'd)

Impairment losses (cont'd)

	Gross amount RM	Individual impairment RM	Carrying value RM
2016			
Not past due	20,430,572	-	20,430,572
Past due:			
1 to 30 days	204,388	-	204,388
31 to 60 days	255,400	-	255,400
61 to 90 days	796,824	-	796,824
More than 90 days	1,407,894	(532,781)	875,113
	23,095,078	(532,781)	22,562,297
2017			
Not past due	20,600,287	-	20,600,287
Past due:			
1 to 30 days	3,681,213	-	3,681,213
31 to 60 days	479,825	-	479,825
61 to 90 days	355,242	-	355,242
More than 90 days	844,355	(555,942)	288,413
	25,960,922	(555,942)	25,404,980

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and payments have not been forthcoming. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past non-payment experience.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired

The Company believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of non-payment.

7.5.17 Financial instruments (cont'd)

Credit risk (cont'd)

Impairment losses (cont'd)

Receivables that are impaired

The Company's trade receivables that are impaired at the reporting date are as follows:

	Individually impaired		
	2015	2016	2017
	RM	RM	RM
Trade receivables - nominal amounts	509,556	532,781	555,942
Less: Allowance for impairment	(509,556)	(532,781)	(555,942)
	-	-	-

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Company's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Company maintains sufficient levels of cash and available banking facilities at a reasonable level to its overall debt position to meet their working capital requirement.

The Company practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

7.5.17 Financial instruments (cont'd)

Liquidity risk (cont'd)

Maturity analysis

The table below show summaries the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	More than 1 year RM
2015				
Trade payable	10,077,066	10,077,066	10,077,066	-
Other payables	20,378,502	20,378,502	20,378,502	-
Finance lease liabilities	262,691	309,793	54,408	255,385
Borrowings	5,709,554	5,709,554	5,709,554	-
	36,427,813	36,474,915	36,219,530	255,385
2016				
Trade payable	7,790,520	7,790,520	7,790,520	-
Other payables	14,283,710	14,283,710	14,283,710	-
Finance lease liabilities	216,963	255,385	54,408	200,977
Borrowings	13,194,357	13,194,357	13,194,357	-
	35,485,550	35,523,972	35,322,995	200,977
2017				
Trade payable	29,733,043	29,733,043	29,733,043	-
Other payables	3,541,775	3,541,775	3,541,775	-
Finance lease liabilities	168,460	198,201	54,408	143,793
Borrowings	27,559,178	27,559,178	27,559,178	-
	61,002,456	61,032,197	60,888,404	143,793

7.5.17 Financial instruments (cont'd)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily United States Dollar ("US Dollar") and Singapore Dollar ("SG Dollar").

Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk, based on carrying amounts as at end of the reporting period was:

	US Dollar RM	SG Dollar RM
2015		
Financial assets		
Trade receivables	3,483,556	-
Other receivables	16,807,068	-
Cash at bank	1,104,571	-
	21,395,195	-
Financial liabilities		
Trade payables	(9,110,986)	-
Other payables	(9,926,034)	(1,897,682)
Borrowings	(2,286,366)	-
	(21,323,386)	(1,897,682)
	71,809	(1,897,682)

	US Dollar RM	SG Dollar RM
2016		
Financial assets		
Trade receivables	9,229,895	-
Other receivables	2,062,388	-
Cash at bank	64,044	-
	11,356,327	-
Financial liabilities		
Trade payables	(7,774,675)	-
Other payables	(6,151,283)	(1,186,174)
Borrowings	(11,465,828)	-
	(25,391,786)	(1,186,174)
	(14,035,459)	(1,186,174)

7.5.17 Financial instruments (cont'd)

Foreign currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

	US Dollar RM	SG Dollar RM
2017		
Financial assets		
Trade receivables	15,806,683	-
Other receivables	33,126	-
Cash at bank	171,991	-
	16,011,800	-
Financial liabilities		
Trade payables	(6,607,597)	-
Other payables	(363,671)	(89,378)
	(6,971,268)	(89,378)
	9,040,532	(89,378)

Foreign currency risk sensitivity analysis

A 5% strengthening/weakening of the functional currency of the Company against the foreign currencies at the end of the reporting period would have increased/(decreased) profit/(loss) after tax and equity by the amounts shown below:

