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 Principal Adviser to Straits Energy Resources Berhad for the Proposals (as defined herein).

STRAITS ENERGY RESOURCES BERHAD

(FORMERLY KNOWN AS STRAITS INTER LOGISTICS BERHAD)
Registration No.: 199601040053 (412406-T)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

I. PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF STRAITS ENERGY RESOURCES BERHAD ("STRAITS") (EXCLUDING TREASURY SHARES) TO THIRD PARTY INVESTOR(S) TO BE IDENTIFIED LATER ("PROPOSED PRIVATE PLACEMENT");

II. PROPOSED ACQUISITION OF 270,000 ORDINARY SHARES IN SINAR MAJU LOGISTIK SDN BHD ("SINAR MAJU") ("SALE SHARE(S)"), REPRESENTING 90% EQUITY INTEREST IN SINAR MAJU, FROM TAN SRI MOHD BAKRI BIN MOHD ZININ ("TAN SRI MOHD BAKRI" OR THE "VENDOR") FOR A PURCHASE CONSIDERATION OF RM16,380,000 ("PURCHASE CONSIDERATION") TO BE SATISFIED ENTIRELY VIA CASH ("PROPOSED ACQUISITION"); AND

III. PROPOSED GRANTING BY THE VENDOR TO STRAITS OF A CALL OPTION ("CALL OPTION") FOR STRAITS TO ACQUIRE ALL THE REMAINING ORDINARY SHARES IN SINAR MAJU ("SINAR MAJU SHARE(S)") TO BE HELD BY THE VENDOR AFTER THE COMPLETION OF THE PROPOSED ACQUISITION ("CALL OPTIONS SHARE(S)"), REPRESENTING THE REMAINING 10% EQUITY INTEREST IN SINAR MAJU, FOR A PURCHASE CONSIDERATION OF RM1,820,000 ("CALL OPTION PRICE") ("PROPOSED CALL OPTION")

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

UOBKayHian

UOB KAY HIAN SECURITIES (M) SDN BHD
(Registration No. 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

AER

ASIA EQUITY RESEARCH SDN BHD
(Registration No. 201401027762 (1103848-M))

The Notice of the Extraordinary General Meeting of Straits ("**EGM**") which will be conducted on a fully virtual basis through live streaming and online meeting platform at TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via Remote Participation and Electronic Voting ("**RPV**") facilities at https://tiih.online on Wednesday, 19 January 2022 at 10.00 a.m., or at any adjournment thereof, together with the Proxy Form are enclosed herein.

A member entitled to attend, participate, speak and vote remotely at the EGM via the Remote Participation and Voting facilities provided is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Proxy Form should be lodged at the office of the Share Registrar of the Company at 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 Kuala Lumpur, Wilayah Persekutuan or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or you have the option to lodge the proxy appointment electronically via TIIH Online at https://tiih.online or email to is.enquiry@my.tricorglobal.com not less than 48 hours before the time holding the EGM or at any adjournment thereof. Please refer to the procedures as set out in the Administrative Guide for the electronic lodgement of Proxy Form.

The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	: Monday, 17 January 2022 at 10.00 a.m.
Date and time of the EGM	: Wednesday, 19 January 2022 at 10.00 a.m.

This Circular is dated 31 December 2021

DEFINITIONS

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

"Act"	:	The Companies Act 2016, as amended from time to time and all regulations made thereunder and any re-enactment thereof
"AER" or the "Independent Adviser"	:	Asia Equity Research Sdn Bhd (Registration No. 201401027762 (1103848-M))
"Board"	:	The Board of Directors of Straits
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
"Call Option"	:	The call option granted by the Vendor to Straits to acquire all the Call Option Shares in a single transaction, representing the remaining 10% equity interest in Sinar Maju, for the Call Option Price to be satisfied entirely via cash by serving the Call Option Notice
"Call Option Completion Date"	:	A date within 10 business days after the date the last of the conditions precedent of the Call Option is satisfied
"Call Option Notice"	:	A written notice to be served by Straits to the Vendor to exercise the Call Option
"Call Option Period"	:	A period of 30 months commencing from the completion of the Proposed Acquisition during which the Call Option may be exercised at any time
"Call Option Price"	:	RM1,820,000, being the purchase consideration for the Call Option Shares to be satisfied entirely via cash pursuant to the exercise of the Call Option
"Call Options Share(s)"	:	All the remaining Sinar Maju Share(s) to be held by the Vendor after the completion of the Proposed Acquisition, representing 10% equity interest in Sinar Maju
"Circular"	:	This circular to shareholders of Straits dated 31 December 2021 in relation to the Proposals
"Completion Date"	:	A date within 90 days after the date the last of the conditions precedent of the SSA is satisfied or such other date as the parties of the SSA may agree in writing
"Conditions Precedent"	:	Conditions precedent of the SSA
"Director(s)"	:	The director(s) of Straits and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
"EGM"	:	The forthcoming Extraordinary General Meeting of the Company
"EPS/ (LPS)"	:	Earnings per share/ (Loss) per share
"FPE"	:	Financial period ended/ ending

"FYE"	:	Financial year ended/ ending
"IAL"	:	The independent advice letter from AER to the non-interested shareholders of Straits in relation to the Proposed Acquisition and Proposed Call Option, as set out in Part B of this Circular
"Interested Director"	:	Tan Sri Mohd Bakri, being the Non-Independent & Non-Executive Director of Straits is deemed interested in the Proposed Acquisition and Proposed Call Option by virtue of his directorship in Sinar Maju and 100.0% direct equity interest in Sinar Maju as set out in Section 10.2, Part A of this Circular
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"LPD"	:	17 December 2021, being the latest practicable date prior to the printing and despatch 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 the 153,267,500 outstanding Warrants are exercised prior to the implementation of the Proposed Private Placement
"Minimum Scenario"	:	Assuming none of the Warrants are exercised prior to the implementation of the Proposed Private Placement
"NA"	:	Net assets attributable to the owners of the Company
"PAT/ (LAT)"	:	Profit after taxation/ (Loss) after taxation
"PBT/ (LBT)"	:	Profit before taxation/ (Loss) before taxation
"PE"	:	Price-to-earnings
"Placement Share(s)"	:	Up to new 186,811,479 Straits Shares to be issued pursuant to the Proposed Private Placement
"Profit Guarantee"	:	The profit guarantee of RM2.80 million provided by the Vendor to Straits for the Profit Guarantee Period
"Profit Guarantee Period"	:	The 24-month financial period of Sinar Maju being FYE 31 December 2022 and FYE 31 December 2023
"Proposals"	:	The Proposed Private Placement, Proposed Acquisition and Proposed Call Option, collectively
"Proposed Acquisition"	:	Proposed acquisition of 270,000 Sale Shares, representing 90% equity interest in Sinar Maju, from the Vendor for the Purchase Consideration
"Proposed Call Option"	:	Proposed granting by the Vendor to Straits of the Call Option
"Proposed Private Placement"	:	Proposed private placement of up to 20% of the total number of Straits Shares (excluding treasury shares) to third party investor(s) to be identified later

"Purchase Consideration"	:	RM16,380,000, being the consideration for the Proposed Acquisition to be satisfied entirely via cash
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RPT(s)"	:	Related party transaction(s)
"Sale Share(s)"	:	270,000 Sinar Maju Shares to be acquired by Straits from the Vendor pursuant to the Proposed Acquisition
"Sinar Maju"	:	Sinar Maju Logistik Sdn Bhd (Registration No.: 201701021367 (1235533-K))
"Sinar Maju Group"	:	Sinar Maju and its wholly-owned subsidiary, Sinar Maju Marin Sdn Bhd (Registration No.: 202001019873 (1376193-T))
"Sinar Maju Share(s)"	:	Ordinary share(s) in Sinar Maju
"SSA"	:	Conditional share sale agreement dated 25 October 2021 entered into between Straits and the Vendor for the Proposed Acquisition
"Straits"	:	Straits Energy Resources Berhad *(formerly known as Straits Inter Logistics Berhad)* (Registration No.: 199601040053 (412406-T))
"Straits Group" or "Group"	:	Straits and its subsidiaries
"Straits Share(s)" or "Share(s)"	:	Ordinary share(s) in Straits
"Tan Sri Mohd Bakri" or the "Vendor"	:	Tan Sri Mohd Bakri Bin Mohd Zinin
"UOBKH" or the "Principal Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No.: 199001003423 (194990-K))
"VWAP"	:	Volume weighted average market price
"Warrant(s)"	:	153,267,500 outstanding warrants 2017/2022 in the Company as at the LPD, constituted by the deed poll dated 4 July 2017. Each Warrant carries the entitlement to subscribe for 1 new Straits Share during the 5-year exercise period up to 10 August 2022 at an exercise price of RM0.115 per Warrant

All references to "you" in this Circular are made to shareholders who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals. Shareholders are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

Key information	Description	Reference to Circular
Summary of the Proposals	**<u>Proposed Private Placement</u>** The Proposed Private Placement entails an issuance of up to 20% of the total number of issued shares of Straits. Bursa Securities had vide its letter dated 15 December 2021, resolved to approve the listing and quotation for up to 186,811,479 Placement Shares pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities, subject to the conditions as disclosed in Section 8, Part A of this Circular. The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement. The Placement Shares will be issued at a price of not more than 10% discount to the 5-day VWAP of Straits Shares immediately preceding the price-fixing date. The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.	**Section 2**
	<u>Proposed Acquisition and Proposed Call Option</u> On 25 October 2021, the Company had entered into a conditional share sale agreement with the Vendor for the acquisition of 270,000 Sale Shares, representing 90% equity interest in Sinar Maju, for a purchase consideration of RM16,380,000 to be satisfied entirely via cash. Upon completion of the Proposed Acquisition, Sinar Maju will become a 90%-owned subsidiary of Straits. Pursuant to the SSA, the Vendor granted to Straits the Call Option for Straits to acquire all the Call Options Shares in a single transaction, representing the remaining 10% equity interest in Sinar Maju, for a purchase consideration of RM1,820,000 to be satisfied entirely via cash by serving the Call Option Notice to the Vendor. The Purchase Consideration of RM16,380,000 and Call Option Price of RM1,820,000 was arrived at, on a willing-buyer willing-seller basis, after taking into consideration the profit guarantee of RM2.80 million provided by the Vendor to Straits for 2 twelve-month financial years, i.e. FYE 31 December 2022 and FYE 31 December 2023 of Sinar Maju, which translates to a yearly profit guarantee of RM1.40 million for each of the aforesaid financial years (assuming the completion of the Proposed Acquisition and the exercise of the Call Option, the yearly profit attributable to Straits would be RM1.40 million based on 100% equity interest to be acquired by Straits). Premised on the above, the Purchase Consideration and Call Option Price represents a PE multiple of 13.00 times to the forward earnings of Sinar Maju based on the Yearly Profit Guarantee.	**Section 3**

Key information	Description	Reference to Circular
Utilisation of proceeds from the Proposed Private Placement	Based on the indicative issue price of RM0.17 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM31.76 million under the Maximum Scenario. The proceeds are intended to be utilised by Straits Group in the following manner:-	**Section 2.6**

Details of utilisation	Timeframe for utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000
Payment for the Purchase Consideration pursuant to the Proposed Acquisition*1	Upon completion of the Proposed Acquisition	16,380	16,380
Working capital*2	Within 12 months from the receipt of placement proceeds	5,257	7,985
Purchase of equipment for Straits' offshore ship-to-ship transhipment hub ("**STS Transhipment Hub**")*3	Within 12 months from the receipt of placement proceeds	4,090	6,573
Estimated expenses in relation to the Proposals*4	Upon completion of the Proposals	820	820
Total		**26,547**	**31,758**

Rationale and justification for the Proposals

Proposed Private Placement — **Section 4.1**

- To raise indicative gross proceeds of up to RM31.76 million to meet the Group's fundraising objectives as set out in Section 2.6, Part A of this Circular.

- Enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings which may affect the Group's bottom line.

- Represents an expeditious way of raising funds from the capital market as opposed to other forms of fund raising such as a rights issue, as the placement funds from the Proposed Private Placement will be paid within 5 market days from the relevant price-fixing date.

- Upon completion of the Proposed Private Placement, the Company's enlarged capital base is also expected to further strengthen the financial position of the Company and improve the gearing level of the Group.

Proposed Acquisition and Proposed Call Option — **Section 4.2**

- The Proposed Acquisition represents a horizontal expansion of the Group's port operation and facility management services, which will allow the Group to offer a broader range of related services within the port operation, logistics and transportation sector to provide additional value to clients and enhance the revenue and earnings of Straits Group moving forward.

- The Board anticipates that the Proposed Acquisition will provide an additional income stream to Straits Group moving forward, premised on the historical financial results of Sinar Maju for the past 3 financial years under review and the Yearly Profit Guarantee of RM1.40 million per year provided by the Vendor to Straits for the FYE 31 December 2022 and FYE 31 December 2023.

Key information	Description	Reference to Circular
	• In addition, the Proposed Call Option will provide the Group the option to acquire the remaining 10% equity interest in Sinar Maju at the Call Option Price which in turn would allow the Group to recognise the full PAT of Sinar Maju.	
Risk factors of the Proposed Acquisition	Additional potential risks that may have an impact on the Straits Group, which may not be exhaustive pertaining to the Proposed Acquisition are set out below:- • **Investment risks –** The benefits to be realised from the Proposed Acquisition are dependent upon the successful business, operations and profitability of Sinar Maju. Further, there can be no assurance that the business and operations of Sinar Maju will generate the expected return on investment, beyond the Profit Guarantee, as the success and profitability of its business depends on various factors. • **Completion risk –** The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SSA being fulfilled or waived. There can be no assurance that such conditions will be fulfilled or waived within the timeframe stipulated in the SSA. • **Impact of the COVID-19 pandemic -** In response to the COVID-19 pandemic, the Group and Sinar Maju Group will continue to take mitigating action against the coronavirus disease. Nevertheless, there is no assurance that the continuation of the COVID-19 pandemic may not have a material adverse impact on the business operations and financial performance of the Group and Sinar Maju.	**Section 6**
Approvals required	The Proposals are subject to the following approvals being obtained:- • Bursa Securities, which was obtained on 15 December 2021; • Shareholders of Straits at the EGM; and • Any other relevant authorities and/ or parties, if required	**Section 9**
Interested parties and any conflict of interest from the Proposals	**Proposed Private Placement** None of the Directors, major shareholders and/ or chief executive of Straits and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement. **Proposed Acquisition and Proposed Call Option** Save as disclosed below, none of the Directors, major shareholders and/ or chief executive of Straits and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition and Proposed Call Option:- • Tan Sri Mohd Bakri (Non-Independent & Non-Executive Director of Straits)	**Section 10**
Directors' statement	**Proposed Private Placement** The Board, having considered all aspects of the Proposed Private Placement, including the rationale and justification as well as the effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interests of the Company. Accordingly, the Board recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Private Placement at the EGM.	**Section 15**

Key information	Description	Reference to Circular
	<u>Proposed Acquisition and Proposed Call Option</u> The Board (save for the Interested Director), having considered all aspects of the Proposed Acquisition and Proposed Call Option, including but not limited to the terms and conditions of the SSA, the rationale and justification, the prospects of Sinar Maju Group and Straits Group as well as the pro forma effects, is of the opinion that the Proposed Acquisition and Proposed Call Option are in the best interests of the Company and the terms and conditions of the Proposed Acquisition and Proposed Call Option are fair, reasonable and on normal commercial terms. Hence, the Board (save for the Interested Director) is of the opinion that the Proposed Acquisition and Proposed Call Option will not be detrimental to the interests of the non-interested shareholders of the Company. Accordingly, the Board (save for the Interested Director) recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposed Acquisition and Proposed Call Option at the EGM. .	

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PART A

LETTER TO THE SHAREHOLDERS OF STRAITS IN RELATION TO THE PROPOSALS

STRAITS ENERGY RESOURCES BERHAD

(FORMERLY KNOWN AS STRAITS INTER LOGISTICS BERHAD)
Registration No.: 199601040053 (412406-T)
(Incorporated in Malaysia)

Registered Office

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

31 December 2021

Board of Directors

YAM Dato' Seri Tengku Baharuddin Ibni Al-Marhum 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)*
Harison Binti Yusoff (*Non-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 Energy Resources Berhad

Dear Sir/ Madam,

I. PROPOSED PRIVATE PLACEMENT;

II. PROPOSED ACQUISITION; AND

III. PROPOSED CALL OPTION

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1. INTRODUCTION

On 25 October 2021, UOBKH had, on behalf of the Board, announced that the Company proposed to undertake the following:-

i. a private placement of up to 20% of the total number of issued shares of Straits (excluding treasury shares) to third party investor(s) to be identified later. For avoidance of doubt, the Proposed Private Placement is not undertaken in accordance with a general mandate pursuant to Sections 75 and 76 of the Act. As such, the Proposed Private Placement is subject to specific shareholder approval pursuant to Rule 6.06 of the Listing Requirements;

ii. an acquisition of 270,000 ordinary shares in Sinar Maju, representing 90% equity interest in Sinar Maju, from Tan Sri Mohd Bakri Bin Mohd Zinin for a purchase consideration of RM16,380,000 to be satisfied entirely via cash; and

iii. the granting by the Vendor to Straits of a call option for Straits to acquire all the remaining Sinar Maju Shares to be held by the Vendor after the completion of the Proposed Acquisition in a single transaction, representing the remaining 10% equity interest in Sinar Maju, for a purchase consideration of RM1,820,000 to be satisfied entirely via cash by serving a written notice to the Vendor.

The total purchase consideration for the Proposed Acquisition and the exercise of Call Option, will amount to RM18,200,000.

The Proposed Acquisition and Proposed Call Option are deemed as RPTs pursuant to Rule 10.08 of the Listing Requirements. Details of the interests of Tan Sri Mohd Bakri, being the Non-Independent and Non-Executive Director of Straits, in relation to the Proposed Acquisition and Proposed Call Option are set out in Section 9.2, Part A of this Circular.

In view that the Proposed Acquisition and Proposed Call Option are deemed RPTs pursuant to Rule 10.08 of the Listing Requirements, AER has been appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company in relation to the Proposed Acquisition and Proposed Call Option.

On 15 December 2021, UOBKH had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 15 December 2021, resolved to approve the listing and quotation for up to 186,811,479 Placement Shares pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities, subject to the conditions as disclosed in Section 8, Part A of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU 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 EGM.

2. PROPOSED PRIVATE PLACEMENT

2.1 Placement size

The Proposed Private Placement entails an issuance of up to 20% of the total number of issued shares of Straits.

As at the LPD, the total issued share capital of Straits was RM124,895,843 comprising 780,789,895 Straits Shares and the Company does not retain any treasury shares. In addition, as at the LPD, Straits has 153,267,500 Warrants.

Based on the above, assuming all the Warrants are exercised into new Shares prior to the implementation of the Proposed Private Placement, the Company's enlarged number of issued Shares will be 934,057,395 Straits Shares. Accordingly, a total of up to 186,811,479 Placement Shares may be issued pursuant to the Proposed Private Placement.

As set out in Section 1, Part A of this Circular, the Proposed Private Placement is undertaken on a standalone basis and is not undertaken in accordance with a general mandate pursuant to Sections 75 and 76 of the Act. As such, the Proposed Private Placement is subject to specific shareholder approval pursuant to Rule 6.06 of the Listing Requirements.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued shares of the Company on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement as set out in Section 9, Part A of this Circular, where applicable, as well as the demand for the Placement Shares at the material time of implementation of the Proposed Private Placement.

2.2 Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement.

The Placement Shares will be issued at a price of not more than 10% discount to the 5-day VWAP of Straits Shares immediately preceding the price-fixing date. This provides the Board the flexibility to fix any price range up to a maximum discount of 10% in order to entice investors to subscribe for the Placement Shares. The Board intends to fully place out the Placement Shares at a price deemed attractive as well as acceptable to both the Company and potential investor(s) and also to meet Straits Group's funding objectives as set out in Section 2.6, Part A of this Circular. After taking into consideration the prevailing market conditions and market sentiments, the Board is of the view that a discount of up to 10% will be attractive enough to entice potential investor(s) to subscribe for the Placement Shares.

In the event the Placement Shares are to be issued in tranches, there will be a price-fixing announcement for each tranche and the Company will ensure payment for the Placement Shares by the placee(s) is received within 5 Market Days from the price-fixing date of each tranche of the Proposed Private Placement.

For illustrative purposes only, the indicative issue price of the Placement Shares is assumed at RM0.17 per Placement Share, which represents the 5-day VWAP of Straits Shares up to and including the LPD of RM0.17 per Straits Share.

2.3 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing Straits Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

2.4 Listing and quotation for the Placement Shares

The Placement Shares to be issued will be listed and quoted on the ACE Market of Bursa Securities. Approval for the listing and quotation for the Placement Shares on the ACE Market of Bursa Securities has been obtained via Bursa Securities' approval letter dated 15 December 2021.