	Increase/(Decrease) in profit net of tax/equity		
	2015 RM	2016 RM	2017 RM
RM/USD - Strengthened by 5% (2016 and 2015: 5%)	(2,693)	533,347	(343,540)
- Weakened by 5% (2016 and 2015: 5%)	2,693	(533,347)	343,540
RM/SGD - Strengthened by 5% (2016 and 2015: 5%)	71,163	45,075	3,396
- Weakened by 5% (2016 and 2015: 5%)	(71,163)	(45,075)	(3,396)

7.5.18 FAIR VALUE INFORMATION

The aggregate fair values and the carrying amounts of other financial assets and liabilities carried on the statements of financial position as at 31 December are as below:

The following summarises the methods used to determine the fair values of the financial instruments:

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short term maturity of the financial instruments.

(ii) The fair value of finance lease liabilities is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

	Carrying amount RM	Fair value Level 3 RM
Financial liabilities		
2015		
Finance lease liabilities (non-current)	223,132	180,283
2016		
Finance lease liabilities (non-current)	176,887	135,134
2017		
Finance lease liabilities (non-current)	122,380	86,787

7.5.19 CAPITAL MANAGEMENT

The Company's objectives when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern. The Company monitors and maintains an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

There were no changes in the Company's approach to capital management during the financial year.

There is no external capital requirement imposed on the Company.

7.5.20 RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER DIFFERENT FINANCIAL REPORTING FRAMEWORKS

The financial statements for the financial years ended 31 December 2015 and 31 December 2016 for statutory purposes were prepared under the MPERS financial reporting framework. As a result of the first time adoption of the MFRS financial reporting framework, and together with the findings of the review of the opening balances in accordance with International Standards on Auditing 510 – Initial Audit Engagement – Opening Balances, the following matters were re-assessed by the Directors and the adjustments arising therefrom are presented below as a reconciliation of the financial statements prepared under the different financial reporting frameworks.

	As previously reported RM	Adjustment RM	As restated RM
Financial Year Ended 31.12.2014			
Statement of Comprehensive Income			
Depreciation of property, plant and equipment	599,102	(113,963)	485,139
Other operating expenses	3,887,338	1,270,518	5,157,856
Tax expense	1,000,000	545,728	1,545,728
	5,486,440	1,702,283	7,188,723
Statement of Financial Position as at 31.12.2014			
Non-current assets			
Property, plant and equipment	9,273,907	(389,675)	8,884,232
Investment in associate*	150,000	(150,000)	-
Other investments	-	150,000	150,000
	9,423,907	(389,675)	9,034,232
Current assets			
Trade receivables	15,829,150	(300,000)	15,529,150
Other receivables	7,836,046	(2,837,947)	4,998,099
	23,665,196	(3,137,947)	20,527,249
Non-current liability			
Deferred tax liabilities	-	416,367	416,367
Current liabilities			
Other payables	12,796,904	(2,371,067)	10,425,837
Tax liabilities	999,199	129,361	1,128,560
	13,796,103	(2,241,706)	11,554,397
Statement of Changes in Equity			
Retained earnings	5,145,907	(1,702,283)	3,443,624

7.5.20 RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER DIFFERENT FINANCIAL REPORTING FRAMEWORKS (cont'd)

	As previously reported RM	Adjustment RM	As restated RM
Financial Year Ended 31.12.2015			
Statement of Comprehensive Income			
Depreciation of property, plant and equipment	667,891	3,640	671,531
Other expenses	2,014,170	(223,654)	1,790,516
Tax expense	274,079	418,087	692,166
	2,956,140	198,073	3,154,213
Statement of Financial Position as at 31.12.2015			
Non-current assets			
Property, plant and equipment	8,902,345	(393,316)	8,509,029
Investment in associate*	150,000	(150,000)	-
Other investment	-	150,000	150,000
	9,052,345	(393,316)	8,659,029
Current assets			
Trade receivables	10,992,202	(509,556)	10,482,646
Other receivables	24,987,565	(940,952)	24,046,613
	35,979,767	(1,450,508)	34,529,259
Non-current liability			
Deferred tax liabilities	-	479,486	479,486
Current liabilities			
Other payables	20,843,469	(464,967)	20,378,502
Borrowings	6,155,510	(445,956)	5,709,554
Tax liabilities	(4,825)	484,329	479,504
	26,994,154	(426,594)	26,567,560
Statement of Changes in Equity			
Retained earnings	6,359,285	(1,896,716)	4,462,569