2.5 Allocation to placees

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

Additionally, the Placement Shares will not be placed out to the following parties:-

i. any director, major shareholder, chief executive of Straits or a holding company of Straits ("**Interested Person**");

ii. a person connected with an Interested Person; and

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

In the event the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

2.6 Utilisation of proceeds

Based on the indicative issue price of RM0.17 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM31.76 million under the Maximum Scenario. The proceeds are intended to be utilised by Straits Group in the following manner:-

Details of utilisation	Timeframe for utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000
Payment for the Purchase Consideration pursuant to the Proposed Acquisition[*1]	Upon completion of the Proposed Acquisition	16,380	16,380
Working capital[*2]	Within 12 months from the receipt of placement proceeds	5,257	7,985
Purchase of equipment for Straits' offshore ship-to-ship transhipment hub ("**STS Transhipment Hub**")[*3]	Within 12 months from the receipt of placement proceeds	4,090	6,573
Estimated expenses in relation to the Proposals[*4]	Upon completion of the Proposals	820	820
Total		**26,547**	**31,758**

Notes:-

*1 *Details of the Proposed Acquisition is set out in Section 3, Part A of this Circular. The Purchase Consideration of RM16,380,000 will be settled in accordance with the terms of the SSA as set out in Section 3.3, Part A of this Circular.*

*2 *The proceeds earmarked for working capital are intended to partially defray the operational expenses of the Group's oil trading and bunkering services segment, an indicative breakdown of which is set out below:-*

Details of utilisation	***Indicative percentage allocation %***	***Minimum Scenario RM'000***	***Maximum Scenario RM'000***
Purchase of oil and petroleum products, which include, amongst others, marine gas oil, marine fuel, marine diesel oil, oil, kerosene and lubricating oil	*81.8*	*4,300*	*6,532*
Other operating expenses, which include, amongst others, office rental, utilities and supplies as well as staff salaries and allowances	*18.2*	*957*	*1,453*
Total	***100.0***	***5,257***	***7,985***

The actual breakdown of the proceeds to be utilised for working capital are subject to the Group's operating requirements at the time of utilisation and as such can only be determined at a later stage.

In the event of a surplus/ deficit in the allocated amounts for the aforesaid working capital requirements, such variance will be adjusted to/ from the allocated amounts for other working capital requirements, depending on the Group's operating requirements at the point of utilisation. Further, any variation in the actual amount of proceeds to be utilised for the purchase of equipment for the STS Transhipment Hub will be adjusted in the proceeds earmarked for working capital.

Based on the latest unaudited financial results for the 9-month FPE 30 September 2021, the Group's cash and bank balances stood at approximately RM34.55 million as at 30 September 2021 and the Group has sufficient working capital for the next 12 months. The proceeds earmarked for working capital will allow the Group flexibility in respect of financial allocations for its operational requirements, which in turn is expected to enable the Group to carry out its day-to-day operations in a more efficient and timely manner.

*3 *On 12 July 2021, Victoria STS (Labuan) Sdn Bhd ("**Victoria STS**"), a 70%-owned subsidiary of Fajar Maritime and Logistics Sdn Bhd, which in turn is a 60%-owned subsidiary of Straits Port Management Sdn Bhd, and which in turn is a wholly-owned subsidiary of Straits, had received a letter of approval ("**LOA**") from Marine Department Malaysia for the development of the STS Transhipment Hub to provide and carry out ship-to-ship transfer activities for liquid cargo such as crude oil, marine gas oil, marine diesel oil, marine fuel oil, liquefied natural gas ("**LNG**") and liquefied petroleum gas within the port limits of Victoria Bay, Labuan. The STS Transhipment Hub will comprise an initial 6 ship-to-ship berths which will allow the transfer of cargo between seagoing ships positioned alongside one another.*

*Subsequently, Marine Department Malaysia had on 30 July 2021 issued a letter stating no objections to the commencement of development and operation of the STS Transhipment Hub by Victoria STS for a duration of 5 years commencing from 30 July 2021 to 29 July 2026 ("**Letter of No Objections**"). For shareholders' information, Victoria STS may apply to Marine Department Malaysia to renew its approval for the operation of the STS Transhipment Hub by Victoria STS at least 90 days prior to the expiry date. Nevertheless, the duration of renewal is not specified in the LOA or Letter of No Objections. Victoria STS expects to derive revenue from the STS Transhipment Hub via charging anchorage fees, ship-to-ship transfer of cargo fees and sale of general supplies (e.g. food, dry supplies and fresh water) to vessels moored at the STS Transhipment Hub.*

The Group had commenced development of the STS Transhipment Hub in August 2021 and at this juncture, the development is approximately 80% completed, pending the arrival of oil spill equipment, fenders and hoses for the STS Transhipment Hub. The Group expects to complete the development of the STS Transhipment Hub and commence operations by February 2022. For shareholders' information, the initial cost of the STS Transhipment Hub is estimated to be approximately RM15.20 million, which will be financed entirely via internally generated funds. The Group anticipates that subsequent costs of the STS Transhipment Hub will amount to approximately RM6.33 million comprising the acquisition of a LNG transfer system, which will be funded via a combination of internally generated funds and/ or bank borrowings. As at the LPD, the Group has spent approximately RM13.11 million on the STS Transhipment Hub.

With respect to the above, the Group has allocated up to RM6.57 million of the proceeds from the Proposed Private Placement towards the purchase of equipment for the operations of the STS Transhipment Hub, an indicative breakdown of which is set out below:-

		Indicative allocation	
Equipment	***Units to be acquired***	***Minimum Scenario RM'000***	***Maximum Scenario RM'000***
Tugboat (ships that guide other vessels to moorings/ berths by towing or pushing the vessels)	*1*	*4,090*	*4,090*
Single point mooring system (a floating offshore buoy/ jetty anchored to the seabed which facilitates the loading or unloading of liquid cargo of vessels)	*1*	*-*	*2,483*
Total		***4,090***	***6,573***

The actual utilisation for purchase of equipment for the operations of the STS Transhipment Hub is subject to the operational requirements of the STS Transhipment Hub at the time of utilisation and as such can only be determined at a later stage. Accordingly, the Board shall have the discretion to reallocate funds between the equipment as indicated above and/ or towards other equipment which may include, amongst others, pneumatic fenders (rubber cushions filled with high pressure air placed on waters in-between adjacent ships during ship-to-ship transfer to prevent the ships from damaging each other upon impact or via friction) and ship-to-ship hoses for crude oil and liquefied petroleum gas transfer.

In addition, any variation in the actual amount of proceeds to be utilised for the purchase of equipment for the STS Transhipment Hub will be adjusted in the proceeds earmarked for working capital.

*4 *The proceeds earmarked for estimated expenses in relation to the Proposals will be utilised as set out below:-*

	RM'000
Professional fees	*725*
Regulatory fees	*25*
Other incidental expenses in relation to the Proposals	*70*
Total	***820***

Any variation in the actual amount of the expenses will be adjusted in the portion of the proceeds to be utilised for working capital of the Group.

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for working capital.

Pending utilisation of the proceeds from the Proposed Private Placement for the above purposes, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits with financial institutions or any gains arising from the short-term money market instruments will be used as working capital for the Group.

2.7 Other fund raising exercises in the past 12 months

On 11 January 2021, Straits announced the following:-

i. a private placement of up to 20% of the total number of issued shares of Straits (excluding treasury shares) to third party investor(s) to be identified later pursuant to Sections 75 and 76 of the Act ("**Private Placement I**"); and

ii. an acquisition of 2,250,000 ordinary shares in Tumpuan Megah Development Sdn Bhd ("**Tumpuan Megah**"), representing 15% equity interest in Tumpuan Megah from Dato' Mohd Suhaimi bin Hashim for a purchase consideration of RM11,714,647.35 to be satisfied entirely via cash ("**Acquisition I**").

A total of 130,131,649 new Straits Shares were listed on 1 March 2021 at the issue price of RM0.157 each pursuant to the Private Placement I, which raised gross proceeds of RM20.43 million.

The status of the utilisation of proceeds raised from the Private Placement I as at the LPD is set out below:-

Proposed utilisation	**Actual/ expected timeframe for utilisation**	**Amount raised RM'000**	**Amount utilised RM'000**
Full settlement of the purchase consideration for the Acquisition I	Upon completion of the Acquisition I on 3 March 2021	11,715	11,715
Working capital*1	Within 12 months from completion of the Private Placement I on 1 March 2021	8,386	8,386
Estimated expenses in relation to the Private Placement I and Acquisition I	Upon completion of the Acquisition I and Private Placement I on 3 March 2021	330	330
Total		**20,431**	**20,431**

Note:-

*[*1] The proceeds earmarked for working capital had been utilised for the following:-*

Details of utilisation	***Amount utilised RM'000***
Purchase of oil and petroleum products, which include, amongst others, marine gas oil, marine fuel, marine diesel oil, oil, kerosene and lubricating oil	*8,000*
Other operating expenses, which include, amongst others, office rental, utilities and supplies as well as staff salaries and allowances	*386*
	8,386

The Private Placement I and Acquisition I was completed on 1 March 2021 and 3 March 2021 respectively. Save for the Private Placement I, the Company has not undertaken any other fund raising exercises in the 12 months prior to the date of this Circular.

3. PROPOSED ACQUISITION AND PROPOSED CALL OPTION

On 25 October 2021, the Company had entered into a conditional share sale agreement with the Vendor for the acquisition of 270,000 Sale Shares, representing 90% equity interest in Sinar Maju, for a purchase consideration of RM16,380,000 to be satisfied entirely via cash. Upon completion of the Proposed Acquisition, Sinar Maju will become a 90%-owned subsidiary of Straits.

Pursuant to the SSA, the Vendor granted to Straits the Call Option for Straits to acquire all the Call Options Shares in a single transaction, representing the remaining 10% equity interest in Sinar Maju, for a purchase consideration of RM1,820,000 to be satisfied entirely via cash by serving the Call Option Notice to the Vendor. For shareholders' information, the Call Option may be exercised at any time during a period of 30 months commencing from the completion of the Proposed Acquisition. Upon the exercise and completion of the Call Option, Sinar Maju will become a wholly-owned subsidiary of Straits.

The salient terms of the SSA are set out in Appendix I of this Circular. For clarification purposes, save for the SSA, there are no other agreements entered into by Straits in relation to the Call Option.

Subject to the terms and conditions of the SSA, the Sale Shares and Call Option Shares (in the event the Call Option is exercised by Straits) will be acquired free from all liens, charges and encumbrances and with full legal and beneficial title with all rights, benefits and advantages attaching thereto (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof) and on the basis of the warranties provided by the Vendor.

3.1 Information on Sinar Maju

Sinar Maju was incorporated on 16 June 2017 in Malaysia under the Companies Act 2016 as a private company limited by shares.

Sinar Maju had commenced its business on 13 August 2018 and Sinar Maju Group is principally involved in the provision of shipping agency and related services. For shareholders' information, save for the provision of shipping agency and related services, Sinar Maju Group has not been involved in any other business activities.

Sinar Maju Group's shipping agency and related services involves handling the shipments as well as general needs of its customers' vessels at ports in Malaysia, which includes, amongst others, supplying crew consumables (i.e. food, dry supplies and fresh water), ship spare parts and other general supplies to customers' vessels, ferrying passengers, transporting cargo, providing garbage disposal services for vessels, arranging customs documentation as well as liaising/ coordinating with relevant authorities (including Royal Malaysian Customs Department, Immigration Department of Malaysia and Marine Department Malaysia) for crew and vessels to enter/ stay at ports in Malaysia.

At present, Sinar Maju Group operates from 10 ports/ jetties in Malaysia, namely, Teluk Ewa Jetty, Langkawi Port, Pasir Gudang – Johor Port, Tanjung Pelepas Port, Port Klang, Kuantan Port, Belungkor Port, Port of Pengerang, Tanjung Pengelih Jetty and Tanjung Langsat Port. As at the LPD, Sinar Maju Group holds the following regulatory licenses/ approvals/ registrations for its operations:-

Regulatory licenses/ approvals/ registrations			**Date of approval**	**Expiry date**
i.	Approval from Royal Malaysian Customs Department to act as a shipping agent in Malaysia under Section 90 of the Customs Act 1967		21 Oct 2021	31 Oct 2023
ii.	Registration with Immigration Department of Malaysia as a shipping agent who manages crews and/ or passengers of vessels at the following ports in Malaysia:-			
	a.	Teluk Ewa Jetty	1 Aug 2021	31 Jul 2022
	b.	Langkawi Port	1 Aug 2021	31 Jul 2022
	c.	Pasir Gudang – Johor Port	1 Aug 2021	31 Jul 2023
	d.	Tanjung Pelepas Port	21 Mar 2021	11 Mar 2023
	e.	Belungkor Port	25 Feb 2021	25 Feb 2023
	f.	Port of Pengerang	27 May 2020	27 May 2022
	g.	Tanjung Pengelih Jetty	27 May 2020	27 May 2022
	h.	Tanjung Langsat Port	1 Aug 2021	31 Jul 2023
	i.	Port Klang	8 Dec 2021	2 Jul 2023
iii.	Support service licenses from Johor Port Authority for ship chandling (i.e. providing supplies for ships) at the following ports in Malaysia:-			
	a.	Tanjung Pelepas Port	24 Dec 2021	24 Dec 2022
	b.	Pasir Gudang – Johor Port	24 Dec 2021	24 Dec 2022
	c.	Pasir Gudang – Johor Port[*1]	23 Jun 2021	23 Jun 2022

Note:-

**1 The license is held by Sinar Maju Marin Sdn Bhd while the remaining above licenses/ approvals/ registration are held by Sinar Maju.*

The above regulatory licenses/ approvals/ registrations of Sinar Maju Group are renewable and the typical duration of renewal ranges from 1 to 2 years.

Sinar Maju Group's current business model is based on the provision of shipping agency and related services to customers on an on-demand basis, i.e. upon request by customer based on purchase order instead of entering into fixed and/ or long-term contracts. As at the LPD, Sinar Maju Group owns 1 vessel in the provision of shipping agency and related services, i.e. a locally-made 12-seat launch boat which is approximately 11-months old.

For the FYE 31 December 2020, Sinar Maju Group had a total of 22 customers and for 2021 up to the LPD, Sinar Maju Group has a total of 34 customers. The current principal operating market of Sinar Maju Group is Malaysia and revenue is predominantly derived from Malaysian customers who contributed approximately 60% of total revenue whilst the remaining approximately 40% was contributed by foreign customers. For clarity, foreign customers are foreign-based companies with marine operations near to or that are transiting Malaysian ports from which Sinar Maju Group conducts its shipping agency and related services. For the FYE 31 December 2020, the purchases of Sinar Maju Group were entirely sourced from suppliers located in Malaysia. As at the LPD, Sinar Maju Group has 19 employees to carry out its shipping agency and related services business.

As at the LPD, the issued share capital of Sinar Maju is RM300,000 comprising 300,000 Sinar Maju Shares.

The details of the director and shareholder of Sinar Maju and his direct and indirect shareholdings in Sinar Maju as at the LPD are as follows:-

Director/ shareholder	Nationality	<----------Direct----------> No. of Sinar Maju Shares	%	<---------Indirect---------> No. of Sinar Maju Shares	%
Tan Sri Mohd Bakri	Malaysian	300,000	100.0	-	-

As at the LPD, Sinar Maju has 1 subsidiary and no associate company. The details of the subsidiary are as follows:-

Company	Date/ place of incorporation	Equity interest held %	Issued share capital (RM)	Principal activities
Sinar Maju Marin Sdn Bhd	22 July 2020 Malaysia	100.00	280,000	Ferrying passengers, transporting cargo and ship spare parts over seas and coastal waters as well as providing garbage disposal services for vessels

A summary of the consolidated financial information of Sinar Maju for the past 3 audited financial years up to the FYE 31 December 2020 and for the latest unaudited 8-month FPE 31 August 2021 is set out below:-

	<----Audited FYE 31 December---->			Unaudited 8-month FPE 31 August	
	2018 RM	2019 RM	2020 RM	2020 RM	2021 RM
Revenue	156,987	967,661	2,163,572	908,118	2,006,399
PBT	(56,702)	136,392	617,911	416,132	842,543
PAT	(56,702)	115,392	466,155	311,358	593,077
Total equity or Shareholders' fund/ NA	27,495	342,887	809,042	654,245	1,402,119
Total borrowings	-	-	-	-	100,000
Total issued shares (number)	100,000	300,000	300,000	300,000	300,000
Current asset	624,439	1,120,353	1,614,465	1,207,428	2,927,193
Current liabilities	647,244	872,142	2,071,149	656,426	2,719,542
Net cash from/ (used in) operating activities	444,791	(265,675)	772,416	(10.658)	58,754
Cash and bank balances	72,534	297,160	470,565	544,453	1,373,448
PBT/ (LBT) margin (%)	(36.12)	14.10	28.56	45.82	41.99
PAT/ (LAT) margin (%)	(36.12)	11.92	21.55	34.29	29.56
EPS/ LPS	(0.57)	0.38	1.55	1.04	1.98
NA per share	0.27	1.14	2.70	2.18	4.67
Current ratio (times)	0.96	1.28	0.78	1.84	1.08
Gearing (times)	-	-	-	-	0.07

Based on the past 3 financial years up to the FYE 31 December 2020 and for the latest unaudited 8-month FPE 31 August 2021, the revenue recorded by Sinar Maju was RM156,987, RM967,661, RM2,163,572 and RM2,006,399, respectively. In addition, Sinar Maju had recorded PAT of RM115,392, RM466,155 and RM593,077 for the FYE 31 December 2019, FYE 31 December 2020 and 8-month FPE 31 August 2021, respectively and LAT of RM56,702 for the FYE 31 December 2018. Please refer to Appendix II of this Circular for further details on Sinar Maju.

3.2 Basis and justification of arriving at the Purchase Consideration and Call Option Price

The Purchase Consideration of RM16,380,000 and Call Option Price of RM1,820,000 was arrived at, on a willing-buyer willing-seller basis, after taking into consideration the profit guarantee of RM2.80 million provided by the Vendor to Straits for 2 twelve-month financial years, i.e. FYE 31 December 2022 and FYE 31 December 2023 of Sinar Maju, which translates to a yearly profit guarantee of RM1.40 million for each of the aforesaid financial years (assuming the completion of the Proposed Acquisition and the exercise of the Call Option, the yearly profit attributable to Straits would be RM1.40 million based on 100% equity interest to be acquired by Straits). Premised on the above, the Purchase Consideration and Call Option Price represents a PE multiple of 13.00 times to the forward earnings of Sinar Maju based on the Yearly Profit Guarantee.

The Board (save for the Interested Director), is of the opinion that the Profit Guarantee is realistic, after taking into consideration the following factors:-

i. Sinar Maju's historical financial performance over the past 3 financial years up to the latest audited FYE 31 December 2020, wherein its revenue had grown from RM0.16 million for the FYE 31 December 2018 to RM2.16 million for the FYE 31 December 2020 and the profitability of Sinar Maju had improved from LAT of RM0.06 million for the FYE 31 December 2018 to PAT of RM0.47 million for the FYE 31 December 2020;

ii. the rationale and benefits of the Proposed Acquisition and Proposed Call Option as set out in Section 4.2, Part A of this Circular; and

iii. the future prospects of Sinar Maju and the enlarged Straits Group, as set out in Section 5.5, Part A of this Circular.

To further justify the reasonableness of the Purchase Consideration and Call Option Price, peer analysis has been carried out to benchmark the PE multiple implied by the Purchase Consideration and Call Option Price against the PE multiples of listed comparable companies in similar industry and/ or business activities as Sinar Maju to substantiate the reasonableness of the Purchase Consideration and Call Option Price.

For shareholders' information, a general description of the PE multiple method of valuation is set out as follows:-

Valuation multiple	General description
PE	PE multiple is the measure of the market price of a company's shares relative to its annual net profit per share. The computation of PE multiple is as follows:- $\dfrac{\text{Market value of common stock (market capitalisation)}}{\text{Profit after tax attributable to shareholders}}$

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 the annual earnings recorded by the company. The earnings multiple method of valuation is considered the most appropriate method of valuation in ascribing the value of Sinar Maju on the basis that Sinar Maju had generated profits for the past 2 financial years up to the latest audited FYE 31 December 2020.

For the purpose of evaluating the Purchase Consideration and Call Option Price, the comparable companies were selected mainly with reference to the substantial similarity of the business activities to Sinar Maju, particularly those involved in port operations, shipping as well as marine transportation and logistics industry that are currently listed on Bursa Securities. However, there are no public listed companies in Malaysia which are identical to Sinar Maju Group in respect of, amongst others, the principal activities of provision of shipping agency and related services, the composition of business activities, geographical markets, scale of business operations and financial position.

In addition, only comparable companies that recorded net profit during their respective latest audited financial year were selected to ensure that the comparable valuation statistics (i.e. PE multiples of the comparable companies) were meaningful. As such, it should be noted that the comparable valuation statistics were carried out on a best effort basis, purely to provide an indicative benchmark valuation for the Purchase Consideration and Call Option Price.

Purely for shareholders' information, the asset-based approach i.e. price-to-book multiple and the revaluation net assets method of valuation were not adopted for the evaluation of the Purchase Consideration and Call Option Price in the comparable valuation statistics as such methods of valuation are not deemed appropriate in respect of the business nature of Sinar Maju as Sinar Maju is primarily a service provider and not an asset-based company, hence these approaches would not accurately reflect the value of Sinar Maju.

The valuation of Sinar Maju is calculated as follows:-

PE multiple

	RM
Market capitalisation (assuming 100.0% equity value of Sinar Maju as implied by the Purchase Consideration and Call Option Price)	18,200,000
Yearly Profit Guarantee	1,400,000
PE (times)	**13.00**

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The valuation statistics of the comparable companies using PE multiple are set out below:-

Company	Principal activities	Latest FYE	Market Capitalisation[*1] RM'000	Latest audited PAT[*2] RM'000	PE[*3] (times)	Adjusted PE[*4] (times)
Freight Management Holdings Berhad	Freight and warehousing services on an international basis, including sea, air, and rail freight services, warehousing and distribution, customs brokerage, road transportation, and project management	30 June 2020	586,367	12,045	48.68	36.51
Harbour Link Group Bhd	Investment holding, shipping and marine services, shipping agency services, integrated logistics and engineering works	30 June 2020	625,765	25,920	24.14	18.11
Westports Holdings Berhad	Port operations including container and cargo services, marine services, rental services and other ancillary services	31 December 2020	15,208,600	654,486	23.24	17.43
Bintulu Port Holdings Berhad	Port operations and bulking services	31 December 2020	2,060,800	93,301	22.09	16.57
					Low	16.57
					High	36.51
					Average	22.15
					Sinar Maju	13.00

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

Notes:-

*1 *The market capitalisation of the comparable companies was calculated based on the last traded price as at 11 October 2021, being the last practicable date of the announcement in relation to the Proposals ("**Announcement LPD**") multiplied with the total number of outstanding shares of the respective comparable companies as at the Announcement LPD.*

*2 *The audited net profit attributable to shareholders of the comparable companies based on their respective latest audited financial statements as at the Announcement LPD.*

*3 *PE multiple is computed based on the market capitalisation over the latest audited PAT of the respective comparable companies as at the Announcement LPD.*

*4 *The adjusted PE multiples have been discounted by 25.0% to adjust for the non-marketability and discount factors of Sinar Maju Shares as it is not traded on any stock exchange and the size of Sinar Maju is smaller to that of comparable companies. Further as the public listed companies have to comply with the public shareholding spread requirement of 25.0%, the Company has adopted 25.0% as the discount factor for the PE multiples of comparable companies. Nevertheless, the adjusted PE multiple is purely indicative for shareholders' information only.*

Based on the valuation statistics above, the PE multiple of Sinar Maju implied by the Purchase Consideration and Call Option Price of 13.00 times is lower than the range of adjusted PE multiples of 16.57 and 36.51 times accorded to the comparable companies and is lower than the simple average of adjusted PE multiples of 22.15 times accorded to the comparable companies.

Pursuant to the above, the Board (save for the Interested Director) has deemed the Purchase Consideration and Call Option Price reasonable premised on the above valuation statistics of the comparable companies, the historical financial performance of Sinar Maju, the future prospects of Sinar Maju as set out in Section 5.4, Part A of this Circular and the rationale and justification of the Proposed Acquisition and Proposed Call Option as set out in Section 4.2, Part A of this Circular.

In addition thereto, AER has also been appointed as the Independent Adviser to advise whether the Proposed Acquisition and Proposed Call Option are fair and reasonable so far as the non-interested Directors and non-interested shareholders of the Company are concerned, and whether the Proposed Acquisition and Proposed Call Option are to the detriment of the non-interested Directors and non-interested shareholders of Straits, after taking into consideration, amongst others, AER's evaluation on the basis and justification of arriving at the Purchase Consideration and Call Option Price. The opinion and details of the evaluation by AER are set out in the IAL in Part B of this Circular.

3.3 Mode of Settlement of the Purchase Consideration and Call Option Price

Pursuant to the terms of the SSA, the mode of settlement of the Purchase Consideration shall be satisfied in the following manner:-

Payment terms	Timing	RM	%
Cash consideration	Payable on the Completion Date. Where the Vendor and Straits are unable to agree on the Completion Date, the Completion Date shall fall on the 90th day after the date the last of the conditions precedent of the SSA is satisfied.	13,860,000	84.6
Cash consideration	Progressively released to the Vendor upon completion of each financial year of the Profit Guarantee Period, i.e. financial year 2022 and 2023 of Sinar Maju, as set out in paragraph (vi) of Appendix I of this Circular (up to RM2,520,000 only)	2,520,000	15.4
Total		**16,380,000**	**100.0**

In the event the Call Option is exercised by Straits, the mode of settlement of the Call Option Price pursuant to the terms of the SSA shall be satisfied in the following manner:-

Payment terms	Timing	RM	%
Cash consideration	Payable on the Call Option Completion Date	1,540,000	84.6
Cash consideration	Progressively released to the Vendor upon completion of each financial year of the Profit Guarantee Period, i.e. financial year 2022 and 2023 of Sinar Maju, calculated in proportion of Straits' equity interest in Sinar Maju during the Profit Guarantee Period as set out in paragraph (vi) of Appendix I of this Circular (up to RM280,000 only). If the Call Option Notice is received by the Vendor after the expiry of the Profit Guarantee Period, RM280,000 shall be paid on the Call Option Completion Date	280,000	15.4
Total		**1,820,000**	**100.0**

3.4 Source of funding

As set out in Section 2.6, Part A of this Circular, the Purchase Consideration shall be financed by Straits entirely via proceeds to be raised from the Proposed Private Placement. The Call Option Price (in the event the Call Option is exercised by Straits) shall be financed by Straits entirely via internally generated funds.

In the event the necessary approval(s) for the Proposed Private Placement (as set out in Section 9, Part A of this Circular) are not obtained, the Purchase Consideration will be financed by Straits via a combination of internally generated funds and/ or bank borrowings, the breakdown of which will be determined at a later date by the Board. Based on the latest unaudited financial results for the 9-month FPE 30 September 2021, the Group had cash and bank balances of RM34.55 million, total borrowings of RM71.78 million and a gearing level of 0.50 times as at 30 September 2021.

3.5 Liabilities to be assumed by Straits

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

3.6 Additional financial commitment required

Save for the Purchase Consideration, there is no additional financial commitment required by Straits to put the business of Sinar Maju on-stream as it is an ongoing business entity with existing operations. For the latest audited FYE 31 December 2020, Sinar Maju recorded revenue of RM2.16 million, PAT of RM0.47 million and net positive operating cash flow of RM0.77 million and for the latest unaudited 8-month FPE 31 August 2021, Sinar Maju recorded revenue of RM2.01 million, PAT of RM0.59 million and net positive operating cash flow of RM0.59 million.

3.7 Information on the Vendor

Tan Sri Mohd Bakri, a Malaysian aged 67, is the founder and director of Sinar Maju. He obtained a Diploma in Police Science from Universiti Kebangsaan Malaysia in 1989.

The Vendor started his career in the police force on 6 November 1975 where he has served in various positions and departments in the police force, including being appointed as the Director of (Intelligence/ Operations) CID Narcotics in 2007. Since June 2016, he is a member of the Police Force Commission Board. He founded Sinar Maju in June 2017 and has been the director of Sinar Maju since its incorporation.

As set out in Section 10, Part A of this Circular, as at the LPD, he is the Non-Independent and Non-Executive Director of Straits (appointed on 3 June 2016) and he does not hold any Straits Shares.

4. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

4.1 Proposed Private Placement

As set out in Section 2.6, Part A of this Circular, RM16.83 million of the total gross proceeds to be raised from the Proposed Private Placement is intended to fund the Purchase Consideration pursuant to the Proposed Acquisition, which is expected to contribute positively to the Group's future earnings (during the Profit Guarantee Period) based on the Profit Guarantee. In addition, up to RM7.99 million of the remaining proceeds from the Proposed Private Placement is intended to be utilised to finance the working capital requirements of the Group without relying solely on internally generated funds and/ or bank borrowings, which will allow the Group flexibility in respect of financial allocations for its operational requirements. Up to RM6.57 million of the proceeds from the Proposed Private Placement has also been allocated towards the purchase of equipment for the STS Transhipment Hub.

After due consideration of the various methods of fund raising, the Board opines that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings which may affect the Group's bottom line. Additionally, the Proposed Private Placement represents an expeditious way of raising funds from the capital market as opposed to other forms of fund raising such as a rights issue, as the placement funds from the Proposed Private Placement will be paid within 5 market days from the relevant price-fixing date.

Upon completion of the Proposed Private Placement, the Company's enlarged capital base is also expected to further strengthen the financial position of the Company and improve the gearing level of the Group. For shareholders' information, based on the latest unaudited financial results for the 9-month FPE 30 September 2021, the Group had cash and bank balances of RM34.55 million, total borrowings of RM71.78 million and a gearing level of 0.50 times as at 30 September 2021.

4.2 Proposed Acquisition and Proposed Call Option

The Proposed Acquisition entails the acquisition of 90% equity interest in Sinar Maju, which along with its subsidiary is principally engaged in the provision of shipping agency and related services, on the other hand the Proposed Call Option will grant Straits with the Call Option to acquire the remaining 10% equity interest in Sinar Maju at a later date during the Call Option Period at the Call Option Price.

At present, Straits is mainly involved in oil trading and bunkering services, port operation and facility management services, land transportation and logistics, chartering of vessels services and vessel management. The Proposed Acquisition represents a horizontal expansion of the Group's port operation and facility management services, which will allow the Group to offer a broader range of related services within the port operation, logistics and transportation sector to provide additional value to clients and enhance the revenue and earnings of Straits Group moving forward.

The Proposed Acquisition is expected to augur well as the abovementioned business activities of Sinar Maju Group and Straits Group are complementary, which will allow the Group to bundle its existing services with the shipping agency services of Sinar Maju Group to derive operational synergies with Sinar Maju Group. With respect to potential synergies, Straits Group is currently undertaking the port operation and facility management of Labuan Port. Following the Proposed Acquisition, Sinar Maju intends to extend its shipping agency services to include Labuan Port, thereby expanding the scope of services and value offered by the enlarged Group's port operation and facility management services, which in turn may attract more vessels to Labuan Port. In addition, given the complementary nature of Straits' existing oil bunkering services and Sinar Maju's shipping agency services, the enlarged Group post-Proposed Acquisition may offer both oil bunkering and shipping agency services to existing and/ or new customers, thereby providing additional value to their vessels.

As disclosed in Section 3.1, Part A of this Circular, over the past 3 financial years under review, Sinar Maju had recorded an increase in revenue from RM0.16 million for the FYE 31 December 2018 to RM2.16 million for the FYE 31 December 2020 and improvement in profitability from LAT of RM0.06 million for the FYE 31 December 2018 to RM0.47 million for the FYE 31 December 2020. The Board anticipates that the Proposed Acquisition will provide an additional income stream to Straits Group moving forward, premised on the historical financial results of Sinar Maju for the past 3 financial years under review and the Yearly Profit Guarantee of RM1.40 million per year provided by the Vendor to Straits for the FYE 31 December 2022 and FYE 31 December 2023. In addition, the Proposed Call Option will provide the Group the option to acquire the remaining 10% equity interest in Sinar Maju at the Call Option Price which in turn would allow the Group to recognise the full PAT of Sinar Maju.

As highlighted in Section 1, Part A of this Circular, the Proposed Acquisition and Proposed Call Option are deemed RPTs pursuant to Rule 10.08 of the Listing Requirements. The Company had obtained its shareholders' approval for the recurrent related party transactions between Straits and Sinar Maju at Straits' 24th annual general meeting on 24 June 2021. Notwithstanding the foregoing, the Proposed Acquisition will allow the consolidation of business between Straits and Sinar Maju as well as eliminate the need to make any future announcements to Bursa Securities or to convene separate general meetings from time to time to seek shareholders' approval as and when any transaction(s) are entered into between Straits and Sinar Maju, given that Sinar Maju will become a subsidiary of Straits upon completion of the Proposed Acquisition. This will reduce the expenses associated with the convening of general meetings and dispatch of circulars to shareholders of Straits on an ad hoc basis, improve administrative efficiency and allow manpower resources to be focused on the Group's corporate and business objectives.

Barring any unforeseen circumstances and based on the above, the Proposed Acquisition and Proposed Call Option represent a strategic opportunity for Straits to expand its port operation and facility management services and is expected to contribute positively to the enlarged Group's future earnings.

5. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF SINAR MAJU AND THE ENLARGED STRAITS GROUP

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy experienced renewed demand and supply shocks arising from strict containment measures under the National Recovery Plan ("**NRP**") during the third quarter of 2021. As a result, the economy contracted by 4.5% in the third quarter of 2021 (2Q 2021: +16.1%). Economic activity was particularly impacted in July 2021 under Phase 1 of the NRP, but subsequently recovered as more states transitioned into Phase 2 with less restrictive containment measures. On the supply side, all economic sectors registered a contraction, particularly the construction sector, which was constrained by operating capacity limits.

On the demand side, the restrictions on mobility, especially on inter-district and inter-state travel, has weighed on consumption and investment activity, while continued increase in public sector consumption spending provided some support to overall growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 3.6% in the third quarter of 2021 (2Q 2021: -1.9%).

Domestic demand declined by 4.1% in the third quarter of 2021 (2Q 2021: 12.4%) in the third quarter of 2021, as private consumption and investment activities were affected by the imposition of phased restrictions under NRP. On the external front, net exports contracted by 37.5% in the third quarter of 2021 (2Q 2021: 34.3%) as growth in imports outpaced the growth in exports.

Private consumption declined by 4.2% in the third quarter of 2021 (2Q 2021: 11.7%), as the stringent containment measures and mobility restrictions weighed on household spending in the first half of the quarter. Similarly, labour market conditions also weakened in the same period with weaker income and employment growth. Nevertheless, various policy measures, including the Employees Provident Fund ("**EPF**") i-Sinar and i-Citra withdrawals as well as Bantuan Khas COVID-19, continued to provide support to affected households.

Private investment declined by 4.8% in the third quarter of 2021 (2Q 2021: 17.4%), as the containment measures had constrained firms' operating capacity and affected the realisation of investments, particularly in structures. The impact however, was mitigated by the increase in capital spending for information communication technology equipment and research and development, especially as firms in the export-oriented sectors continued to expand their capacity.

Public investment recorded a contraction of 28.9% (2Q 2021: 12.0%). Fixed assets spending by the general government declined, especially in construction and repairs of buildings and facilities, while capital expenditure by public corporations were lower across all sectors.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2021, Bank Negara Malaysia)

The growth trajectory for 2022 is based on further expansion in global and domestic economic activities, fuelled by broader vaccine coverage and a further improvement in goods trade amid a slower recovery in services trade. The domestic demand recovery is projected to continue in 2022, anchored by private consumption, following the gradual improvement in labour market conditions amid a relaxation of containment measures, improved consumer sentiments and spending from the vaccine rollout as well as targeted policy support for vulnerable households. Rapid progress in the vaccination programme is also expected to release pent-up demand, particularly for domestic travel and leisure, further supporting the recovery. Stronger external demand, especially for E&E products and major commodities, is expected to support the surge in exports, thus helping to maintain a surplus in the current account of the balance of payments.

Almost all economic sectors are projected to expand on the supply side, led by the services and manufacturing sectors, accounting for more than 80% of the economy. However, the mining sector is forecast to decline partly due to scheduled maintenance works. The normalisation of economic activities underpinned by mass vaccination is anticipated to boost wholesale and retail trade subsector and domestic tourism-related activities. The projected higher volume of manufactured products is also in line with the expected rising demand from export- and domestic-oriented industries. Positive consumer and business sentiments and expected improvement in earnings will support the recovery in the labour market, albeit at a more modest level than the pre-pandemic period. The continuation of various initiatives to stabilise the labour market and high vaccination rates are expected to provide some relief for employers in retaining their workers. Thus, the nation's gross domestic product is forecast to expand in the range of 5.5% – 6.5% in 2022.

(Source: Macroeconomic Outlook, Economic Outlook 2022, Ministry of Finance Malaysia)

5.2 Overview and outlook of the oil & gas industry in Malaysia

The mining sector rebounded by 3.5% in the first half of 2021, supported by higher natural gas production and increased crude oil and condensates output, particularly during the second quarter. It is projected to decline marginally by 0.7% in the second half of 2021, weighed down by lower natural gas production. The reduction in output is also in line with heightened uncertainties in global oil and gas demand following concerns over the spread of the COVID-19 variants. Overall, the mining sector is expected to turn around by 1.5% in 2021.

The mining sector's performance will be mainly influenced by the duration of uncertainties surrounding the COVID-19 pandemic. The sector is forecast to decline marginally by 0.3% in 2022, attributed to lower crude oil and condensates production, following the scheduled shut down of oil and gas plants and facilities for maintenance. However, natural gas output is expected to increase, supported by the production from new gas fields in Sabah and motivated by high demand from major trading partners, especially China and Japan.

In addition, the increase in global economic activities and reduction in COVID-19 infections are also anticipated to drive higher global energy consumption. Thus, the average Brent crude oil price is projected to increase to around United States Dollars ("**USD**") 66 per barrel in 2022, slightly lower than the expected price in 2021 at USD68 per barrel. However, the estimation is still subject to the global price movement, which is highly influenced by the level of oil production by the Organization of the Petroleum Exporting Countries and its allies (OPEC+) as well as the United States oil stockpiles.

(Source: Macroeconomic Outlook, Economic Outlook 2022, Ministry of Finance Malaysia)

5.3 Overview and outlook of the maritime industry

The COVID-19 pandemic has underscored the global interdependency of nations and set in motion new trends that will reshape the maritime transport landscape. The sector is at a pivotal moment facing not only immediate concerns resulting from the pandemic but also longer-term considerations, ranging from shifts in supply-chain design and globalization patterns to changes in consumption and spending habits, a growing focus on risk assessment and resilience-building, as well as a heightened global sustainability and low-carbon agenda. The sector is also dealing with the knock-on effects of growing trade protectionism and inward-looking policies.

The pandemic has brought to the fore the importance of maritime transport as an essential sector for the continued delivery of critical supplies and global trade in time of crisis, during the recovery stage and when resuming normality. Many, including United Nations Conference on Trade and Development ("**UNCTAD**") and other international bodies, issued recommendations and guidance emphasizing the need to ensure business continuity in the sector, while protecting port workers and seafarers from the pandemic. They underscored the need for ships to meet international requirements, including sanitary restrictions, and for ports to remain open for shipping and intermodal transport operations.

At the beginning of 2020, the total world fleet amounted to 98,140 commercial ships of 100 gross tons and above, equivalent to a capacity of 2.06 billion dwt. In 2019, the global commercial shipping fleet grew by 4.1 per cent, representing the highest growth rate since 2014, but still below levels observed during the 2004–2012 period.

Gas carriers experienced the fasted growth, followed by oil tankers, bulk carriers and container ships. The size of the largest container vessel in terms of capacity went up by 10.9 per cent. The largest container ships are now as big as the largest oil tankers and bigger than the largest dry bulk and cruise ships. Experience from other ship types and limitations affecting access channels, port infrastructure and shipyards, suggest that container ship sizes have probably reached a peak.

As structural container shipping market imbalances remained a concern, liner shipping carriers closely monitored and adjusted ship supply capacity to match the lower demand levels in 2020. Suppressed demand forced container shipping companies to adopt more stringent strategies to manage capacity and reduce costs. Carriers started to significantly reduce capacity in the second quarter of 2020. Capacity management strategies such as suspending services, blanking scheduled sailings and re-routing vessels have all been used.

From the perspective of shippers, service cuts and reduced supply capacity meant space limitations to transport goods and delays in delivery dates, affecting supply chains. In the first half of 2020, freight rates were higher compared with 2019 for most routes, with reported profits of many carriers exceeding 2019 levels. While keeping freight rates at levels that ensure economic viability for the sector may have been justified as a crisis-mitigation strategy, sustained cuts in ship supply capacity for longer periods and during the recovery phase will be problematic for maritime transport and trade, including shippers and ports.

Maritime transport is essential to keep trade flowing and supply chains connected during and outside crises. While experiences may vary depending on pre-existing conditions and levels of preparedness, all in all, maritime transport and logistics kept essential goods and trade flows moving during the pandemic. For 2021, UNCTAD estimates that maritime trade flows will recover by 4.8 per cent.

(Source: Review of Maritime Transport 2020, UNCTAD)

The transportation and storage subsector grew by 3.4% in the first half of 2021, mainly attributed to a significant increase in all segments, especially other supporting services following the surge in online shopping. The growth was also supported by strong external demand, with total trade increasing by 26% to RM1,056.1 billion in the first half of 2021 compared to RM838.2 billion in the same period of 2020. The subsector is expected to further expand by 1.4% in the second half, following the expansion in trade volume in line with the growing containerised cargo movement worldwide. In 2021, the subsector is forecast to improve by 2.3% as more states graduate to the subsequent phases of the National Recovery Plan ("**NRP**"), where more economic sectors are allowed to reopen.

The transportation and storage subsector is anticipated to further expand by 9.5% in 2022, supported by all segments due to the normalisation of economic activities and improved external demand. The land transport segment is projected to expand, following the increase in cargo delivery and daily ridership of the rail transport as well as higher volume of highway traffics. Likewise, the water transport segment is expected to increase due to higher cargo and container throughput volumes. Similarly, the air transport segment is forecast to turn around in line with the increase in the domestic passenger traffic, following the resumption of domestic tourism.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

5.4 Prospects of Sinar Maju and the enlarged Straits Group

At present, Straits is mainly involved in oil trading and bunkering services, port operation and facility management services, land transportation and logistics, chartering of vessels services and vessel management.

The Proposed Acquisition involves an acquisition of a direct peer, who is operating in complementary business activities and industry as Straits, namely in port operation and facility management services. The successful completion of the Proposed Acquisition is expected to widen the product/ service offering of Straits Group in the maritime industry as well as expand the Group's range of related services within the port operation, logistics and transportation sector.

As set out in Section 5.3, Part A of this Circular, the COVID-19 pandemic has underscored the importance of maritime transport as an essential sector for the continued delivery of critical supplies and global trade in time of crisis, during the recovery stage and when resuming normality. With the transition of more states in Malaysia to the subsequent phases of the NRP, where more economic sectors are allowed to reopen and economic activities normalise as well as improved external demand, the maritime transport sector is anticipated to continue to expand in 2022. The Board is of the view that Sinar Maju Group, which has experience in providing shipping agency and related services, is well positioned to meet the needs of the maritime industry.

In addition, given the complementary nature of the Group and Sinar Maju Group's businesses, the Group may be able to derive operational synergies with Sinar Maju Group and vice versa, including, amongst others, tapping into Sinar Maju Group's shipping agency and related services to expand the Group's range of port operation and facility management services, which in turn may provide additional value to customers.