7.5.20 RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER DIFFERENT FINANCIAL REPORTING FRAMEWORKS (cont'd)

	As previously reported RM	Adjustment RM	As restated RM
Financial Year Ended 31.12.2016			
Statement of Comprehensive Income			
Depreciation of property, plant and equipment	717,367	(34,405)	682,962
Other expenses	2,944,068	(2,077,026)	867,042
Tax expense	146,664	390,075	536,739
	3,808,099	(1,721,356)	2,086,743
Statement of Financial Position as at 31.12.2016			
Non-current assets			
Property, plant and equipment	8,200,878	(358,911)	7,841,967
Investment in subsidiary**	2	(2)	-
Investment in associate*	150,000	(150,000)	-
Other investments	-	150,002	150,002
	8,350,880	(358,911)	7,991,969
Current assets			
Trade receivables	23,095,078	(532,781)	22,562,297
Other receivables	17,428,284	(476,689)	16,951,595
	40,523,362	(1,009,470)	39,513,892
Non-current liability			
Deferred tax liability	-	869,776	869,776
Current liabilities			
Borrowings	13,640,313	(445,956)	13,194,357
Tax liabilities	(250,211)	484,114	233,903
	13,390,102	38,158	13,428,260
Statement of Changes in Equity			
Retained earnings	7,700,740	(2,276,315)	5,424,425

* The investment in unquoted shares previously classified as investment in associate was reclassified as a simple investment as the investee company was dormant and the Company did not have significant influence over the investee for a prolonged period and the investment itself was disposed during the financial year ended 31 December 2017.

** The investment in unquoted shares previously classified as investment in subsidiary was reclassified as a simple investment as the investee company was dormant and was subsequently disposed during the financial year ended 31 December 2017.

7.5.21 Material Litigation / Arbitration

Arbitration between ING Bank N.V ("ING" or "First Claimant"), O.W. Bunker Far East (Singapore) Pte Ltd ("OWBFE" or "Second Claimant"), collectively referred to as the "Claimants") and TMD (the "Respondent")

The Claimants alleged that on 19 December 2013, a series of financing agreements were entered into between O.W. Bunker & Trading A/S ("OWBAS"), together with certain subsidiary companies (including OWBFE) and a syndicate of banks and ING (in its capacity as a security agent under a revolving borrowing base facilities agreement). As part of that transaction, ING entered into an English law Omnibus Security Agreement dated 19 December 2013 ("OSA") with OWBAS and certain of its subsidiaries (including OWBFE) to assign to ING certain trade and intercompany receivables, insurances and brokerage accounts. The Claimants further alleged that pursuant to the aforesaid, notice of assignment of supply receivables was given to TMD.

The Claimants also alleged that on or about 17 October 2014 and 29 October 2014, TMD and OWBFE entered into contracts both made orally or by yahoo messenger evidenced by a nomination sheet, invoice and sales order confirmation whereby OWBFE agreed in the ordinary course of business to supply and/ or sell to TMD 423.73 MT of gas oil at a price of USD753 per MT for delivery at the port of Pasir Gudang and 794.915 MT of gas oil at a price of USD775.50 per MT for delivery at the port of Kuantan respectively.

The Claimants claim that TMD has failed and refused to make any payment for the bunkers to ING (or to OWBFE), as a result of which ING has suffered loss and damage.

The Claimants claim for, inter alia:

(a) price of the bunkers in the amount of USD935,525.27;
(b) further or alternatively that the Claimants are entitled to payment of the amount set out in its invoices;
(c) further or alternatively the Claimants are entitled to payment of the amount of USD935,525.27 pursuant to the OWB terms and conditions;
(d) further or alternatively, the Claimants be entitled to liquidated damages of USD935,525.27;
(e) further or alternatively, the Claimants be entitled to damages to be assessed for breach of contract;
(f) further or alternatively, the Claimants be entitled to delayed payment administration fees of USD1.5 per MT supplied amounting to USD635.60 and USD1,192.37 for each contract respectively;
(g) further or alternatively, claims an indemnity in respect of all damages and costs suffered as a result of TMD's breach; and
(h) interest and costs.

TMD denies any contracts ever being made with the Claimants, either orally or by way of Yahoo Messenger or in receipt of the notice of assignment. Besides, the Claimants have not produced any bunker delivery receipt which evidences the quality and quantity of the bunkers supplied to and received by the vessels.