Following the Proposed Acquisition, the enlarged Group intends to extend the shipping agency services of Sinar Maju (which includes, amongst others, supplying crew consumables (i.e. food, dry supplies and fresh water), ship spare parts and other general supplies to customers' vessels, ferrying passengers, transporting cargo and providing garbage disposal services for vessels) to include Labuan Port and the STS Transhipment Hub, thereby expanding the scope of services and value offered by the enlarged Group's port operation and facility management services, which in turn may attract more vessels to Labuan Port and the STS Transhipment Hub. In addition, the enlarged Group may provide additional value to existing and/ or new customers by offering both oil bunkering and shipping agency services to customers' vessels. While the enlarged Group intends to commence such future plans for Sinar Maju upon the completion of the Proposed Acquisition, the exact timeframe and quantum of financial resources required for such future plans has yet to be determined at this juncture. Nevertheless, the Group shall finance its future plans for Sinar Maju via a combination of internally generated funds and/ or bank borrowings.

The Vendor has provided the Profit Guarantee which translates to a Yearly Profit Guarantee of RM1.40 million for the FYE 31 December 2022 and FYE 31 December 2023 of Sinar Maju. Over the past 3 financial years up to the latest audited FYE 31 December 2020, Sinar Maju had also recorded an increase in revenue from RM0.16 million for the FYE 31 December 2018 to RM2.16 million for the FYE 31 December 2020 and improvement in profitability from LAT of RM0.06 million for the FYE 31 December 2018 to RM0.47 million for the FYE 31 December 2020. As Sinar Maju is already an on-going entity which recorded revenue of RM2.16 million and PAT of RM0.47 million for the latest FYE 31 December 2020, no additional financial resources are expected to be committed by the Group to put the operations of Sinar Maju on-stream. Premised on the foregoing, the Board expects the acquisition of Sinar Maju to contribute positively to the Group's future earnings.

In addition, the Board has made efforts in recent years to diversify the Group's sources of revenue and earnings. Such efforts comprised the Group's inclusion of new business, for instance land transportation and logistics, which was implemented in January 2019, and the provision of port operation and facility management services, which was implemented in June 2020. The Board anticipates that the abovementioned business activities may grow its overall business and strengthen the Group's financial performance moving forward.

Barring any unforeseen circumstances and premised on the above as well as the economy and industry outlook, the Board is optimistic of the future prospects of Sinar Maju and Straits Group.

(Source: Management of Straits)

6. RISK FACTORS

Save as disclosed below, the Board does not foresee any material risk pursuant to the Proposed Acquisition and Proposed Call Option except for the inherent risk factors associated with the provision of port operation, logistics and transportation services, of which Straits Group is already involved, and would already be addressed as part of Straits Group's ordinary course of business. Additional potential risks that may have an impact on the Straits Group, which may not be exhaustive pertaining to the Proposed Acquisition are set out below:-

6.1 Investment risks

It is expected that upon completion of the Proposed Acquisition, the business and operations of Sinar Maju will contribute positively to the enlarged Group's future financial performance. However, such benefits to be realised from the Proposed Acquisition are dependent upon the successful business, operations and profitability of Sinar Maju. Further, there can be no assurance that the business and operations of Sinar Maju will generate the expected return on investment, beyond the Profit Guarantee, as the success and profitability of its business depends on various factors.

Nevertheless, moving forward, the Board is confident that it can manage such risk by leveraging on the experience and expertise of the Group's management and Directors.

6.2 Completion risk

The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SSA being fulfilled or waived, details of which are set out in Appendix I of this Circular. There can be no assurance that such conditions will be fulfilled or waived within the timeframe stipulated in the SSA. In the event that the condition precedents are not met/ waived, the SSA will be terminated and the Proposed Acquisition will not be completed.

Nevertheless, the Board will take reasonable steps to ensure that the conditions precedents are met in a timely manner and that every effort is made to obtain all necessary approval(s) for the Proposed Acquisition within the stipulated timeframe.

6.3 Impact of the COVID-19 pandemic

The COVID-19 pandemic had caused national governments, including the Malaysian government, to enforce varying lockdowns and movement restrictions, which has curbed domestic and global economic activity. Nevertheless, the imposition of the various movement control orders ("**MCO**") by the Malaysian government, since the first MCO imposed in March 2020, have not had a materially adverse effect on the business operations of Straits and Sinar Maju as both companies have been allowed to operate subject to adherence to strict standard operating procedures due to the majority of the Group’s and Sinar Maju Group's operations falling under essential services permitted by the Malaysian government, aside from land transportation and logistics.

In response to the COVID-19 pandemic, the Group and Sinar Maju Group will continue to take mitigating action against the coronavirus disease, such as work-from-home policies where possible to reduce the number of on-site employees, temperature screening of employees and visitors to business premises, home-quarantine for employees who have had close contact with suspected or confirmed COVID-19 cases, and increased sanitisation in the workplace.

Nevertheless, there is no assurance that the continuation of the COVID-19 pandemic may not have a material adverse impact on the business operations and financial performance of the Group and Sinar Maju. Potential risks arising therefrom may include but not limited to an outbreak of COVID-19 at the Group's or Sinar Maju's business premises and the forced closures of the Group's or Sinar Maju's business premises, any of which may result in a materially adverse effect on the Group's business and financial conditions.

7. EFFECTS OF THE PROPOSALS

The Proposed Acquisition and Proposed Call Option will not have any impact on the issued share capital, NA and gearing level as well as the substantial shareholders' shareholdings of the Group as there is no issuance of Straits Shares involved.

7.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of Straits are set out as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	780,789,895	124,895,843	780,789,895	124,895,843
Assuming the full exercise of Warrants	-	-	153,267,500	17,625,763*1
	780,789,895	124,895,843	934,057,395	142,521,606
Shares to be issued pursuant to the Proposed Private Placement	156,157,979	26,546,856*2	186,811,479	31,757,951*2
Enlarged issued share capital	**936,947,874**	**151,442,699**	**1,120,868,874**	**174,279,557**

***Notes**:-*

*1 *Computed based on the exercise price of RM0.115 per Warrant.*

*2 *Computed based on the indicative issue price of RM0.17 per Placement Share.*

7.2 NA per Share and gearing level

Based on the latest audited consolidated statements of financial position for the FYE 31 December 2020, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing of the Group are set out as follows:-

Minimum Scenario

	Audited as at 31 December 2020 RM	I Subsequent adjustments up to the LPD*1 RM	II After I and the Proposed Private Placement RM
Share capital	104,465,174	124,895,843	151,442,699*2
Retained earnings	9,834,381	9,834,381	9,014,381*3
Reserves	(594,874)	(594,874)	(594,874)
Shareholders' fund/ NA	**113,704,681**	**134,135,350**	**159,862,206**
Non-controlling interests	12,460,665	12,460,665	12,460,665
Total equity	**126,165,346**	**146,596,015**	**172,322,871**
No. of Shares in issue	650,658,246	780,789,895	936,947,874*2
NA per Share	0.17	0.17	0.17
Total borrowings	81,261,770	81,261,770	81,261,770
Gearing ratio (times)	0.64	0.55	0.47

Notes:-

*1 *After adjusting for the issuance and allotment of 130,131,649 new Straits Shares pursuant to the Private Placement I at an issue price of RM0.157 each on 1 March 2021.*

*2 *Assuming 156,157,979 Placement Shares are issued at the indicative issue price of RM0.17 per Placement Share pursuant to the Proposed Private Placement under the Minimum Scenario.*

*3 *After deducting the estimated expenses of RM0.82 million in relation to the Proposals.*

Maximum Scenario

	Audited as at 31 December 2020	I Subsequent adjustments up to the LPD[*1]	II After I and full exercise of Warrants	III After II and the Proposed Private Placement
	RM	RM	RM	RM
Share capital	104,465,174	124,895,843	142,521,606[*2]	174,279,557[*3]
Retained earnings	9,834,381	9,834,381	9,834,381	9,014,381[*4]
Reserves	(594,874)	(594,874)	(594,874)	(594,874)
Shareholders' fund/ NA	**113,704,681**	**134,135,350**	**151,761,113**	**182,699,064**
Non-controlling interests	12,460,665	12,460,665	12,460,665	12,460,665
Total equity	**126,165,346**	**146,596,015**	**164,221,778**	**195,159,729**
No. of Shares in issue	650,658,246	780,789,895	934,057,395[*2]	1,120,868,874[*3]
NA per Share	0.17	0.17	0.16	0.16
Total borrowings	81,261,770	81,261,770	81,261,770	81,261,770
Gearing ratio (times)	0.64	0.55	0.49	0.42

Notes:-

[*1] *After adjusting for the issuance and allotment of 130,131,649 new Straits Shares pursuant to the Private Placement I at an issue price of RM0.157 each on 1 March 2021.*

[*2] *Assuming the 153,267,500 Warrants are exercised at the exercise price of RM0.115 per Warrant.*

[*3] *Assuming 186,811,479 Placement Shares are issued at the indicative issue price of RM0.17 per Placement Share pursuant to the Proposed Private Placement under the Maximum Scenario.*

[*4] *After deducting the estimated expenses of RM0.82 million in relation to the Proposals.*

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7.3 Substantial shareholding structure

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company as at the LPD are set out below:-

Minimum Scenario

	Shareholdings as at the LPD				I After the Proposed Private Placement[*2]			
	<-------------Direct------------>		<-----------Indirect----------->		<-------------Direct------------>		<-----------Indirect----------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Sturgeon Asia Ltd	57,464,900	7.36	-	-	57,464,900	6.13	-	-
Ang Tun Young	54,738,200	7.01	-	-	54,738,200	5.84	-	-
Dato' Sri Ho Kam Choy	86,939,200	11.14	58,751,800[*1]	7.52	86,939,200	9.28	58,751,800[*1]	6.27

Notes:-

[*1] *Deemed interested by virtue of his indirect shareholdings in Sturgeon Asia Ltd and through his brothers' direct shareholdings in the Company.*

[*2] *Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s).*

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Maximum Scenario

					I				II			
	Shareholdings as at the LPD				**After the full exercise of Warrants[*2]**				**After I and the Proposed Private Placement[*3]**			
	<-------Direct------->		**<------Indirect----->**		**<-------Direct-------->**		**<-------Indirect------>**		**<-------Direct-------->**		**<------Indirect----->**	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Sturgeon Asia Ltd	57,464,900	7.36	-	-	62,929,800	6.74	-	-	62,929,800	5.61	-	-
Ang Tun Young	54,738,200	7.01	-	-	69,719,400	7.46	-	-	69,719,400	6.22	-	-
Dato' Sri Ho Kam Choy	86,939,200	11.14	58,751,800[*1]	7.52	88,718,900	9.50	64,216,700[*1]	6.88	88,718,900	7.92	64,216,700[*1]	5.73

Notes:

*1 *Deemed interested by virtue of his indirect shareholdings in Sturgeon Asia Ltd and through his brothers' direct shareholdings in the Company.*

*2 *The warrant holdings of the substantial shareholders as at the LPD are set out below:-*

	No. of Warrants	
	Direct	***Indirect***
Sturgeon Asia Ltd	*5,464,900*	-
Ang Tun Young	*14,981,200*	-
Dato' Sri Ho Kam Choy	*1,779,700*	*5,464,900[@]*

Note:-

@ *Deemed interested by virtue of his indirect shareholdings in Sturgeon Asia Ltd.*

*3 *Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s).*

7.4 Earnings and EPS

7.4.1 Proposed Private Placement

The Proposed Private Placement, which is expected to be completed by the first quarter of 2022, is not expected to have any material effect on the earnings and EPS of Straits Group for the FYE 31 December 2022. However, there will be a dilution in the EPS of the Group for the FYE 31 December 2022 due to the increase in the number of Straits Shares in issue arising from the Proposed Private Placement, as and when implemented.

7.4.2 Proposed Acquisition and Proposed Call Option

The Proposed Acquisition and Proposed Call Option, which are expected to be completed by the first quarter of 2022, are not expected to have any material effect on the earnings and EPS of the Group for the FYE 31 December 2022. However, the Group's equity interest in Sinar Maju pursuant to the Proposed Acquisition and the Proposed Call Option (in the event the Call Option is exercised by Straits) is expected to contribute positively to the Group's future earnings.

For illustrative purpose only assuming that the Proposals had been completed and the Call Option had been exercised as at 1 January 2020 (being the beginning of the latest audited FYE 31 December 2020 of Straits) and the Yearly Profit Guarantee had been achieved for the FYE 31 December 2020, the pro forma effects of the Proposals on the earnings and the EPS of Straits Group are as follows:-

Minimum Scenario

		I	II	III	IV
	Audited as at 31 December 2020 RM'000	**Subsequent adjustments up to the LPD RM'000**	**After I and the Proposed Private Placement RM'000**	**After II and the Proposed Acquisition RM'000**	**After III and the exercise of Call Option RM'000**
PAT attributable to the owners of the Company*1	2,840	2,840	2,840	2,840	2,840
Add: Yearly Profit Guarantee attributable to Straits	-	-	-	1,260*2	1,400*3
Total PAT	**2,840**	**2,840**	**2,840**	**4,100**	**4,240**
No. of Shares ('000)	650,658	780,790	936,948	936,948	936,948
Basic EPS (sen)	0.44	0.36	0.30	0.44	0.45

Notes:-

*1 *Based on the latest audited consolidated financial results of Straits for the FYE 31 December 2020.*

*2 *RM1.26 million Yearly Profit Guarantee attributable to Straits based on 90% equity interest in Sinar Maju to be acquired by Straits pursuant to the completion of the Proposed Acquisition.*

*3 *RM1.40 million Yearly Profit Guarantee attributable to Straits based on 100% equity interest in Sinar Maju to be acquired by Straits pursuant to the completion of the Proposed Acquisition and the exercise of Call Option.*

Maximum Scenario

	Audited as at 31 December 2020 RM'000	I Subsequent adjustments up to the LPD RM'000	II After I and the full exercise of Warrants RM'000	III After II and the Proposed Private Placement RM'000	IV After III and the Proposed Acquisition RM'000	V After IV and the exercise of Call Option RM'000
PAT attributable to the owners of the Company[*1]	2,840	2,840	2,840	2,840	2,840	2,840
Add: Yearly Profit Guarantee attributable to Straits	-	-	-	-	1,260[*2]	1,400[*3]
Total PAT	**2,840**	**2,840**	**2,840**	**2,840**	**4,100**	**4,240**
No. of Shares ('000)	650,658	780,790	934,057	1,120,869	1,120,869	1,120,869
Basic EPS (sen)	0.44	0.36	0.30	0.25	0.37	0.38

Notes:-

[*1] *Based on the latest audited consolidated financial results of Straits for the FYE 31 December 2020.*

[*2] *RM1.26 million Yearly Profit Guarantee attributable to Straits based on 90% equity interest in Sinar Maju to be acquired by Straits pursuant to the completion of the Proposed Acquisition.*

[*3] *RM1.40 million Yearly Profit Guarantee attributable to Straits based on 100% equity interest in Sinar Maju to be acquired by Straits pursuant to the completion of the Proposed Acquisition and the exercise of Call Option.*

7.5 Convertible securities

As at the LPD, save for the Warrants, the Company does not have any other convertible securities.

The Proposals are not expected to give rise to any adjustments on the Warrants.

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8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Straits Shares as traded on Bursa Securities for the past 12 months from December 2020 to November 2021 are set out below:-

	High RM	Low RM
2020		
December	0.220	0.175
2021		
January	0.185	0.160
February	0.195	0.160
March	0.285	0.175
April	0.250	0.210
May	0.240	0.185
June	0.220	0.185
July	0.250	0.195
August	0.215	0.195
September	0.215	0.170
October	0.185	0.170
November	0.180	0.160
Last transacted market price of Straits Shares as at 22 October 2021 (being the latest trading day prior to the announcement on the Proposals)		RM0.180
Last transacted market price on 17 December 2021 (being the LPD)		RM0.165

(Source: Bloomberg)

9. APPROVALS REQUIRED/ OBTAINED AND INTER-CONDITIONALITY OF THE PROPOSALS

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

i. Bursa Securities for the listing and quotation of the Placement Shares to be issued pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities, subject to the following conditions:-

	Conditions	Status of compliance
a.	Straits and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;	To be complied
b.	Straits and UOBKH to inform Bursa Securities upon the completion of the Proposed Private Placement; and	To be complied
c.	Straits to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.	To be complied

ii. shareholders of Straits at the EGM.

For shareholders' information, Rule 10.12 of the Listing Requirements stipulates, among others, that transactions should be aggregated when such transactions are entered into with the same party or with parties connected with one another. As the Proposed Acquisition and Proposed Call Option are entered into with the same party, i.e. the Vendor, and were agreed upon and/ or transacted within a period of 12 months, the percentage ratios attributable to these transactions have been aggregated.

In this regard, the highest aggregated percentage ratio applicable to the Proposed Acquisition and Proposed Call Option pursuant to Rule 10.02(g) of the Listing Requirements is approximately 16.41%, calculated based on the PAT of Sinar Maju Group of RM466,155 based on its latest audited consolidated financial statements for the FYE 31 December 2020 against the PAT of Straits Group of RM2,839,990 based on its latest audited consolidated financial statements for the FYE 31 December 2020; and

iii. any other relevant authorities and/ or parties, if required.

For avoidance of doubt, should shareholders' approval for the Proposed Acquisition and Proposed Call Option be obtained at the EGM, the Group shall not be required to seek shareholders' approval for the exercise and completion of the Call Option pursuant to the Listing Requirements. Nevertheless, the Group shall make the requisite announcement(s) in relation to the exercise and completion of the Call Option as and when required in accordance with the Listing Requirements.

The Proposed Private Placement is not conditional upon the Proposed Acquisition or Proposed Call Option and vice versa. The Proposed Acquisition is not conditional upon the Proposed Call Option while the Proposed Call Option is conditional upon the Proposed Acquisition. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED TO THEM

10.1 Proposed Private Placement

None of the Directors, major shareholders and/ or chief executive of Straits and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

10.2 Proposed Acquisition and Proposed Call Option

Save as disclosed below, none of the Directors, major shareholders and/ or chief executive of Straits and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition and Proposed Call Option:-

i. Tan Sri Mohd Bakri is the Non-Independent & Non-Executive Director of Straits. He is a director of Sinar Maju and has 100.0% direct equity interest in Sinar Maju. As at the LPD, he does not have any direct or indirect shareholdings in Straits.

Accordingly, Tan Sri Mohd Bakri is deemed interested in the Proposed Acquisition and Proposed Call Option.

As such, the Interested Director has abstained and will continue to abstain from deliberation and voting on the Proposed Acquisition and Proposed Call Option at all Board meetings. In addition, the Interested Director will abstain from voting and will also ensure that the persons connected with him, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company, if any, on the resolutions pertaining to the Proposed Acquisition and Proposed Call Option to be tabled at the EGM.

11. TRANSACTIONS WITH THE INTERESTED PARTIES FOR THE PRECEDING 12 MONTHS

Save for the Proposed Acquisition, Proposed Call Option and the recurrent related party transactions which have been tabled and approved at the Company's 24th annual general meeting on 24 June 2021, there have been no transactions entered into by the Company with the Interested Director for the 12 months preceding the date of this Circular.

12. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposals are expected to be completed by the first quarter of 2022.

The tentative timetable for the implementation of the Proposed Acquisition is set out below:-

Month	Events
19 January 2022	• Convening of the EGM to obtain approval of shareholders of Straits for the Proposals
Early February 2022	• Allotment and issuance of the Placement Shares • Completion of the Proposed Acquisition

13. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save as disclosed below, the Board confirms that there are no other outstanding corporate proposals that have been announced through Bursa Securities but not yet completed as at the LPD:-

i. On 12 July 2021, the Board announced that Victoria STS, a 70%-owned subsidiary of Fajar Maritime and Logistics Sdn Bhd, which in turn is a 60%-owned subsidiary of Straits Port Management Sdn Bhd, and which in turn is a wholly-owned subsidiary of Straits, had on 12 July 2021 received a letter of approval from Marine Department Malaysia for the development of the STS Transhipment Hub to provide and carry out ship-to-ship transfer activities for liquid cargo such as crude oil, marine gas oil, marine diesel oil, marine fuel oil, liquefied natural gas and liquefied petroleum gas within the port limits of Victoria Bay, Labuan; and

ii. the Proposals (being the subject matter of this Circular).

14. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of Straits (save for the Interested Director), after taking into consideration the advice of the Independent Adviser, namely AER, is of the opinion that the Proposed Acquisition and Proposed Call Option are:-

i. in the best interest of the Company;

ii. fair, reasonable and on normal commercial terms; and

iii. not detrimental to the interest of the non-interested shareholders of Straits.

In forming its views, the Audit Committee of Straits (save for the Interested Director) has also taken into consideration, amongst others, the following:-

i. the rationale and justification of the Proposed Acquisition and Proposed Call Option;

ii. the salient terms of the SSA;

iii. the basis and justification of arriving at the Purchase Consideration and Call Option Price;

iv. the prospects of Sinar Maju Group and Straits Group; and

v. the pro forma effects of the Proposed Acquisition, Proposed Call Option and the exercise of the Call Option.

15. DIRECTORS' STATEMENT AND RECOMMENDATION

15.1 Proposed Private Placement

The Board, having considered all aspects of the Proposed Private Placement, including the rationale and justification as well as the effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interests of the Company.

Accordingly, the Board recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Private Placement at the EGM.

15.2 Proposed Acquisition and Proposed Call Option

The Board (save for the Interested Director), having considered all aspects of the Proposed Acquisition and Proposed Call Option, including but not limited to the terms and conditions of the SSA, the rationale and justification, the prospects of Sinar Maju Group and Straits Group as well as the pro forma effects, is of the opinion that the Proposed Acquisition and Proposed Call Option are in the best interests of the Company and the terms and conditions of the Proposed Acquisition and Proposed Call Option are fair, reasonable and on normal commercial terms. Hence, the Board (save for the Interested Director) is of the opinion that the Proposed Acquisition and Proposed Call Option will not be detrimental to the interests of the non-interested shareholders of the Company.

Accordingly, the Board (save for the Interested Director) recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposed Acquisition and Proposed Call Option at the EGM.

16. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted on a fully virtual basis through live streaming and online meeting platform at TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via Remote Participation and Electronic Voting ("**RPV**") facilities at https://tiih.online on Wednesday, 19 January 2022 at 10.00 a.m., or at any adjournment thereof, 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, participate, speak and vote remotely at the EGM via the Remote Participation and Voting facilities provided, you are entitled to appoint a proxy or proxies to attend, participate, speak and vote on your behalf. As such, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, at the Share Registrar office at 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 Kuala Lumpur, Wilayah Persekutuan or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or you have the option to lodge the proxy appointment electronically via TIIH Online at https://tiih.online or email to is.enquiry@my.tricorglobal.com not less than 48 hours before the time holding the EGM or at any adjournment thereof. Please refer to the procedures as set out in the Administrative Guide for the electronic lodgement of Proxy Form. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

Shareholders of Straits are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
STRAITS ENERGY RESOURCES BERHAD
(FORMERLY KNOWN AS STRAITS INTER LOGISTICS BERHAD)

DATO' SRI HO KAM CHOY
Group Managing Director

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF STRAITS IN RELATION TO THE PROPOSED ACQUISITION AND PROPOSED CALL OPTION

Set out hereunder is an executive summary which serves to highlight some of the salient points arising from AER's independent evaluation of the Proposed Acquisition and Proposed Call Option. The non-interested shareholders are advised to read and understand the contents of the IAL and the entire Part A of this Circular, including the appendices thereof, for more comprehensive information, evaluation and recommendation on the Proposed Acquisition and Proposed Call Option, before voting on the resolutions pertaining to the Proposed Acquisition and Proposed Call Option, at the forthcoming EGM.

1. INTRODUCTION

On 25 October 2021, UOBKH had, on behalf of your Board, announced that your Company, had entered into a SSA with Tan Sri Mohd Bakri Bin Mohd Zinin, i.e., Vendor for an acquisition of 270,000 ordinary shares in Sinar Maju, representing 90% equity interest in Sinar Maju for a purchase consideration of RM16,380,000 to be satisfied entirely by cash. The Vendor has also granted to your Company a Call Option for Straits to acquire all the remaining Sinar Maju Shares to be held by the Vendor after the completion of the Proposed Acquisition, representing 10% equity interest in Sinar Maju, for a purchase consideration of RM1,820,000 to be satisfied entirely via cash in a single transaction by serving a written notice to the Vendor, within the Call Option Period. The Proposed Call Option is conditional upon the passing of the ordinary resolution of the Proposed Acquisition. Assuming the completion of the Proposed Acquisition and the exercise of Call Option, your Company, shall own the entire equity interest in Sinar Maju for a total sum of RM18,200,000.

In view of the interests of Tan Sri Mohd Bakri, being the non-Independent and non-Executive Director of Straits, in relation to the Proposed Acquisition and Proposed Call Option, as set out in Section 10, Part A of this Circular, the Proposed Acquisition and Proposed Call Option are deemed RPTs, pursuant to Rule 10.08 of the Listing Requirements.

We have been appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company in relation to the Proposed Acquisition and Proposed Call Option.

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2. EVALUATION OF THE PROPOSED ACQUISITION AND PROPOSED CALL OPTION

In evaluating the Proposed Acquisition and Proposed Call Option, we have taken into consideration the following:

Section in the IAL	Area of evaluation	AER's comments
Section 6.1	Rationale for the Proposed Acquisition and Proposed Call Option	The rationale for the Proposed Acquisition and Proposed Call Option by your Board are as follows:- - At present, your Company is mainly involved in oil trading and bunkering services, port operation and facility management services, land transportation and logistics, chartering of vessels services and vessel management. The Proposed Acquisition represents a horizontal expansion of the Group's port operation and facility management services, which will allow the Group to offer a broader range of related services within the port operation, logistics and transportation sector to provide additional value to clients and enhance the future revenue and earnings of your Group. - Your Company's subsidiary, is currently undertaking the port operation and facility management of Labuan Port. Following the Proposed Acquisition, Sinar Maju intends to extend its shipping agency services to include Labuan Port, thereby expanding the scope of services and value offered by your Company's port operation and facility management services at the Labuan port, which in turn may attract more vessels to Labuan Port. - The role of Sinar Maju is to facilitate vessels owners from the time of berthing alongside the ports until the departure of the vessels. This includes attending to the needs of crew members of a vessel by supplying to the crew members fresh waters, food and also assist in the crew changes by assisting the crew members in handling immigration documents. This business is viewed as a complementary to the bunkering business of Straits. We are of the opinion that the rationale for the Proposed Acquisition and Proposed Call Option is **<u>reasonable</u>** and **<u>not detrimental</u>** to the non-interested shareholders.

Section in the IAL	Area of evaluation	AER's comments
Section 6.2	Evaluation of the basis of arriving at the Purchase Consideration	The purchase consideration of RM 16.38 million for 90% equity interest and the call option price of RM 1.82 million for the remaining 10% equity interest in Sinar Maju, shall translate to an equivalent implied forward P/E multiple of 13 times for both the Proposed Acquisition and Proposed Call Option, applied on the aggregate Profit Guarantee of RM 2.80 million, from 1 January 2022 to 31 December 2023. The implied forward P/E multiple of 13 times, is **within** the P/E range of the comparable companies that are in the port operations and provision of related services supporting the vessels berthing at the ports that are listed in Bursa Securities ("**Comparable Companies**") between 10.2 times to 23.2 times, with an average of 19.3 times. The implied forward P/E multiple of 13 times represents a **discount of 32.6%** of the average P/E of the Comparable Companies. We had also performed a fair valuation computation of the entire equity interest of Sinar Maju Group using the justified price to book method with an assumed cost of equity of 7.8%, annual sustainable growth rate of 3.6%, an annualised estimated PAT of RM 0.9 million for FYE 2021, that resulted in a fair value of RM 14.5 million to RM 14.9 million for the entire equity interest in Sinar Maju Group. The justified price to book method when applied on the profit guarantee of RM 1.4 million for each financial year (i.e., FYE 2022 and FYE 2023) with exactly the same basis and assumptions, i.e., an assumed cost of equity of 7.8%, annual sustainable growth rate of 3.6%, resulted in a fair value of RM 20.6 million to RM 21.2 million ("**Fair Value Range**") for the entire equity interest in Sinar Maju Group. The Purchase Consideration of RM 16.38 million for 90% equity interest, represents a **potential discount of 13%** when compared with the average Fair Value Range, if the Profit Guarantee is met. As the fair value of the entire equity interest is higher than the Purchase Consideration if the Profit Guarantee is met and the implied forward P/E multiple is within the range of the Comparable Companies, we are of the view that the Purchase Consideration is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders.

Section 6.3	Evaluation of the manner of settlement of the Purchase Consideration.	The Purchase Consideration is settled in the following manner:- 84.6% of the Purchase Consideration equivalent to a sum of RM 13.86 million shall be paid to the Vendor on Completion Date in cash. This day is defined as a day falling within ninety (90) days after the last of the Condition Precedent is satisfied or on the 90th day after the last of the Condition Precedent is satisfied. The remaining balance of 15.4% of the Purchase Consideration equivalent to a sum of RM 2.52 million shall be paid to the Vendor after an assessment is made upon completion of each financial year of the Profit Guarantee Period, i.e. FYE 2022 and FYE 2023, for your Company to determine whether there is any Shortfall Attributable To Straits, before releasing any payment under the Second Tranche to the Vendor, so as to ensure that any Shortfall Attributable to Straits is collected from the Vendor by setting-off against the amount held in Second Tranche. As your Company is able to assess any Shortfall Attributable To Straits and make the appropriate deduction as permissible before releasing the remainder to the Vendor, this provides a security to your Company to ensure that any Shortfall Attributable to Straits is able to be recovered in full from the Vendor. We also noted that the total liability of the Vendor to Straits for not meeting the Profit Guarantee for the Profit Guarantee Period shall be limited to RM 2.8 million only, which your Company could set-off against the Second Tranche. We conclude that the mode of the settlement by your Company to the Vendor is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders.
Section 6.4	Evaluation of the Proposed Call Option	The Proposed Call Option provides to your Company a period of 30 months commencing from the completion of the Proposed Acquisition to evaluate the performance of Sinar Maju Group before making a decision whether to acquire the remaining 10% equity interest in Sinar Maju. The Vendor has provided this option to your Company to purchase at exactly the same price for each ordinary share of Sinar Maju, i.e. RM 60.67 per share, similar to the pricing as offered by your Vendor in the Proposed Acquisition. As the Call Option Price is based on the same price per share as the Proposed Acquisition, the terms of the Proposed Call Option are **fair and reasonable**.

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Section 6.5	Salient terms of the SSA	We are of the view that the salient terms of the SSA are on normal commercial terms for transactions of such nature and the said terms are **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders.
Section 6.6	Effects of the Proposed Acquisition and Proposed Call Option on issued share capital and substantial shareholders' shareholdings.	The Proposed Acquisition and Proposed Call Option does not involve any issuance of new shares. Therefore, the Proposed Acquisition and Proposed Call Option has **no effect** on the issued share capital and substantial shareholders' shareholdings.
	Effects of the Proposed Acquisition and Proposed Call Option on NA and gearing.	**Effects on NA** The Proposed Acquisition and Proposed Call Option, has **no material effect** on the net assets of your Company excluding the transaction cost of the Proposals, as the Proposed Acquisition and Proposed Call Option is via cash consideration and does not involve any issuance of new shares. **Effects on gearing** The Proposed Acquisition and Proposed Call Option is estimated to have **no immediate effects** on **borrowings** before and after the completion of the Proposed Acquisition and Proposed Call Option, as it is intended to be funded by cash or internally generated funds.
	Effects of the Proposed Acquisition and Proposed Call Option on Earnings and EPS	**Effects on Earnings** The Proposed Acquisition and Proposed Call Option is expected to have a positive effect on the immediate future EPS of your Group, as a result of the Profit Guarantee by the Vendor. **Effects on EPS** The Proposed Acquisition and Proposed Call Option is expected to contribute to an increase in EPS for FYE 2022 and FYE 2023 which coincides with the Profit Guarantee Period.
	Overall	Taken as a whole, we are of the view that the overall financial effect of the Proposed Acquisition and Proposed Call Option is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders.
Section 6.7	Prospects of Sinar Maju and the enlarged Straits Group	Based on our research, the prospects of the Malaysia's port sector remain healthy for the current year and 2022 with some ports expected to post encouraging growth in their container throughput in line with the global economy recovery from the COVID-19 pandemic. (Source: Maritime Fair Trade)

Section in the IAL	Area of evaluation	AER's comments
Section 6.8	Risk factors relating to the Proposed Acquisition and Proposed Call Option	The Proposed Acquisition and Proposed Call Option may not be proceeded due to events that lead to termination of the SSA such as parties of the SSA are not able to meet the condition precedents and the SSA is terminated by either party. In such events, the risk that your Company suffers is that your Company is unable to realise the positive benefits of the Proposed Acquisition and Proposed Call Option, such as realising the projected earnings from Sinar Maju. - There can be no assurance that the business and operations of Sinar Maju Group, will generate the expected return on investment, beyond the Profit Guarantee, as the success and profitability of its business depends on various factors beyond the control of your Company. - Sinar Maju Marin has projected to purchase another vessel in 2022 and commence operation in 2023 using internal generated funds. Any delay in the purchase of the vessel or delay in commencement in the operation of the new vessel will affect the future earnings of Sinar Maju Group. - Any interruption in renewal of the licenses held by Sinar Maju Group shall represent a business risk of Sinar Maju Group, post-acquisition. Nevertheless, moving forward, your Board is confident that it can manage such risk by leveraging on the experience and expertise of the Group's management and Directors. Based on your Board's capabilities and experience, we are of the view that the risk factors relating to the Proposed Acquisition and Call Option to be undertaken is **reasonable** and **not detrimental** to the interests of the non-interested shareholders.

3. CONCLUSION AND RECOMMENDATION

We have assessed, evaluated the Proposed Acquisition, and Proposed Call Option and our evaluation is set out in Section 6 of the IAL. The non-interested shareholders should consider all the merits and demerits of the Proposed Acquisition and Proposed Call Option, based on all relevant pertinent factors including those which are set out in Part A of this Circular, the relevant appendices thereof, this IAL and other publicly available information.

After having considered all the various factors included in our evaluation for the Proposed Acquisition and Proposed Call Option and based on the information made available to us, we are of the opinion that the Proposed Acquisition and Proposed Call Option is **fair and reasonable** insofar as the non-interested shareholders are concerned and it is **not to the detriment** of the non-interested shareholders.

Accordingly, we recommend the non-interested shareholders to **vote in favour** of the ordinary resolutions pertaining to the Proposed Acquisition and Proposed Call Option that is to be tabled at the Company's forthcoming EGM.

AER

ASIA EQUITY RESEARCH SDN BHD
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31 December 2021

To: The Non-interested shareholders

Dear Sir/Madam,

Straits Energy Resources Berhad ("Straits" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION AND PROPOSED CALL OPTION

This IAL is prepared for inclusion in Part B of this Circular. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the "Definitions" section of this Circular and the Executive Summary of the IAL, except where the context herein requires otherwise or where otherwise defined herein.

1. INTRODUCTION

On 25 October 2021, UOBKH had, on behalf of your Board, announced that your Company, had entered into a SSA with Tan Sri Mohd Bakri Bin Mohd Zinin, i.e., Vendor for an acquisition of 270,000 ordinary shares in Sinar Maju, representing 90% equity interest in Sinar Maju for a purchase consideration of RM16,380,000 to be satisfied entirely by cash. The Vendor has also granted to your Company a Call Option for Straits to acquire all the remaining Sinar Maju Shares to be held by the Vendor after the completion of the Proposed Acquisition, representing 10% equity interest in Sinar Maju, for a purchase consideration of RM1,820,000 to be satisfied entirely via cash in a single transaction by serving a written notice to the Vendor within the Call Option Period. The Proposed Call Option is conditional upon the passing of the ordinary resolution of the Proposed Acquisition. Assuming the completion of the Proposed Acquisition and the exercise of Call Option, your Company, shall own the entire equity interest in Sinar Maju for a total sum of RM18,200,000.

In view of the interests of Tan Sri Mohd Bakri, being the non-Independent and non-Executive Director of Straits, in relation to the Proposed Acquisition and Proposed Call Option as set out in Section 10, Part A of this Circular, the Proposed Acquisition and Proposed Call Option are deemed RPTs, pursuant to Rule 10.08 of the Listing Requirements.

Accordingly, the Board had appointed AER on 9 September 2021, as the Independent Adviser to provide the non-interested Directors of the Company and the non-interested shareholders with:

(a) comments as to whether the Proposed Acquisition and Proposed Call Option:

   (i) is fair and reasonable as far as the non-interested shareholders are concerned; and
   (ii) is to the detriment of the non-interested shareholders,

   and such opinion must set out the reasons for, the key assumptions made, and the factors taken into consideration in forming that opinion.

(b) advise the non-interested shareholders on whether they should vote in favour of the Proposed Acquisition and Proposed Call Option; and

(c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in (a) and (b) above.

The purpose of this IAL is to provide the non-interested shareholders with an independent evaluation of the Proposed Acquisition and Proposed Call Option and our opinion and recommendation thereon subject to the scope and limitations specified herein. You should nonetheless rely on your own evaluation of the merits and demerits of the Proposed Acquisition and Proposed Call Option, before deciding on the course of action to be taken.

THIS IAL IS PREPARED SOLELY FOR THE USE OF THE NON-INTERESTED SHAREHOLDERS FOR THE PURPOSE OF VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITION AND PROPOSED CALL OPTION, AT THE FORTHCOMING EGM OF THE COMPANY AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY FOR ANY OTHER PURPOSES WHATSOEVER.

YOU ARE ADVISED TO READ AND FULLY UNDERSTAND BOTH THIS IAL AND PART A OF THIS CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES THEREIN AND TO CONSIDER CAREFULLY OUR EVALUATION AND RECOMMENDATION BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITION AND PROPOSED CALL OPTION, TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. CREDENTIALS, EXPERIENCE AND EXPERTISE OF AER

AER is licensed to provide two regulated activities by the Securities Commission of Malaysia, namely advisory in corporate finance and investment advice.

The past credentials, professional experiences and expertise of AER where AER had been appointed as an independent adviser include, amongst others, the following transactions:

(a) acted as an independent adviser in relation to the proposed disposal by Complete Logistics Services Berhad ("CLSB") of its entire equity interests in Guper Resources Sdn Bhd and Ultra Trinity Sdn Bhd to Dolphin Assets Sdn Bhd for an aggregate cash consideration of RM22,452,000, where the independent advise letter was issued and dated 27 July 2021.

(b) acted as an independent adviser in relation to the proposed acquisition by HLT Global Bhd ("HLT") of forty-five percent equity interest in HL Rubber Industries Sdn. Bhd for a purchase consideration of RM90.0 million to be satisfied via the issuance of 90 million new ordinary shares in HLT, where the independent advice letter was issued and dated 24 February 2021.

(c) acted as an independent adviser in relation to a proposed lease arrangement for a tenure of twelve (12) years by HCK Capital Holdings Sdn Bhd as a lessor, i.e., a wholly owned subsidiary of HCK Capital Bhd to SEGI College (Subang Jaya) Sdn Bhd as a lessee, i.e., a wholly owned subsidiary of SEG International Bhd, where the independent advice letter was issued and dated 10 September 2020.

(d) acted as an independent adviser in relation to the proposed disposal by Sinotop Holdings Berhad of the entire equity interest in its wholly owned subsidiary, Be Top Group Limited for a cash consideration of RM70.0 million, where the independent advice letter was issued and dated 30 July 2020.

(e) acted as an independent adviser in relation to the proposed acquisition by Chip Ngai Engineering Works Sdn. Bhd., an owned subsidiary of CN Asia Corporation Bhd of a parcel of vacant land from Twinstar Acres Sdn. Bhd., a company owned by a related party for a cash consideration of RM4,000,000, where the independent advice letter was issued and dated 23 April 2020.

Premised on the above, AER is capable and competent and has the relevant experience in carrying out its role and responsibilities as an independent adviser to advise the non-interested directors of the

Company and non-interested shareholders in relation to the Proposed Acquisition and Proposed Call Option.

3. DECLARATION OF CONFLICT OF INTEREST

We confirm that there is no existing or potential conflict of interest situation for us to carry out our role as the Independent Adviser in connection with the Proposed Acquisition and Proposed Call Option.

4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED ACQUISITION AND PROPOSED CALL OPTION

AER was not involved in the formulation and structuring of the Proposed Acquisition and Proposed Call Option, and/or any deliberations and negotiations pertaining to the terms and conditions of the Proposed Acquisition and Proposed Call Option. In the past 2 years prior from the date of this IAL, there is no professional relationships between Straits and AER. AER's scope as the Independent Adviser is limited to expressing an opinion on the fairness and reasonableness of the Proposed Acquisition and Proposed Call Option and whether the transaction is to the detriment of the non-interested shareholders, based on the following sources of information and documents:

(a) information contained in Part A of this Circular, and the appendices enclosed therein.

(b) other relevant information, documents, confirmations and representations provided to us by the Board and management of Straits.

(c) discussions and consultations with the management of Straits.

(d) the SSA between Straits and the Vendor; and

(e) other publicly available information that we consider relevant for our evaluation.

We have made all reasonable enquiries, performed reasonableness checks and corroborated relevant information with independent sources, where possible. We are also guided by the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities. In addition, the Board and the management of Straits had undertaken to exercise due care to ensure that all information, data, documents and representations provided to us to facilitate our evaluation are accurate, valid, complete, reasonable and free from any material omission in all material respects. Accordingly, AER shall not assume any responsibility or liability whatsoever to any party for any inaccuracies, misstatements or omission of facts and information provided or represented by the Board and the management of Straits.

The directors of Straits have collectively and individually accepted full responsibility for the accuracy, validity and completeness of the information, documents, data and statements provided to us and as contained herein in relation to the Proposed Acquisition and Proposed Call Option (save and except for opinion expressed by AER which do not contain factual information provided by the Company and information procured or developed by AER independently of the Company) and confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant facts and information in relation to the Proposed Acquisition and Proposed Call Option, that are necessary for our evaluation have been completely and accurately disclosed to us and there is no omission of any material fact, the omission of which would render any such information provided to us are false, incomplete, misleading and/or inaccurate.

We are satisfied with the information provided by the Board and the management of Straits and are not aware of any facts or matters not disclosed which may render any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. After making all reasonable enquiries and to the best of our knowledge and belief, the information we used is reasonable, accurate, complete and free from material omission.

The non-interested shareholders should note that the views expressed by AER herein are, amongst others, based on the current economic, market, industry, regulatory, monetary, social-political and other conditions prevailing up to the LPD. Such conditions may change over a short period of time which may adversely affect amongst others, the financial and operational conditions of the Sinar Maju Group.

Accordingly, our evaluation and opinion in this IAL do not consider information, events and conditions arising or may occur after the LPD. Our advice should be considered in the context of the entirety of this IAL.

In rendering our advice, we had taken note of pertinent issues which we believe are necessary and of importance to an assessment of the implications of the Proposed Acquisition and Proposed Call Option that are of general concern to the non-interested shareholders.