This arbitration commenced on 2 May 2017. As at the date of this report, no hearing date has been fixed by the arbitrators. The board of directors of TMD is of the opinion that TMD has a fair chance of success and accordingly, no provisions have been made in the financial statements.

7.5.22 Subsequent Events

On 1 June 2018, TMD had incorporated 6 wholly owned subsidiaries, all of which are incorporated in Labuan, Malaysia, have issued share capital of USD100 each and whose principal activities are offshore trading and investment holding.

The names of the abovementioned newly incorporated subsidiaries are as follows:

(i) Cavalla Asia Ltd;
(ii) Dolphin Asia Ltd;
(iii) Escolar Asia Ltd;
(iv) Omura Asia Ltd;
(v) Oscar Asia Ltd; and
(vi) S3 Asia Ltd.

Other than as disclosed above, as at the date of this report, nothing has come to our attention that causes us to believe that are any significant events subsequent to the date of the audited financial report used in the preparation of the Accountants' Report.

DIRECTORS' REPORT ON TUMPUAN MEGAH

TUMPUAN MEGAH
DEVELOPMENT SDN. BHD.
(798898-A)

Registered Office

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

The Board of Directors of
STRAITS INTER LOGISTICS BERHAD

Date: 13 AUG 2018

Dear Sir/ Madam,

On behalf of the Board of Directors of Tumpuan Megah Development Sdn Bhd ("**Tumpuan Megah**" or the "**Company**"), we wish to report that after due enquiries by the Company in relation to the period between 31 December 2017, being the date to which the last audited financial statements of the Company had been made up, and up to the date of this letter, being a date not earlier than 14 days before the issuance of this Circular, that:-

(i) the business of Tumpuan Megah has, in the opinion of the Board of Directors of Tumpuan Megah, been satisfactorily maintained;

(ii) in the opinion of the Board of Directors of Tumpuan Megah, no circumstances have arisen since the last audited financial statements of Tumpuan Megah which have adversely affected the trading or the value of the assets of Tumpuan Megah;

(iii) the current assets of Tumpuan Megah appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by Tumpuan Megah;

(v) there have been, since the last audited financial statements of Tumpuan Megah, no default or any known events that could give rise to a default situation, in respect of payments of either interest and/ or principal sums in relation to any borrowings in which the Board of Directors of Tumpuan Megah are aware of; and

(vi) there have been no material changes to the published reserves or any unusual factors affecting the profits of Tumpuan Megah since the last audited financial statements of Tumpuan Megah.

Yours faithfully,
For and on behalf of the Board of Directors of
TUMPUAN MEGAH DEVELOPMENT SDN BHD

Raja Ismail bin Raja Mohamed
Director

Dato' Sri Ahmad Said bin Hamdan
Director

YAM Dato' Seri TengkuBaharuddinIbni Sultan Mahmud
Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

The information on the Vendor was obtained from the Vendor and the responsibility of the Board is limited to ensuring that the information thereon are accurately reproduced in this Circular.

2. CONSENT

UOB Kay Hian, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Moore Stephens Associates PLT, being the reporting accountant in relation to the Proposals has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of the letter on the pro forma consolidated statements of financial position of Straits Group as at 31 December 2017 and the Accountants' Report on Tumpuan Megah for the past 3 financial years up to the FYE 31 December 2017, in relation to the Proposals, and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOB Kay Hian has given their written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to Straits for the Proposals.

Moore Stephens Associates PLT has given their written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the reporting accountants to Straits in relation to the Proposals.

4. MATERIAL CONTRACTS

4.1 Straits Group (excluding Tumpuan Megah)

Save as disclosed below, the Group (excluding Tumpuan Megah) has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the LPD:-

(i) Deed Poll;

(ii) Memorandum of Agreement dated 14 November 2016 between Sturgeon Asia Ltd as vendor and the Company as purchaser to acquire a vessel namely, Sturgeon at a purchase consideration of RM3,200,000, subject to the terms and conditions contained in the said Memorandum of Agreement in relation to the acquisition of Sturgeon. The acquisition was completed on 20 June 2017;

(iii) Memorandum of Agreement dated 14 November 2016 between Straits Holdings Ltd as vendor and the Company as purchaser to acquire a vessel namely, MT Straits 1 at a purchase consideration of RM2,800,000, subject to the terms and conditions contained in the said Memorandum of Agreement in relation to the acquisition of MT Straits 1. The acquisition was completed on 29 August 2017;

(iv) the SSA in relation to the Proposed Acquisition; and

(v) the Subscription Agreement in relation to the Proposed Private Placement.