As such:

(a) our evaluation and recommendation contained herein are based on the assessment of the fairness and reasonableness of the Proposed Acquisition and Proposed Call Option. comments or points of consideration which may be commercially oriented such as the rationale, financial effects, potential benefits and prospects of the Proposed Acquisition and Proposed Call Option are included for our overall evaluation as we deem necessary for disclosure purposes to enable the non-interested shareholders to consider and form their views in a more holistic manner thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Acquisition and Proposed Call Option.

(b) our views and advice as contained in this IAL only cater to the non-interested shareholders at large and not to any non-interested shareholder individually or any specific group of non-interested shareholders. Hence, in carrying out our evaluation, we have not given due consideration to the specific investment objectives, risk profiles, financials and tax situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders; and

(c) we advise that any individual non-interested shareholder or any group of non-interested shareholders who are in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition and Proposed Call Option in the context of their individual investment objectives, risk profiles, financials and tax situations or needs, to consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

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5. DETAILS OF THE PROPOSED ACQUISITION AND PROPOSED CALL OPTION

The summary of the Proposed Acquisition and Proposed Call Option, extracted from Part A of this Circular.

Proposed Acquisition by Straits of 90% equity interest in Sinar Maju from Vendor for RM 16.38 million to be satisfied via cash and a Proposed Call Option granted by the Vendor to Straits to purchase the remaining balance of 10% equity interest for RM 1.82 million to be satisfied via cash in a single transaction within the Call Option Period

1 **Proposed Acquisition - 90% equity interest in Sinar Maju**

Reference: -Section 3.2, Part A of this Circular.

1. Proposed acquisition by Straits from the Vendor of **90%** equity interest in Sinar Maju, equivalent to 270,000 ordinary shares in Sinar Maju, for a cash consideration of **RM 16.38 million.**

Reference: -Section 3.2, Part A of this Circular.

2. The Vendor agrees, undertakes and guarantees that the PAT of Sinar Maju for the two (2) 12-month financial years of FYE 31 December 2022 and FYE 31 December 2023 shall be not less than **RM2.8 million**, in aggregate.

2 **Proposed Call Option - A proposed call option granted to Straits to acquire the remaining 10% of equity interest in Sinar Maju**

The Vendor also grants a Proposed Call Option that provides Sinar Maju with a right and not an obligation to purchase the remaining 10% shares in Sinar Maju for a purchase consideration of **RM 1.82 million**, in a single transaction by serving a written notice to Vendor, within a call option period of 30 months from the Completion Date

Straits

Purchaser

Proposed acquisition of 90% or 100% of equity interest in Sinar Maju

Cash consideration

Tan Sri Mohd Bakri

Vendor

Vendor owns the entire equity interest in Sinar Maju as at LPD

1 **Proposed Acquisition**

The mode of settlement of the Purchase Consideration is as summarised below:-

Reference		Manner	Due date	RM million	%
Reference: -Section 3.3, Part A and paragraph (iii)(a), Appendix 1 of this Circular.	Frist Tranche	Cash	On the Completion Date	13.86	84.6%
Reference: -Section 3.3, Part A and paragraph (iii)(b), Appendix 1 of this Circular.	Second Tranche	Cash	Progressively released to Vendor upon completion of each financial year of the Profit Guarantee Period, i.e. financial year 2022 and 2023 of Sinar Maju after taking into consideration any deduction for Shortfall Attributable To Straits.	2.52	15.4%
				16.38	100%

2 **Proposed Call Option**

The mode of settlement of the Call Option Price, if Straits exercises the Call Option, is as summarised below:-

Reference	Manner	Due date	RM million	%
Reference: -Section 3.3, Part A and paragraph (v)(ii)(b)(i), Appendix 1 of this Circular.	Cash	On the Call Option Completion Date	1.54	84.6%
Reference: -Section 3.3, Part A and paragraph (v)(ii)(b)(ii), Appendix 1 of this Circular.	Cash	(a) If Call Option Notice is received by the Vendor **within** the Profit Guarantee Period, up to RM 0.28 million shall be paid progressively to the Vendor, after taking into consideration any deduction for Shortfall Attributable To Straits. (b) If the Call Option Notice is received by the Vendor **after** the expiry of the Profit Guarantee Period, RM 280,000 shall be paid on the Call Option Completion Date	0.28	15.4%
			1.82	100%

Summarised by AER for illustrative purpose only

Readers are advised to read the relevant sections of the Part A and Appendixes of this Circular for further clarification

The summary of the Interested Parties in the Proposed Acquisition and Proposed Call Option extracted from Part A of this Circular

INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND / OR PERSONS CONNECTED WITH THEM IN THE PROPOSED ACQUISITION AND PROPOSED CALL OPTION

Vendor			Straits	
Shareholder of Sinar Maju	**Number of shares held in Sinar Maju as at LPD**		**Interested director of Straits**	
Tan Sri Mohd Bakri	300,000	100%	Tan Sri Mohd Bakri	Non-Independent and Non-Executive Director of Straits
	300,000	100%		

"In view of Tan Sri Mohd Bakri's interest in Sinar Maju, the Proposed Acquisition and Proposed Call Option are deemed as a RPT pursuant to Rule 10.08 of the Listing Requirements"

Source of information: Section 10 of Part A of this Circular

Summarised by AER for illustration purpose only

6. EVALUATION OF THE PROPOSED ACQUISITION AND PROPOSED CALL OPTION

In evaluating the Proposed Acquisition and Proposed Call Option, we have taken into consideration the following factors in forming our opinion:

Factors	Section reference in IAL
Rationale for the Proposed Acquisition and Proposed Call Option	6.1
Evaluation of the basis of arriving at the Purchase Consideration	6.2
Evaluation of the manner of settlement of the Purchase Consideration	6.3
Evaluation of the Proposed Call Option	6.4
Salient terms of the SSA	6.5
Effects of the Proposed Acquisition and Proposed Call Option - on the issued share capital and substantial shareholders' shareholdings - on NA and gearing - on earnings and EPS	6.6
Prospects of Sinar Maju and the enlarged Straits Group	6.7
Risk factors relating to the Proposed Acquisition and Proposed Call Option	6.8

6.1 Rationale for the Proposed Acquisition and Proposed Call Option

We take note of the rationale for the Proposed Acquisition and Proposed Call Option as set out in Section 4.2 of Part A of this Circular.

"*The Proposed Acquisition entails the acquisition of 90% equity interest in Sinar Maju, which along with its subsidiary is principally engaged in the provision of shipping agency and related services, while the Proposed Call Option will grant Straits with the Call Option to acquire the remaining 10% equity interest in Sinar Maju at a later date during the Call Option Period at the Call Option Price*"

*"At present, Straits is mainly involved in oil trading and bunkering services, port operation and facility management services, land transportation and logistics, chartering of vessels services and vessel management. The Proposed Acquisition represents a **horizontal expansion of the Group's port operation and facility management services, which will allow the Group to offer a broader range of related services** within the port operation, logistics and transportation sector to provide additional value to clients and enhance the revenue and earnings of Straits Group moving forward"*

"*For shareholders' information, Straits Group is currently undertaking the port operation and facility management of Labuan Port. **Following the Proposed Acquisition, Sinar Maju intends to extend its shipping agency services to include Labuan Port**, thereby expanding the scope of services and value offered by the enlarged Group's port operation and facility management services at the port, which in turn may attract more vessels to Labuan Port. In addition, given the complementary nature of Straits' existing oil bunkering services and Sinar Maju's shipping agency services, the enlarged Group post-Proposed Acquisition may offer both oil bunkering and shipping agency services to existing and/ or new customers, thereby providing additional value to their vessels*."

Commentary by AER

- the role of Sinar Maju is to facilitate vessels owners from the time of berthing alongside the ports until the departure of the vessels. This includes attending to the needs of crew members of a vessel by supplying to the crew members fresh waters, food and also assist in the crew changes by assisting the crew members in handling immigration documents. This business is viewed as a **complementary** to the bunkering business of Straits.

- Sinar Maju intends to **extend its shipping agency services to include Labuan Port** following the Proposed Acquisition which at this moment is where your Company operates its oil trading and bunkering services. The horizontal expansion of your Company by providing shipping agency services is viewed as positive development to complement the existing business of your Group.

In our view due to the complementary nature with the existing bunkering business of Straits, we are of the view that the rationale of the Proposed Acquisition and Proposed Call Option are **reasonable** and **not detrimental** to the non-interested shareholders.

6.2 Evaluation of the basis of arriving at the Purchase Consideration.

"The Purchase Consideration of RM16,380,000 and Call Option Price of RM1,820,000 was arrived at, on a willing-buyer willing-seller basis, after taking into consideration the profit guarantee of RM2.80 million provided by the Vendor to Straits for 2 twelve-month financial years, i.e. FYE 31 December 2022 and FYE 31 December 2023 of Sinar Maju, which translates to a yearly profit guarantee of RM1.40 million for each of the aforesaid financial years (assuming the completion of the Proposed Acquisition and the exercise of the Call Option, the yearly profit attributable to Straits would be RM1.40 million based on 100% equity interest to be acquired by Straits). Premised on the above, the Purchase Consideration and Call Option Price represents a PE multiple of 13.00 times to the forward earnings of Sinar Maju based on the Yearly Profit Guarantee"

Commentary by AER: -

1. The Purchase Consideration translates to an implied *forward P/E multiple* of **13 times**

Below are the workings of arriving at the implied *forward P/E multiple* of 13 times based on purchase consideration of RM 16.38 million for a 90% equity interest in Sinar Maju.

Workings: -

Item no.			Description
1	The proposed Purchase Consideration for a **90%** equity interest in Sinar Maju, **RM million**	16.38	
2	The equivalent value of the entire equity interest in Sinar Maju based on the Purchase Consideration, **RM million**. [16.38/0.90 =18.20]	18.20	P
3	The Profit Guarantee from 1 January 2022 to 31 December 2023, is RM 2.8 million or equivalent to RM 1.4 million a year, for the period from 1 January 2022 to 31 December 2022	1.4	E
4	Implied *forward P/E multiple* of the equivalent Purchase Consideration of Sinar Maju	**13 times**	P/E =18.20/1.4 =13

The implied forward P/E multiple of 13 times, is **within** the range of P/E of the Comparable Companies between 10.2 times to 23.2 times, with an average of 19.3 times. The implied forward P/E multiple of 13 times represents a **discount of 32.6%** of the average P/E of the Comparable Companies. (Workings: 19.3 x (1 – 32.6%) = 13.0). Therefore, we are of the view that the basis of arriving at the Purchase Consideration for the Sinar Maju Group's is **reasonable.**

Rationale and justification of using the P/E approach
P/E approach falls within the Relative Valuation Analysis ("**RVA**"). P/E earnings could be computed by price per share divided by the earnings per share. The computed P/E multiple could be compared with the P/E multiples of a set of comparable companies. If the P/E multiple exceeds the range of the comparable companies, it is an indication of over valuation while if the P/E multiple is below the range of the comparable companies, it is an indication of under valuation, subject to further analysis of the other fundamental analysis to be performed on a company.

P/E is an appropriate approach as it falls within one of the three commonly approaches used to value companies, i.e., Income based approach, apart from asset-based approach and discounted cash flow approach.

2. Historical financial analysis of Sinar Maju Group

Sinar Maju was incorporated on 16 June 2017. Sinar Maju had commenced its business on 13 August 2018. Appended below is a key financial metrics of Sinar Maju's audited consolidated results for FYE 31 December 2018, FYE 31 December 2019 , FYE 31 December 2020 and the unaudited estimated eight (8) months FPE 31 August 2021, as extracted from Section 3.1, part A of this circular.

Currency in **RM million** (rounded to two decimal points)

	FYE 31 December 2018	FYE 31 December 2019	FYE 31 December 2020	FPE 31 August 2021
	Audited	Audited	Audited	Unaudited
	12 months	12 months	12 months	8 months
Revenue	0.16	0.97	2.16	2.01
PAT / (LAT)	(0.06)	0.12	0.47	0.59
Net asset	0.03	0.34	0.81	1.40
PAT / (LAT) margin	(36.1%)	11.9%	21.6%	29.6%
Return of Equity ("**ROE**")	(206.2%)	33.7%	57.6%	52.2% Note 1
Year on year revenue growth.		516%	124%	39% Note 2

Workings:-
Note 1 – The ROE for FPE 31 August 2021 was computed based on the annualised profit after tax.
Note 2 – The year-on-year revenue growth for FPE 31 August 2021 was computed based on the annualised revenue of eight months.

Based on the unaudited results of eight months for FPE 31 August 2021, Sinar Maju Group reported a consolidated profit after tax of RM 0.59 million. This shall translate to an implied current P/E of 20.4 times[1] which is **within** the range of P/E of the Comparable Companies between 10.2 times to 23.3 times, with an average of 19.3 times. The implied current P/E multiple of 20.4 times represents a **premium of 5.7%** of the average P/E of the Comparable Companies. (Workings: 19.3 x (1 + 5.7%) = 20.4). However, the upside for Straits is that if the Profit Guarantee is met during the Profit Guarantee Period, the implied forward P/E of 13.0 times represents a **discount of 32.6%** of the average P/E of the Comparable Companies.

Workings:
1. The unaudited consolidated profit after tax of Sinar Maju Group for period ended 31 August 2021 was RM 0.59 million. The equivalent annualised consolidated profit after tax of Sinar Maju Group equivalent to RM 0.89 million (0.89 = 0.59 x 12/8) as numerator when divided by the equivalent value of the entire equity interest in Sinar Maju Group of RM 18.2 million, shall translate to an implied current P/E of 20.4 times (20.4 = 18.2 / 0.89).

We are of the view that the basis of arriving at the Purchase Consideration for the Sinar Maju Group's is **reasonable** after having considered the implied current P/E based on the unaudited results of eight months for FPE 31 August 2021 and forward P/E multiples during the Profit Guarantee Period.

3. We had also performed a fair valuation computation of the entire equity interest of Sinar Maju Group using the justified price to book method under two scenarios. Justified price to book method falls within the RVA approach which serves to determine the fair price to book multiple, given three key fundamental analysis of a company. It is mathematically determined as listed below:-

$$\text{Justified price to book / Justified P/B ratio} = 1 + \frac{ROE - r}{r - g}$$

Where:- ROE is the return on common equity, r is the cost of equity and g is the annual sustainable growth rate.

As justified P/B falls within one of the three commonly approaches used to value companies, i.e., asset-based approach, apart from income-based approach and discounted cash flow approach, it is an appropriate method to be used to value companies.

Scenario 1a and Scenario 1b – without considering the Profit Guarantee
Using the justified price to book method, with an assumed cost of equity of 7.8%, assumed annual sustainable growth rate of 3.6%, an annualised estimated PAT of RM 0.9 million for FYE 2021, resulted in a fair value of RM 14.5 million* to RM 14.9 million* for the entire equity interest in Sinar Maju Group.

Note: * kindly refer to table on next page 18

Scenario 2a and Scenario 2b- Profit Guarantee is taken into consideration
Using the justified price to book method, with an assumed cost of equity of 7.8%, assumed annual sustainable growth rate of 3.6%, a projected PAT of RM 1.4 million for each of FYE 2022 and FYE 2023, resulted in a fair value of RM 20.6 million** to RM 21.2 million** for the entire equity interest in Sinar Maju Group.

Note: ** kindly refer to table on next page 18

Summary of fair valuation results under two scenarios and the analysis of the results.

Approach	Fair value of Sinar Maju based on the estimated financial results of FYE 2021 (annualised), **without** considering the Profit Guarantee	Fair value of Sinar Maju based on the projected results for FYE 2022 and FYE 2023 (after **taking into consideration** the Profit Guarantee.
	Scenario 1a and Scenario 1b	Scenario 2a and Scenario 2b
Fair Value Range, **RM million**	14.5 to 14.9 *Note 1	20.6 to 21.2 *Note 1
Average Fair Value Range, **RM million**	**14.7**	**20.9**
Premium / (discount) if compared to the Purchase Consideration after adjusting it to 100% equity interest (for Scenario 1 and 2) and after excluding the Profit Guarantee for scenario 1.	**5%** <u>Workings:</u> [(15.4/14.7)-1] x 100 = 4.7% or 14.7 x (1+4.7%) = 15.4 Note: RM 15.4 million refers to the implied equivalent purchase consideration without any Profit Guarantee as explained below	**(13%)** Workings:- [(18.2/20.9) – 1] x 100 = -12.9%) Or 20.9 x (1- 12,9%) = 18.2 Note: RM 18.2 million refers to the purchase consideration for the entire equity interest in Sinar Maju, that incorporates the Profit Guarantee as explained below

We are of the opinion that as Straits is able to claim from the Vendor for the maximum sum of RM 2.8 million if any shortfall in Profit Guarantee that is not met, then, the total implied equivalent purchase consideration without any Profit Guarantee by rationalization, is approximately RM 15.4 million (15.4 = 18.2 – 2.8) and this represents a **premium of 5%** over the estimated fair value of Sinar Maju Group based on the FYE 2021 unaudited results, as illustrated under Scenario 1a and Scenario 1b above.

However, the upside for Straits is that if the Profit Guarantee is met, the fair valuation for Sinar Maju is approximately RM 20.6 million to 21.2 million and the Purchase Consideration represents a **discount of 13%** over the estimated fair value of Sinar Maju Group, as illustrated under Scenario 2a and Scenario 2b above.

We noted that of a **premium of 5%** of the equivalent purchase consideration without any Profit Guarantee over the estimated fair value of Sinar Maju Group based on the FYE 2021 unaudited results. The Purchase Consideration represents a **discount of 13%**, over the estimated fair value of Sinar Maju Group based on projected results for FYE 2022 and FYE 2023 that incorporates the Profit Guarantee. As the Purchase Consideration represents a discount of 13% over the estimated fair value of Sinar Maju Group, it is **fair and reasonable**.

However, we wish to bring to the attention of the non-interested shareholders that fair valuation of the entire equity interest of Sinar Maju Group as computed above, could be affected by a number of major risk factors as listed under Section 6, Part A of this Circular and Section 6.7 of this IAL

* Note 1

Workings for the inputs for the computation:-

Item number	Input parameter	Scenario 1a – Lower range of RM 14.5 million	Scenario 1b – Upper range of RM 14.9 million	Scenario 2a – Lower range or RM 20.6 million	Scenario 2b – Upper range of RM 21.2 million
1a	Return on common equity / ROE	52.6%	-	-	33.5%
1b	Adjusted return on common equity / ROE (when the net assets of Sinar Maju Group, includes the amount owing to a director of RM 0.73 million)	-	36.9%	36.5%	-
2	Required rate of return / r	7.8%	7.8%	7.8%	7.8%
3	Annual sustainable growth rate, g	3.6%	3.6%	3.6%	3.6%
4	Justified price to book Justified P/B ratio $= 1 + \frac{ROE - r}{r - g}$	11.67	7.92	7.83	7.12
5	Projected net assets as at 31 December 2021, RM million for Scenario 1a and 1b	1.71 [1]	2.44[2]	-	-
6	Projected net assets as at 31 December 2022 for Scenario 2a	-	-	3.84[3]	
	Projected net assets as at 31 December 2023 for Scenario 2b				4.68[4]
7	Fair price before illuqiidty discount for Sinar Maju Group, RM million (row 4 x row 5) or (row 4 x row 6)	19.93	19.35	30.08	33.32
8	Discount rate factor - based on equity discount rate of 7.8%	1.0000	1.0000	0.9132	0.8472
9	Illiquidity discount	25%	25%	25%	25%
10	Fiar price after illiquidity discount for Sinar Maju Group, RM million [row 7 x row 8 x (1-0.25)]	**14.9**	**14.5**	**20.6**	**21.2**

Notes:-

1.The audited net assets of Sinar Maju Group as at 31 December 2020 was RM 0.81 million, when added with the projected profit after tax for FYE 31 December 2021 of RM 0.90 million shall translate to a projected net asset of RM 1.71 million (1.71 = 0.81 + 0.90)

2. As at 31 December 2020 (audited), Sinar Maju Group, has an amount owing to a director of a sum of RM 0.73 million ("**Outstanding Sum**"). If it is assumed that the Outstanding Sum, is treated as a "equity" this shall translate to a projected net asset of RM 2.44 million for FYE 31 December 2021 (2.44 = 1.71 + 0.73).

3. If it is assumed that the Outstanding Sum, is treated as a "equity" this shall translate to a projected net asset of RM 3.84 million for FYE 31 December 2022 (3.84 = 1.71 + 0.73 + 1.40).

4. The audited net assets of Sinar Maju Group as at 31 December 2020 was RM 0.81 million, when added with the projected profit after tax of RM 0.90 million for FYE 31 December 2021 and the projected profit after tax of RM 1.40 million and RM 1.57 million for FYE 31 December 2022 and FYE 31 December 2023 respectively, shall translate to a projected net asset of RM 4.68 million (4.68 = 0.81 + 0.90 + 1.40 + 1.57).

5. The equity discount rate of 7.8% is determined by applying the Capital Asset Pricing Model ("**CAPM**") based on an annualised expected market return of 9.597% and risk-free rate of 2.898%, and the levered beta of 0.732, of the Sinar Maju Group

6. Based on an industry analysis performed by AER, we noted that the annual sustainable growth rate for the Comparable Companies ranges from 3.6% - 11.6%. We have adopted the lowest of the range of 3.6%

Valuation and financial metrics of comparable companies in the port operations and provision of related services supporting the vessels berthing at the ports that are listed in Bursa Malaysia Securities Berhad

Comparable Companies		A			B				= A/B
	Closing price per share as at 11 October 2021, in RM	Market capitalization as at 11 October 2021,RM millions	Latest audited financial year ended	Revenue, RM millions	Net profit / (loss) after tax attributable to owners of the parent, RM millions	Shareholders fund, RM millions	Net margin,%	Return of equity, %	P/E [Price as at 11 October 2021 / latest available 12 months audited / published 4 quarters PAT]
Freight Management Holdings Berhad	1.05	586	30 June 2021*	763	27	332	3.5%	8.1%	21.69
Harbour-Link Group Berhad	1.57	626	30 June 2021*	626	61	476	9.8%	12.9%	10.18
Westports Holdings Berhad	4.46	15,209	31 December 2020	1,975	654	2,829	33.1%	23.1%	23.24
Bintulu Port Holdings Berhad	4.48	2,061	31 December 2020	716	93	1,377	13.0%	6.8%	22.09
Median							11.4%	10.5%	21.89
Average							14.9%	12.7%	19.30
Min							3.5%	6.8%	10.18
Max							33.1%	23.1%	23.24

By AER

Source: S&P Global Pro and annual reports

* For Freight Management Holdings Berhad and Harbour-Link Group Berhad are based on FYE 30 June 2021, published fourth quarter announced results

Note:-

For Freight Management Holdings Berhad and Harbour-Link Group Berhad, for the purpose to determine the P/E, we have adopted PAT based on the latest unaudited full year results for the financial year ended 30 June 2021 and arrived at a P/E of 21.69 and 10.18, respectively. Instead, if For Freight Management Holdings Berhad and Harbour-Link Group Berhad, the PAT based on the latest audited full year results for the financial year ended 30 June 2020 is used, the computed P/E shall be 46.68 and 24.14, respectively. We are of the opinion that it is reasonable to use the unaudited full year PAT for both companies, as the traded prices would have incorporated the announced unaudited full 12 months results.

We noted that in the main circular under Section 3.2, the P/E ratio has been computed by multiplying the computed ratio for each Comparable Company by 25% to account for issue of lack of marketability. However, we have instead compared the results of the implied forward P/E multiple and determine the amount of discount of the implied forward with the average P/E of the Comparable Companies without adjustment to determine whether the size of the discount is sufficient to accommodate the recommended appropriate discount for non-marketability which in practice should exceed 25%. The approach adopted by us is consistent with Section 3.2 in that both evaluations, consider the issue of non-marketability of private companies.

6.3 Evaluation of the manner of settlement of the Purchase Consideration

The manner of settlement of the Purchase Consideration is set out in Section 3.3 of this Circular and in Section (iii) Purchase Consideration of Appendix I – Salient terms of the SSA of this Circular.

Proposed Acquisition

The mode of settlement of the Purchase Consideration is as summarised below:-

	Manner	Due date	**RM million**	%
Frist Tranche	Cash	On the Completion Date	13.86	84.6%
Second Tranche	Cash	Progressively released to Vendor upon completion of each financial year of the Profit Guarantee Period, i.e. financial year 2022 and 2023 of Sinar Maju after taking into consideration any deduction for Shortfall Attributable To Straits.	2.52	15.4%
			16.38	100%

Commentary by AER:-

1. 84.6% of the Purchase Consideration equivalent to a sum of RM 13.86 million shall be paid to the Vendor on Completion Date in cash. This day is defined as a day falling within ninety (90) days after the last of the Condition Precedent is satisfied or on the 90th day after the last of the Condition Precedent is satisfied.

2. The remaining balance of 15.4% of the Purchase Consideration equivalent to a sum of RM 2.52 million shall be paid to the Vendor after an assessment is made upon completion of each financial year of the Profit Guarantee Period, i.e. financial year ending 31 December 2022 and 31 December 2023 for your Company to determine whether there is any Shortfall Attributable To Straits before releasing any payment under the Second Tranche to the Vendor.

3. The aggregate profit guarantee amounts to RM 2.8 million is for a 24 months financial period and for the entire equity interest of Sinar Maju. Therefore, the equivalent profit guarantee for a 90% equity stake by the Vendor to the Straits is RM 2.52 million (2.52 = 2.8 x 90%), which exactly equals to sum to be paid by Straits to the Vendor under the Second Tranche. As the method of disbursement by your Company to the Vendor is progressive for the Second Tranche which commences after the completion of the accounts for financial year ending 31 December 2022 and 31 December 2023, your Company, is able to assess any Shortfall Attributable To Straits and make the appropriate deduction as permissible before releasing the remainder to the Vendor. This provides a security to your Company to ensure that any Shortfall Attributable To Straits is able to be recovered in full from the Vendor.

4. The manner of settlement of the Second Tranche as Section (iv) Profit Guarantee of Appendix I – Salient terms of the SSA of this Circular, is extracted and reproduced below with our comments for purpose of illustrating the disbursement of the Second Tranche in different situations as listed below.

Situation 1 - Before the expiry of the Profit Guarantee Period, i.e. upon the adoption of accounts for FYE 31 December 2022

"*Upon (i) adoption of the Accounts 2022 (as defined below) by the shareholders of Sinar Maju and having being lodged with Companies Commission of Malaysia and/or (ii) the Vendor and Straits mutually agreeing to the Special Audit Report (as defined below), Straits shall notify the Vendor in writing ("**Year 1 Notice**") within 10 business days of the Accounts 2022 and/or Special Audit Report (as may be applicable) being available to Straits the aggregate PAT for Year 1 based on the Accounts 2022 and/or the Special Audit Report (as the case may be). In the event there is PAT for Year 1, Straits shall pay the Vendor in cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor within 10 business days of the Year 1 Notice such portion of the Second Tranche equivalent to the PAT amount for Year 1 attributable to Straits based on the Accounts 2022 and/or the Special Audit Report (as the case may be) PROVIDED THAT the remaining amount of Second Tranche to be paid by Straits to the Vendor shall be no less than the remaining Profit Guarantee amount attributable to Straits which has not been met*"

Commentary by AER

Upon the adoption of the Accounts 2022, Straits shall pay to the Vendor part of the Second Tranche equivalent to the audited PAT attributable to Straits within 10 business days of the Year 1 Notice. If the results is a loss for FYE 31 December 2022, then no payment shall be made by Straits to the Vendor. In this instance, the loss after tax reported in financial year ending 31 December 2022 shall be deducted from any profits after tax reported in 31 December 2023 before releasing any payment under the Second Tranche to the Vendor.

If the audited PAT for FYE 31 December 2022, is equal to or exceeded the Second Tranche, then the entire of the Second Tranche shall be released to the Vendor. Continuing from this, when the entire Second Tranche has been released to the Vendor and in FYE 31 December 2023, Sinar Maju Group reported a loss, then, if the aggregated PAT for both FYE 31 December 2022 and 31 December 2023, translated to an amount lesser than the Profit Guarantee amount of RM 2.8 million (i.e. assuming that Straits exercises the Proposed Call Option) or an aggregated loss position, Straits can claim from the Vendor for any Shortfall Attributable To Purchaser that exceeds the Second Tranche amount, that have not been paid to the Vendor (i.e. which in this instance is zero), provided that the maximum liability of the Vendor towards the Shortfall Attributable To Purchaser shall be RM 2.8 million only. For illustration purpose only, this means that if the Shortfall Attributable to the Purchaser exceeds the Second Tranche, then Straits can claim the remaining Shortfall Attributable to the Purchaser (i.e. the excess of the Shortall Attributable to the Purchaser with the balance in Second Tranche), from the Vendor by issuing a Year 2 Notice by Staits to the Vendor. This is as illustrated in Scenario E and Scenario F in Appendix I part (vi) Profit Guarantee of Part A of the Circular.

As a security to Straits, the remaining amount of Second Tranche, yet to be paid by Straits to the Vendor shall be no less than the remaining Profit Guarantee amount attributable to Straits which has not been met.

We conclude that the mode of the settlement by the Straits to the Vendor is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders as it is transacted in normal commercial terms.

Situation 2 – Upon the expiry of the Profit Guarantee Period and upon adoption of the Accounts 2022 and Accounts 2023 by the shareholders of Sinar Maju

"*In the event the aggregate PAT for the Profit Guarantee Period based on the Accounts 2022, Accounts 2023, and Special Audit Report (where applicable) is equivalent to or more than the Profit Guarantee amount of RM2,800,000.00 and upon receipt of the Year 2 Notice from Straits, the Vendor is deemed to have fully fulfilled its obligations towards the Profit Guarantee under this paragraph (vi) of Appendix I of this Circular, whereupon Straits shall within 10 business days from the issue of the Year 2 Notice pay the Vendor the remaining unpaid Second Tranche amount in cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor*".

Commentary by AER
If the aggregate PAT of FYE 31 December 2022 and 31 December 2023 equals or exceeds the Profit Guarantee amount of RM 2.8 million, the remaining unpaid sum of the Second Tranche shall be released to the Vendor on the assumption that the Call Option is also exercised by your Company during the Profit Guarantee Period.

We conclude that the mode of the settlement by the Straits to the Vendor is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders as it is transacted in normal commercial terms.

Situation 3

"In the event there is no PAT or Sinar Maju has cumulative consolidated LAT for the Profit Guarantee Period based on the Accounts 2022 and Accounts 2023 and Special Audit Report (where applicable), the Shortfall amount shall be deemed to be RM2,800,000.00"

Commentary by AER
If Sinar Maju Group reported a cumulative loss after tax for the Profit Guarantee Period, the liability of the Vendor to Straits is limited to RM 2.8 million assuming that the Proposed Call Option is also exercised during the Profit Guarantee Period. Hence, the entire Second Tranche shall be withheld by Straits and no payment is made to the Vendor for the Second Tranche.

We conclude that the mode of the settlement by Straits to the Vendor is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders as it is transacted in normal commercial terms.

As an overall, we conclude that the overall calculation of the release of the Second Tranche to the Vendor provided a mechanism to ensure that any Shortfall Attributable to the Straits, Straits is able to first recovered from the Second Tranche, and in situations when the company reported good performance in 2022 resulting that the balance in the Second Tranche is not sufficient to compensate for any Shortfall Attributable to the Straits due to poor performance in 2023, Straits can claim for the remaining by the issue of the Year 2 Notice within 10 business days. In all events, the total liability of the Vendor to Straits for not meeting the Profit Guarantee during the Profit Guarantee Period shall be limited to RM 2.8 million only.

We conclude that the mode of the settlement by Straits to the Vendor is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders as it is transacted in normal commercial terms.

6.4 Evaluation of the Proposed Call Option

As set out in Section 3 of this Circular which is as extracted below:-

Pursuant to the SSA, the Vendor granted to Straits the Call Option for Straits to acquire all the Call Options Shares, representing 10% equity interest in Sinar Maju, for a purchase consideration of RM1,820,000 to be satisfied entirely via cash in a single transaction by serving the Call Option Notice to the Vendor. For shareholders' information, the Call Option may be exercised at any time during a period of 30 months commencing from the completion of the Proposed Acquisition. Upon the exercise and completion of the Call Option, Sinar Maju will become a wholly-owned subsidiary of Straits.

As set out in Section 9 of this Circular which is as extracted below:-

The Proposed Acquisition is not conditional upon the Proposed Call Option while the Proposed Call Option is conditional upon the Proposed Acquisition.

Commentary by AER

1. The Proposed Call Option, which is conditional upon the Proposed Acquisition, enables your Company to first acquire a 90% equity interest following the approval by your Company to proceed with the Proposed Acquisition and provides an option / right to your Company to serve a Call Option Notice on the Vendor to

acquire the remaining 10% equity interest by serving a written notice to the Vendor ("**Call Option Notice**"), within 30 months commencing from the completion of the Proposed Acquisition.

2. The Call Option Price for the remaining 10% equity interest, is priced at the **same price per share** as the Purchase Consideration for the acquisition of the 90% equity interest in Sinar Maju.
Workings:-

Item number	Description	Proposed Acquisition	Proposed Call Option
1	Number of ordinary shares of Sinar Maju offered by the Vendor to Straits	270,000	30,000
2	Percentage of equity interest in Sinar Maju	90%	10%
3	Purchase consideration	RM 16.38 million	RM 1.82 million
4	Equivalent price for each ordinary share in Sinar Maju Workings:- Row 3 divided by Row 1	RM 60.67 per share	RM 60.67 per share

As the price per each ordinary share of Sinar Maju for the Proposed Acquisition and Proposed Call Option, is the same, the Proposed Call Option is **fair and reasonable** as the Proposed Call Option provides to your Company a time frame of 30 months commencing from the completion of the Proposed Acquisition to evaluate the performance of Sinar Maju Group before making a decision, to acquire the remaining 10% in Sinar Maju at exactly the same price of RM 60.67 per share, of which the Vendor does not include the pricing of any time value of money for the Call Option Period granted.

6.5 Salient terms of the SSA

The salient terms of the SSA are set out Appendix 1 of this Circular. Our comments on the salient terms are as follows:

Salient terms of the SSA	AER's comments
*Events of completion as set out in **section (ii),** Appendix I of the SSA are as follows:-* 1. *Straits obtaining the approval of the non-interested Board of Directors and the non-interested shareholders of Straits for the Proposed Acquisition;* 2. *Straits appointing an independent adviser in accordance with the Listing Requirements and forming an opinion that the Proposed Acquisition is fair and reasonable;* 3. *Straits conducting or cause to be conducted due diligence on Sinar Maju and its subsidiary and the results thereof are to the satisfaction of Straits;* 4. *the Vendor obtaining the approval of the board of directors of Sinar Maju for the transfer of the Sale Shares to Straits;* 5. *the Vendor depositing with the documentation stakeholder the following documents ("**Stakeholder Documents**"):-* *(i) the share certificates in respect of all the Sale Shares (if any);*	<u>AER's comments on the condition precedents of the SSA</u>. If the condition precedents are not fulfilled by the Cut-Off Date which is by default, seven months from the date of the SSA (unless further extended by both Vendor and Straits), either the Vendor or Straits shall be entitled to rescind the SSA by serving a written notice to the other party(ies) whereupon the SSA shall lapse and cease to have any further force or effect. We are of the view that the conditions precedents and the rights of rescinding the SSA by both the Vendor and Straits if the SSA lapse is **reasonable**.

*(ii) the instruments of transfer under Section 105 of the Companies Act 2016 in respect of the Sale Shares duly executed by the Vendor as transferor in favour of Straits as transferee ("**Transfer**"); and* *6. such other waivers, consents or approvals as may be required (or deemed necessary by the Vendor and Straits) from any third party (including financial institution) or relevant governmental or regulatory body ("**Relevant Authorities**") 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 within 4 months from the date of the SSA with an automatic extension of a further 3 months if the conditions precedent shall not have been satisfied by the expiry of the aforesaid initial 4-month period (hereinafter referred to as the "**Cut-Off Date**"). Thereafter, all parties to the SSA may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between the parties 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 the parties to the SSA, then either the Vendor or Straits shall be entitled to rescind this SSA by serving a written notice to the other party(ies) whereupon the SSA shall lapse and cease to have any further force or effect and the Vendor and Straits shall not have any further rights against the other(s) save and except in respect of:-* *(1) any obligation under the SSA which is expressed to apply after the termination of the SSA; and* *(2) any rights or obligations which have accrued in respect of any breach of any of the provisions of the SSA to either the Vendor and Straits prior to such termination.*	
*Events of completion as set out in **section (iv),** Appendix I of the SSA are as follows:-* *Completion of the sale and purchase of Sale Shares shall be conditional upon:-* *(1) all the Sale Shares collectively being sold to Straits.* *(2) that Straits and the Vendor perform all their respective obligations herein and that no breach of the SSA has occurred which has not been remedied or waived by the non-defaulting party; and*	<u>AER's comments on events of completion of the SSA</u> When the last of the condition precedents are fulfilled the Vendor and Straits shall have within ninety (90) days or 90th day, to complete the Proposed Acquisition. Straits shall pay to the Vendor, the First Tranche amounting to RM 13.86 million via cash and Vendor shall transfer the legal ownership of the

(3) the absence of injunctions or legal proceedings prohibiting the sale and purchase of the Sale Shares in accordance with the terms and conditions contained in the SSA. *At the Completion Date, the Vendor shall deliver or cause to be delivered to Straits:-* *(a) the resolution of the board of directors of Sinar Maju approving the transfer and registration of the Sale Shares in favour of Straits subject only to the transfers having been duly stamped;* *(b) the Stakeholder Documents including the Transfer and notice of adjudication (if not already deposited with the documentation stakeholder) and 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;* *(c) the certified true copies of the approvals or documents referred to in paragraph (ii) of Appendix I of this Circular;* *(d) the resolution of the board of directors of Sinar Maju and its subsidiary approving the appointment of such persons nominated by Straits as director(s) of Sinar Maju and its subsidiary effective on the Completion Date;* *(e) all statutory and other books and records and its certificate of incorporation, common seal, bank authorisations and passwords, cheque books, valid licences, approvals, permits and authorisations of Sinar Maju and its subsidiary required for its business and operations and the completion of the SSA and other agreements and/or documents of or relating to Sinar Maju and its subsidiary which are held by persons other than Sinar Maju and its subsidiary;* *(f) all other relevant documents to effect the transfer of legal and beneficial title of the Sale Shares to Straits (if any).* *Provided always that Straits has carried out its obligations pursuant to the terms in this paragraph (iv) of Appendix I of this Circular, the Vendor agrees and undertakes to forthwith do all acts and things so as to register Straits as a member of Sinar Maju in the register of members of Sinar Maju.* *At the Completion Date, the documentation stakeholder is authorised to deliver the Stakeholder Documents to Straits.*	90% interest in Sinar Maju to the Straits, on Completion Date. Straits shall pay to the Vendor, the remaining balance of 15.4% of the Purchase Consideration equivalent to a sum of RM 2.52 million after an assessment is made upon completion of each financial year of the Profit Guarantee Period, i.e., financial year ending 31 December 2022 and 31 December 2023. We are of the view that the events of completion and the timing / schedule of payment to the Vendor for the Purchase Consideration as per the SSA are **reasonable** as Straits is able to ensure that that any Shortfall Attributable to Purchaser, shall be able to be recovered by withholding the equivalent amount from the Second Tranche. We also noted that as at 31 December 2020, Sinar Maju owes RM 730,000 to the Vendor. On Completion Date, the Vendor and Purchaser agree that the rights to repayment of the advances made by the Vendor to Sinar Maju Group amounting to RM730,000.00 only ("**Advance**") shall be absolutely assigned to Straits and the Vendor waives any right to the said Advance thereafter the Completion Date. The Vendor shall do all acts as may be reasonably required by Straits including issuing of any notice to Sinar Maju Group to cause the assignment of his rights to the Advance to Straits. We are of the view that this term of the SSA is **reasonable** as it means that the Vendor has waived the right of the Advance on Completion Date and it shall translate to a benefit to the Straits Group, on Completion Date.

Against the delivery of the above documents, Straits shall on Completion Date:- *(a) pay the First Tranche to the Vendor in cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor;* *(b) produce and deliver to the Vendor the certified copies of the approvals, shareholders resolutions and/or documents referred to in paragraph (ii)(a) and if required paragraph (ii)(f) of Appendix I of this Circular.* *The Vendor shall further cause the transfer of the Sale Shares to Straits and Straits to be registered as a member of Sinar Maju into the register of members of Sinar Maju as at the Completion Date (or a later date as consented to by Straits) and appoint its nominated persons as directors of Sinar Maju and its subsidiary and notify the Companies Commission of Malaysia of the changes in shareholders and directors of Sinar Maju as at the Completion Date (or a later date as consented to by Straits) in accordance with the Companies Act 2016 and pending registration shall hold the Sale Shares with effect from the Completion Date as bare trustee for the benefit of Straits.* *On the Completion Date, the parties agree that the rights to repayment of the advances made by the Vendor to Sinar Maju Group amounting to RM730,000.00 only ("Advance") shall be absolutely assigned to Straits and the Vendor waives any right to the said Advance thereafter the Completion Date. The Vendor shall do all acts as may be reasonably required by Straits including issuing of any notice to Sinar Maju Group to cause the assignment of his rights to the Advance to Straits.* *If any party fails to comply with any of its obligations and those obligations are not waived by the other party on Completion, then paragraph (viii) of Appendix I of this Circular shall apply.*	

Salient terms of the SSA	AER's comments
*Events of breach / termination as set out in **section (viii),** Appendix I of the SSA are as follows:-* ***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 before the Completion Date, then the Vendor shall be entitled to either:* *(i) claim for specific performance of the SSA as may be available under law; or*	If Straits fails to complete the SSA, in accordance with events of completion as stipulated in the SSA, then the Vendor has two options. Either the Vendor can claim for specific performance that is available under law, or the Vendor can terminate the SSA and can claim for reasonable cost and expenses incurred by the Vendor pursuant to the negotiation and preparation of the SSA and any

(ii) if prior to Completion Date, terminate the SSA by written notice to Straits and upon such termination, Straits shall pay the Vendor all reasonable costs and expense incurred by the Vendor pursuant to the negotiation and preparation of the SSA as well as conduct of due diligence and fulfilment of Conditions Precedent and any incidental costs thereto within 10 business days of receipt of the details of such costs and supporting invoices from the Vendor and after which the Vendor shall have no other claims whatsoever against Straits and	incidental cost and Vendor shall have no further other claim against Straits. Financially, Straits does not suffer any material financial loss (i.e., apart from time cost and transaction costs) as the SSA is treated as being cancelled. Based on the above, we are of the opinion that this term is **reasonable**.
the Vendor shall return all other Purchase Consideration paid (if any) within 10 business days of issuance of the said termination notice and shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties. ***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 and/or warranties of the SSA before the Completion date, then Straits shall be entitled to either:* *(i) claim for specific performance of the SSA as may be available under law; or* *(ii) if prior to Completion Date, terminate the SSA by written notice to the Vendor and upon such termination, the Vendor shall pay Straits all reasonable costs and expense incurred by Straits pursuant to the negotiation and preparation of the SSA as well as conduct of due diligence and fulfilment of Conditions Precedent and any incidental costs thereto within 10 business days of receipt of the details of such costs and supporting invoices from Straits and refund to Straits all Purchase Consideration received within 10 business days of receipt of the termination notice and 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.* *If it is found after the Completion Date that a party shall have breached his/its obligations under the SSA (including but not limited to the Profit Guarantee and Call Option sections above), the non-defaulting party(s) shall be entitled to claim for specific performance in addition to any other remedies as may be available to the non-defaulting party(s) under law and/or equity and the defaulting party(s) shall indemnify and hold the non-defaulting party(s) harmless against all costs, charges and expenses incurred or suffered by the non-defaulting party(s) arising from such breach.*	If the Vendor, fails to complete the SSA, in accordance with events of completion as stipulated in the SSA, then Straits has two options. Either the Straits can claim for specific performance that is available under law, or Straits can terminate the SSA and can claim for reasonable cost and expenses incurred by the Straits pursuant to the negotiation and preparation of the SSA and any incidental cost and Straits shall have no further other claim against Vendor. In such situation, there is a risk that the Proposed Acquisition may not be proceeded which may result that Straits is unable to realise the positive benefits of the Proposed Acquisition and Proposed Call Option, such as realising the projected earnings from Sinar Maju, if the Vendor, fails to complete the SSA. Financially, Straits does not suffer any material financial loss (i.e., apart from time cost and transaction costs) as the SSA is treated as being cancelled. However, Straits could possibly identify other future viable investments in such instance. Based on the above, we are of the opinion that this term is **reasonable**

Based on our evaluation of the salient terms of the SSA, we are of the view that the salient terms of the SSA are generally on normal commercial terms for transactions of such nature and the said terms are **fair and reasonable** and **not detrimental** to the interests of the non-interested shareholders.