4.2 Tumpuan Megah

Tumpuan Megah and/ or its subsidiary companies have not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the LPD.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, Straits Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against Straits Group or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of Straits Group.

Save as disclosed below, Tumpuan Megah and/ or its subsidiary companies are not engaged in any material litigation, claims or arbitration, and the board of directors of Tumpuan Megah is not aware and does not have any knowledge of any proceedings pending or threatened against Tumpuan Megah and/ or its subsidiary companies or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of Tumpuan Megah and/ or its subsidiary companies:-

*(i) Arbitration between ING Bank N.V ("**ING**" or "**First Claimant**"), O.W. Bunker Far East (Singapore) Pte Ltd ("**OWBFE**" or "**Second Claimant**"), collectively referred to as the "**Claimants**") and Tumpuan Megah (the "**Respondent**")*

*The Claimants alleged that on 19 December 2013, a series of financing agreements were entered into between O.W. Bunker & Trading A/S ("**OWBAS**"), together with certain subsidiary companies (including OWBFE) and a syndicate of banks and ING (in its capacity as a security agent under a revolving borrowing base facilities agreement). As part of that transaction, ING entered into an English law Omnibus Security Agreement dated 19 December 2013 ("**OSA**") with OWBAS and certain of its subsidiaries (including OWBFE) to assign to ING certain trade and intercompany receivables, insurances and brokerage accounts. The Claimants further alleged that pursuant to the aforesaid, notice of assignment of supply receivables was given to Tumpuan Megah.*

The Claimants also alleged that on or about 17 October 2014 and 29 October 2014, Tumpuan Megah and OWBFE entered into contracts both made orally or by yahoo messenger evidenced by a nomination sheet, invoice and sales order confirmation whereby OWBFE agreed in the ordinary course of business to supply and/ or sell to Tumpuan Megah 423.73 MT of gas oil at a price of USD753 per MT for delivery at the port of Pasir Gudang and 794.915 MT of gas oil at a price of USD775.50 per MT for delivery at the port of Kuantan respectively.

The Claimants claim that Tumpuan Megah has failed and refused to make any payment for the bunkers to ING (or to OWBFE), as a result of which ING has suffered loss and damage.

The Claimants claim for, inter alia:

(a) *price of the bunkers in the amount of USD935,525.27;*

(b) *further or alternatively that the Claimants are entitled to payment of the amount set out in its invoices;*

(c) *further or alternatively the Claimants are entitled to payment of the amount of USD935,525.27 pursuant to the OWB terms and conditions;*

(d) *further or alternatively, the Claimants be entitled to liquidated damages of USD935,525.27;*

(e) *further or alternatively, the Claimants be entitled to damages to be assessed for breach of contract;*

(f) *further or alternatively, the Claimants be entitled to delayed payment administration fees of USD1.5 per MT supplied amounting to USD635.60 and USD1,192.37 for each contract respectively;*

(g) *further or alternatively, claims an indemnity in respect of all damages and costs suffered as a result of Tumpuan Megah's breach; and*

(h) *interest and costs.*

Tumpuan Megah denies any contracts ever being made with the Claimants, either orally or by way of Yahoo Messenger or in receipt of the notice of assignment. In addition, the Claimants have not produced any bunker delivery receipt which evidences the quality and quantity of the bunkers supplied to and received by the vessels.

This arbitration commenced on 2 May 2017. As at the LPD, no hearing date has been fixed by the arbitrators.

The board of directors of Tumpuan Megah is of the opinion that Tumpuan Megah has a fair chance of success.

6. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by Straits Group that has not been provided for, which may have a material impact on the financial results/ position of Straits Group.

7. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by Straits Group which, upon becoming enforceable, may have a material impact on the financial results/ position of Straits Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at No.149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor, during normal business hours (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

(i) Memorandum and Articles of Association of Straits;

(ii) Memorandum and Articles of Association of Tumpuan Megah;

(iii) Audited consolidated financial statements or Straits Group for the past 2 financial years up to the FYE 31 December 2017 and the latest unaudited financial statements of Straits Group for the 3-month financial period ended 31 March 2018;

(iv) Audited financial statements of Tumpuan Megah for the past 3 financial years up to the FYE 31 December 2017;

(v) Accountants' Report on Tumpuan Megah, as set out in **Appendix III** of this Circular;

(vi) The pro forma consolidated statements of financial position of Straits Group as at FYE 31 December 2017 together with the reporting accountants' letter, as set out in **Appendix II** of this Circular;

(vii) The directors' report on Tumpuan Megah as set out in **Appendix IV** of this Circular;

(viii) The letters of consent and declaration of conflict of interests referred to in **Sections 2 and 3** above, respectively;

(ix) The material contracts referred to in **Section 4** above; and

(x) The cause papers referred to in **Section 5** above.

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STRAITS INTER LOGISTICS BERHAD

STRAITS INTER LOGISTICS BERHAD

(Company No. 412406-T)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Straits Inter Logistics Berhad ("**Straits**" or the "**Company**") will be held at Maple Room, Level C, One World Hotel, First Avenue Bandar Utama City Centre, 47800 Petaling Jaya, Selangor on Tuesday, 18 September 2018 at 10.00 a.m., for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION BY STRAITS OF 8,250,000 ORDINARY SHARES OF TUMPUAN MEGAH DEVELOPMENT SDN. BHD. ("TUMPUAN MEGAH"), REPRESENTING 55.0% EQUITY INTEREST IN TUMPUAN MEGAH FOR A PURCHASE CONSIDERATION OF RM35,750,000 TO BE SATISFIED VIA A COMBINATION OF CASH PAYMENT OF RM7,800,000 AND THE REMAINING PURCHASE CONSIDERATION OF RM27,950,000 TO BE SATISFIED VIA NEW ISSUANCE AND ALLOTMENT OF 116,458,333 ORDINARY SHARES OF STRAITS ("SHARE(S)") AT THE ISSUE PRICE OF RM0.24 PER SHARE

("PROPOSED ACQUISITION")

"**THAT**, subject to and conditional upon the passing of the Ordinary Resolution 2 and the approvals of all relevant authorities in respect of the listing of and quotation for 116,458,333 new Shares on the ACE Market of Bursa Malaysia Securities Berhad, and/ or parties being obtained, approval be and is hereby given to the Company to acquire 8,250,000 ordinary shares in Tumpuan Megah, representing 55.0% equity interest in Tumpuan Megah from Raja Ismail bin Raja Mohamed (the "**Vendor**") for a total purchase consideration of RM35,750,000 to be satisfied via a combination of cash payment of RM7,800,000 and the issuance and allotment of 116,458,333 new Shares ("**Consideration Shares**") at an issue price of RM0.24 per Share, in accordance with the terms and conditions of the conditional share sale and purchase agreement dated 7 June 2018 entered into between the Company and the Vendor.

THAT such Consideration Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Shares, save and except that the Consideration Shares shall not be entitled to any dividends, rights, allotment and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date for the said distribution precedes the date of the allotment and issuance of the Consideration Shares.

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Acquisition with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition."

ORDINARY RESOLUTION 2

PROPOSED PRIVATE PLACEMENT OF 36,790,438 NEW SHARES ("PLACEMENT SHARE(S)") AT THE SUBSCRIPTION PRICE OF RM0.24 PER PLACEMENT SHARE

("PROPOSED PRIVATE PLACEMENT")

"**THAT**, subject to and conditional upon the passing of the Ordinary Resolution 1 and the approvals of the relevant authorities and/ or parties being obtained, approval be and is hereby given to the Board to allot and issue 36,790,438 Placement Shares at the subscription price of RM0.24 per Placement Share to Captain Tony Tan Han (Chen Han) (the "**Placee**").

THAT such Placement Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Shares, save and except that the Placement Shares shall not be entitled to any dividends, rights, allotment and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date for the said distribution precedes the date of the allotment and issuance of the Placement Shares.

THAT the proceeds raised from the Proposed Private Placement be utilised for the purposes as set out in the Circular to the shareholders of the Company dated 20 August 2018, and the Board be, and is hereby authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Directors of the Company may deem fit, necessary and/ or expedient, subject to the approval of the relevant authorities, where required.

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Private Placement with full power to assent to any conditions, variations, modifications, and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matter relating thereto and to take all such steps to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Private Placement."

By Order of the Board

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

Selangor
20 August 2018

Notes:-

1) A member of the Company who is entitled to attend, speak and vote at this EGM is entitled to appoint a proxy/proxies, and in the case of a corporation, a duly authorised representative to attend, speak and vote in its stead.

2) A proxy may but need not be a member of the Company. Where a member appoints more than 1 proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.

*3) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), the exempt authorised nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds.*

4) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of its attorney duly authorised in writing.

*5) The original signed instrument appointing a Proxy or the Power of Attorney or other Authority, if any, under which it is signed or a notarially certified copy of that Power or Authority **must be deposited at the office of the Share Registrar of the Company, namely Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Wilayah Persekutuan Kuala Lumpur, not less than 48 hours** before the time for holding the meeting or at adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.*

Paragraph 8.31A (1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of EGM to be put to vote by poll.

6) *For the purpose of determining a member who shall be entitled to attend, speak and vote at the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Section 34(1) of the SICDA to issue a General Meeting Record of Depositors.* ***Only a depositor whose name appears on the Record of Depositors as at 7 September 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his stead.***

7) *The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/ or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and authorisation of all persons whose personal data you have disclosed and/ or processed in connection with the foregoing.*

8) *Please refer to the Circular to the shareholders of the Company dated 20 August 2018 for further information.*

CDS Account No	
Number of Ordinary Share(s) held	

STRAITS INTER LOGISTICS BERHAD

STRAITS INTER LOGISTICS BERHAD
(Company No. 412406-T)

I/We ....
(FULL NAME OF SHAREHOLDER AS PER NRIC / CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

NRIC No. / Company No. ______________________________ of ______________________________

____
(FULL ADDRESS)

being a member of STRAITS INTER LOGISTICS BERHAD ("**Company**") hereby appoint :

FIRST PROXY

Fulll Name of Proxy in capital letters		Proportion of Shareholdings	
		Number of Shares	Percentage
NRIC No/Passport No			

and/or failing him/her,

SECOND PROXY

Fulll Name of Proxy in capital letters		Proportion of Shareholdings	
		Number of Shares	Percentage
NRIC No/Passport No			

or failing him/her the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Extraordinary General Meeting (**"EGM"**) of the Company to be held at **Maple Room, Level C, One World Hotel, First Avenue Bandar Utama City Centre, 47800 Petaling Jaya, Selangor on Tuesday, 18 September 2018 at 10.00 a.m.** or at any adjournment thereof, on the following resolutions referred to in the Notice of EGM.

My/our proxy is to vote as indicated below:-

Resolution No	RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1	**PROPOSED ACQUISITION**		
Ordinary Resolution 2	**PROPOSED PRIVATE PLACEMENT**		

Please indicate with an "X" in the appropriate space how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.

Dated this ____________day of __________________2018

____
Signature/Common Seal of Shareholder (s)
* Delete if not applicable

Notes:

1) *A member of the Company who is entitled to attend, speak and vote at this EGM is entitled to appoint a proxy/proxies, and in the case of a corporation, a duly authorised representative to attend, speak and vote in its stead.*

2) *A proxy may but need not be a member of the Company. Where a member appoints more than 1 proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.*

3) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), the exempt authorised nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds.*

4) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attomey duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of its attorney duly authorised in writing.*

5) *The original signed instrument appointing a Proxy or the Power of Attorney or other Authority, if any, under which it is signed or a notarially certified copy of that Power or Authority must be deposited at the office of the **Share Registrar of the Company, namely Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Wilayah Persekutuan Kuala Lumpur, not less than 48 hours before the time for holding the meeting** or at adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.*

Paragraph 8.31A (1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of EGM to be put to vote by poll.

6) *For the purpose of determining a member who shall be entitled to attend, speak and vote at the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Section 34(1) of the SICDA to issue a General Meeting Record of Depositors. **Only a depositor whose name appears on the Record of Depositors as at 7 September 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his stead.***

7) *The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/ or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and authorisation of all persons whose personal data you have disclosed and/ or processed in connection with the foregoing.*

8) *Please refer to the Circular to the shareholders of the Company dated 20 August 2018 for further information.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

STRAITS INTER LOGISTICS BERHAD
C/O SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn Bhd,
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Wilayah Persekutuan Kuala Lumpur

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