6.6 Effects of the Proposed Acquisition and Proposed Call Option

The financial effects of the Proposed Acquisition and Proposed Call Option are as set out in Section 7 of Part A of this Circular.

Our comments on the financial effects of the Proposed Acquisition and Proposed Call Option based on assumption that the Proposed Acquisition and Proposed Call Option, is completed immediately after 31 December 2020, are as follows:

Effects of the Proposed Acquisition and Proposed Call Option	AER's comments
Issued share capital and substantial shareholders' shareholdings As set out in Section 7.1 and Section 7.3, -part A of this Circular	As at the LPD, the total number of shares in issue of Straits was 780.79 million. The Proposed Acquisition and Proposed Call Option does not involve any issuance of new shares. Therefore, the Proposed Acquisition and Proposed Call Option has **no effect** on the issued share capital and substantial shareholders' shareholdings.
NA and gearing As set out in Section 7.2 - part A of this Circular	**Effects on NA** The Proposed Acquisition and Proposed Call Option, has no material effect on the net assets, excluding the effects of the transaction cost of the entire Proposals that cost, approximately RM 820,000 on the net assets of your Company, as the Proposed Acquisition and Proposed Call Option is via cash consideration and does not involve any issuance of new shares. However, the Proposed Acquisition and Proposed Call Option is undertaken with another separate exercise of a Proposed Private Placement of up to 20% of the total number of issued shares of Straits that has a net effect of increasing the net assets. As at LPD, the total number of shares in issue of Straits was 780.79 million, which translate to a total of 156.16 million new shares to be issued under the minimum scenario of the Proposed Private Placement (156.16 = 780.79 x 20%). Based on the proposed issuance price of RM 0.18 per share, this shall translate to a total amount of RM 28.11 million (28.11 = 156.16 x 0.18) to be raised. If the Proposed Private Placement is taken into consideration, then the net asset of the company shall increase. **Effects on gearing** The Proposed Acquisition and Proposed Call Option is estimated to have **no immediate effects** on **borrowings** before and after the completion of the Proposed Acquisition and Proposed Call Option, as it is funded by the Proposed Private Placement or internal cash of your Company.
Earnings and EPS As set out in Section 7.4. 2 -part A of this Circular	We noted that the Proposed Acquisition has the effect of increasing the profit after tax by RM 1.26 million being the 90% of the annual profit guarantee sum of RM 1.40 million and the Proposed Acquisition and Proposed Call Option if exercised, shall have the effect of increasing the profit after tax by approximately RM 1.40 million during the Profit Guarantee Period.

	Effects on Earnings The Proposed Acquisition and Proposed Call Option is expected to have a **positive effect** on the immediate future EPS of your Company as a result of the Profit Guarantee by the Vendor. **Effects on EPS** The Proposed Acquisition and Proposed Call Option, is expected to contribute to **increase in EPS** as a result of the Profit Guarantee by the Vendor

Based on the above, taken as a whole, we are of the view that the overall financial effect of the Proposed Acquisition is **not detrimental** to the interests of the non-interested shareholders.

6.7 Prospects of Sinar Maju and the enlarged Straits Group

The prospects of Sinar Maju and enlarged Straits Group are as set out in Section 5.4 of Part A of this Circular.

As set out in Section 4.2, Part A of this Circular, following the Proposed Acquisition, Sinar Maju intends to extend its shipping agency services to include Labuan Port, thereby expanding the scope of services and value offered by the enlarged Group's port operation and facility management services, which in turn may attract more vessels to Labuan Port. In addition, the enlarged Group following the Proposed Acquisition may provide additional value to existing and/ or new customers by offering both oil bunkering and shipping agency services to customers' vessels
.

AER's Commentary
Based on our research, the prospects of the Malaysia's port sector remain healthy for the current year and 2022 with some ports expected to post encouraging growth in their container throughput in line with the global economy recovery from the COVID-19 pandemic. (Source: Maritime Fair Trade)

6.8 Risk factors relating to the Proposed Acquisition and Proposed Call Option

In considering the Proposed Acquisition, the non-interested shareholders are advised to consider the risk factors as set out in Section 6 of Part A of this Circular. The Proposed Acquisition may not be proceeded due to events that lead to termination of the SSA such as parties of the SSA are not able to meet the condition precedents and the SSA are terminated by either party. In such events, the risk that Straits suffers is that Straits is unable to realise the positive benefits of the Proposed Acquisition and Proposed Call Option, such as realising the projected earnings from Sinar Maju.

Separately, if the Proposed Acquisition is proceeded, the risk factors included but not limited to as follows:-

- There can be no assurance that the business and operations of Sinar Maju Group, will generate the expected return on investment, beyond the Profit Guarantee, as the success and profitability of its business depends on various factors beyond the control of your Company.

- Any unforeseen factors that resulted in the non-satisfactory maintenance of the shipping agency business, post-acquisition.

- Sinar Maju Marin has projected to purchase another vessel in 2022 and commence operation in 2023 using internal generated funds. Any delay in the purchase of the vessel or delay in commencement in the operation of the new vessel will affect the future earnings of Sinar Maju Group.

- Any interruption in renewal of the licenses held by Sinar Maju Group shall represent a business risk of Sinar Maju Group, post-acquisition.

Nevertheless, moving forward, your Board is confident that it can manage such risk by leveraging on the experience and expertise of the Group's management and Directors. Based on your Board's capabilities and experience, we are of the view that the risk factors relating to the Proposed

Acquisition and Call Option to be undertaken is **reasonable and not detrimental** to the interests of the non-interested shareholders.

7. CONCLUSION AND RECOMMENDATION

The non-interested shareholders and non-interested Directors, should consider all the merits and demerits of the Proposed Acquisition and Proposed Call Option, based on all relevant pertinent factors including those which are set out in Part A of this Circular, the relevant appendices thereof, this IAL and other publicly available information.

In our evaluation of the Proposed Acquisition and Proposed Call Option, and in arriving at our opinion, we have taken into consideration various factors as follows:

(a) the rationale for the Proposed Acquisition and Proposed Call Option, are reasonable and not detrimental to the non-interested shareholders.

(b) the basis of arriving at the Proposed Acquisition and Proposed Call Option are reasonable and not detrimental to the non-interested shareholders.

(c) the salient terms of the SSA are fair, reasonable and not detrimental to the non-interested shareholders

(d) the effects of the Proposed Acquisition and Proposed Call Option on the Group, taken as a whole, are not detrimental to the interests of the non-interested shareholders.

(e) the risk factors associated with the Proposed Acquisition and Proposed Call Option

After having considered all the various factors included in our evaluation for the Proposed Acquisition and Proposed Call Option based on the information made available to us, we are of the opinion that the Proposed Acquisition and Proposed Call Option are **fair and reasonable** insofar as the non-interested shareholders are concerned and it is **not to the detriment** of the non-interested shareholders.

Accordingly, we recommend the non-interested shareholders to **vote in favour** of the ordinary resolutions pertaining to the Proposed Acquisition and Proposed Call Option, that are to be tabled at the Company's forthcoming EGM.

Yours faithfully,
For and on behalf of
ASIA EQUITY RESEARCH SDN. BHD.

ONG TEE CHIN, CFA, FRM, CAIA	**FARIS AZMI, CPA(Aust)**
Director	Director

(i) Sale and Purchase of the Sale Shares

In consideration of the Purchase Consideration which shall be satisfied by cash payment by Straits in favour of the Vendor pursuant to the terms and conditions of the SSA, 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 (as defined in paragraph (iii) of Appendix I of this Circular) upon the terms and subject to the conditions contained in the SSA.

(ii) Conditions precedent

Completion of the SSA is conditional upon:-

1. Straits obtaining the approval of the non-interested Board of Directors and the non-interested shareholders of Straits for the Proposed Acquisition;

2. Straits appointing an independent adviser in accordance with the Listing Requirements and forming an opinion that the Proposed Acquisition is fair and reasonable;

3. Straits conducting or cause to be conducted due diligence on Sinar Maju and its subsidiary and the results thereof are to the satisfaction of Straits;

4. the Vendor obtaining the approval of the board of directors of Sinar Maju for the transfer of the Sale Shares to Straits;

5. the Vendor depositing with the documentation stakeholder the following documents ("**Stakeholder Documents**"):-

   (i) the share certificates in respect of all the Sale Shares (if any);

   (ii) the instruments of transfer under Section 105 of the Companies Act 2016 in respect of the Sale Shares duly executed by the Vendor as transferor in favour of Straits as transferee ("**Transfer**"); and

6. such other waivers, consents or approvals as may be required (or deemed necessary by the Vendor and Straits) from any third party (including financial institution) or relevant governmental or regulatory body ("**Relevant Authorities**") 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 within 4 months from the date of the SSA with an automatic extension of a further 3 months if the conditions precedent shall not have been satisfied by the expiry of the aforesaid initial 4-month period (hereinafter referred to as the "**Cut-Off Date**"). Thereafter, all parties to the SSA may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between the parties 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 the parties to the SSA, then either the Vendor or Straits shall be entitled to rescind this SSA by serving a written notice to the other party(ies) whereupon the SSA shall lapse and cease to have any further force or effect and the Vendor and Straits shall not have any further rights against the other(s) save and except in respect of:-

(1) any obligation under the SSA which is expressed to apply after the termination of the SSA; and

(2) any rights or obligations which have accrued in respect of any breach of any of the provisions of the SSA to either the Vendor and Straits prior to such termination.

(iii) Purchase Consideration

The Purchase Consideration of RM16,380,000.00 only shall be satisfied in the following manner:-

(a) RM13,860,000.00 only to be paid in cash by Straits to the Vendor ("**First Tranche**") on a day falling within ninety (90) days after the date the last of the conditions precedent is satisfied or such other date as the Vendor and Straits may agree in writing where Completion occurs ("**Completion Date**"). Where the Vendor and Straits are unable to agree on the Completion Date, the Completion Date shall fall on the ninetieth (90th) day after the date the last of the conditions precedent is satisfied; and

(b) RM2,520,000.00 only to be paid in cash by Straits to the Vendor in accordance with paragraph (vi) of Appendix I of this Circular.

If the Call Option is exercised and completed within the Profit Guarantee Period, the abovesaid sum of RM2,520,000.00 only shall include the sum of RM280,000.00 as set out in paragraph (v)(b)(ii) of Appendix I of this Circular ("**Second Tranche**").

(iv) Completion

Completion of the sale and purchase of Sale Shares shall take place on the Completion Date.

Completion of the sale and purchase of Sale Shares shall be conditional upon:-

(1) all the Sale Shares collectively being sold to Straits;

(2) that Straits and the Vendor perform all their respective obligations herein and that no breach of the SSA has occurred which has not been remedied or waived by the non-defaulting party; and

(3) the absence of injunctions or legal proceedings prohibiting the sale and purchase of the Sale Shares in accordance with the terms and conditions contained in the SSA.

At the Completion Date, the Vendor shall deliver or cause to be delivered to Straits:-

(a) the resolution of the board of directors of Sinar Maju approving the transfer and registration of the Sale Shares in favour of Straits subject only to the transfers having been duly stamped;

(b) the Stakeholder Documents including the Transfer and notice of adjudication (if not already deposited with the documentation stakeholder) and 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;

(c) the certified true copies of the approvals or documents referred to in paragraph (ii) of Appendix I of this Circular;

(d) the resolution of the board of directors of Sinar Maju and its subsidiary approving the appointment of such persons nominated by Straits as director(s) of Sinar Maju and its subsidiary effective on the Completion Date;

(e) all statutory and other books and records and its certificate of incorporation, common seal, bank authorisations and passwords, cheque books, valid licences, approvals, permits and authorisations of Sinar Maju and its subsidiary required for its business and operations and the completion of the SSA and other agreements and/or documents of or relating to Sinar Maju and its subsidiary which are held by persons other than Sinar Maju and its subsidiary;

(f) all other relevant documents to effect the transfer of legal and beneficial title of the Sale Shares to Straits (if any).

Provided always that Straits has carried out its obligations pursuant to the terms in this paragraph (iv) of Appendix I of this Circular, the Vendor agrees and undertakes to forthwith do all acts and things so as to register Straits as a member of Sinar Maju in the register of members of Sinar Maju.

At the Completion Date, the documentation stakeholder is authorised to deliver the Stakeholder Documents to Straits.

Against the delivery of the above documents, Straits shall on Completion Date:-

(a) pay the First Tranche to the Vendor in cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor;

(b) produce and deliver to the Vendor the certified copies of the approvals, shareholders resolutions and/or documents referred to in paragraph (ii)(a) and if required paragraph (ii)(f) of Appendix I of this Circular.

The Vendor shall further cause the transfer of the Sale Shares to Straits and Straits to be registered as a member of Sinar Maju into the register of members of Sinar Maju as at the Completion Date (or a later date as consented to by Straits) and appoint its nominated persons as directors of Sinar Maju and its subsidiary and notify the Companies Commission of Malaysia of the changes in shareholders and directors of Sinar Maju as at the Completion Date (or a later date as consented to by Straits) in accordance with the Companies Act 2016 and pending registration shall hold the Sale Shares with effect from the Completion Date as bare trustee for the benefit of Straits.

On the Completion Date, the parties agree that the rights to repayment of the advances made by the Vendor to Sinar Maju Group amounting to RM730,000.00 only ("**Advance**") shall be absolutely assigned to Straits and the Vendor waives any right to the said Advance thereafter the Completion Date. The Vendor shall do all acts as may be reasonably required by Straits including issuing of any notice to Sinar Maju Group to cause the assignment of his rights to the Advance to Straits. For shareholders' information, the Advance was made by the Vendor to Sinar Maju Group in multiple tranches over June 2020 to December 2020 to fund Sinar Maju Group's working capital requirements. The Advance is interest-free with no fixed term of repayment.

If any party fails to comply with any of its obligations and those obligations are not waived by the other party on Completion, then paragraph (viii) of Appendix I of this Circular shall apply.

(v) Call Option

In consideration of Straits agreeing to purchase the Sale Shares and subject to the Completion Date, the Vendor irrevocably grants Straits the Call Option exercisable at any time during the Call Option Period by serving the Call Option Notice to the Vendor to require the Vendor to sell all but not some of the Call Option Shares in a single transaction and the Vendor shall sell all and not part of the Call Option Shares, free from all encumbrance and with all rights attaching thereto on the Call Option Completion Date at the Call Option Price.

The completion of the Call Option is conditional on:-

(a) Straits obtaining the approval of the non-interested Board of Directors and the non-interested shareholders of Straits for the Call Option;

(b) Straits appointing an independent adviser in accordance with the Listing Requirements and forming an opinion that the Proposed Call Option is fair and reasonable;

(c) the Vendor obtaining the approval of the board of directors of Sinar Maju for the transfer of the Call Option Shares to Straits;

(d) such other waivers, consents or approvals as may be required (or deemed necessary by the Vendor and Straits) from any third party (including financial institution) or relevant governmental or regulatory body necessary or appropriate to carry out the sale and purchase of the Call Option Shares pursuant to the terms of the SSA having been obtained; and

(e) the Vendor shall deliver the following to Straits:

    (i) the original share certificates for the Call Option Shares; and

    (ii) the instruments of transfer under Section 105 of the Companies Act duly executed by the Vendor in favour of Straits in respect of the Call Option Shares ("**Transfer-Call Option**").

The date the last of the above conditions is satisfied is the "**Call Option Unconditional Date**".

Notwithstanding anything to the contrary, the conditions in this paragraph shall be satisfied no later than four (4) months from the date of the Call Option Notice with an automatic extension of a further three (3) months if the abovesaid conditions shall not have been satisfied by the expiry of the aforesaid initial four (4)-month period. Thereafter, the Vendor and Straits may mutually (before or on expiry of the aforesaid period) have an extension(s) of time as may be agreed between the Vendor and Straits to comply with the above conditions. If the conditions above have not been fulfilled on the expiry of the aforesaid period or such extension of time agreed between the Vendor and Straits, then either the Vendor or Straits shall be entitled to rescind the Call Option Notice by serving a written notice to the other party whereupon the Call Option Notice shall lapse and cease to have any further force or effect, whereupon the Vendor shall remain the legal and beneficial owners of the Call Option Shares and if the Call Option Period has not yet expired, then the Call Option and all rights and obligations herein this paragraph shall continue to the bind the Vendor and Straits.

The Vendor and Straits shall be bound to complete the sale and purchase of the Call Option Shares on 10 business days after the Call Option Unconditional Date (i.e. Call Option Completion Date).

The Call Option will no longer be valid and is deemed terminated on the expiry of the Call Option Period.

Upon Straits exercising the Call Option, the completion of the sale and purchase of the Call Option Shares shall take place on the Call Option Completion Date whereby:-

(a) the Vendor shall deliver the following to Straits (if not already delivered):

(i) the original share certificates for the Call Option Shares; and

(ii) the instruments of transfer under Section 105 of the Companies Act duly executed by the Vendor in favour of Straits in respect of the Call Option Shares;

(b) Straits shall pay the Call Option Price for the Call Option Shares to Straits by way of cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor in the following manner:-

(i) RM1,540,000.00 only to be paid by Straits to the Vendor on Call Option Completion Date in exchange for the delivery by the Vendor of the documents prescribed in paragraph (v)(e) of Appendix I of this Circular above;

(ii) RM280,000.00 only shall form part of the Second Tranche which shall be paid in accordance with paragraph (vi) of Appendix I of this Circular; provided that where the Call Option Notice is received by the Vendor after the expiry of the Profit Guarantee Period, the aforesaid sum shall be paid on the Call Option Completion Date.

(vi) Profit Guarantee

The Vendor agrees, undertakes and guarantees that the PAT (as defined below) of the Sinar Maju for the two (2) 12-month financial years of FYE 31 December 2022 ("**Year 1**") and FYE 31 December 2023 ("**Year 2**") shall be not less than RM2,800,000.00 only in aggregate ("**Profit Guarantee**").

Upon (i) adoption of the Accounts 2022 (as defined below) by the shareholders of Sinar Maju and having being lodged with Companies Commission of Malaysia and/or (ii) the Vendor and Straits mutually agreeing to the Special Audit Report (as defined below), Straits shall notify the Vendor in writing ("**Year 1 Notice**") within 10 business days of the Accounts 2022 and/or Special Audit Report (as may be applicable) being available to Straits the aggregate PAT for Year 1 based on the Accounts 2022 and/or the Special Audit Report (as the case may be). In the event there is PAT for Year 1, Straits shall pay the Vendor in cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor within 10 business days of the Year 1 Notice such portion of the Second Tranche equivalent to the PAT amount for Year 1 attributable to Straits based on the Accounts 2022 and/or the Special Audit Report (as the case may be) PROVIDED THAT the remaining amount of Second Tranche to be paid by Straits to the Vendor shall be no less than the remaining Profit Guarantee amount attributable to Straits which has not been met.

For the purpose of the above paragraph, an amount "attributable to the Straits" shall be calculated in proportion of Straits' holding of Sinar Maju Shares compared to the total issued Sinar Maju Shares at the expiry date of Year 1.

Purely as illustration, in the event that:

(i) the Completion Date is 31 January 2022;

(ii) Straits has not exercised the Call Option in Year 1 and Straits remains holding 90% of the total issued Sinar Maju Shares; and

(iii) the PAT amount for Year 1 is RM1,000,000.00

Then the amount of Second Tranche to be released to the Vendor pursuant to paragraph (vi) of Appendix I of this Circular shall be RM1,000,000.00 x 90% = RM900,000.00 (and that the remaining unpaid Second Tranche is RM1,620,000.00).

Upon expiry of the Profit Guarantee Period and (i) adoption of the Accounts 2022 and Accounts 2023 respectively by the shareholders of Sinar Maju with the respective Accounts 2022 and Accounts 2023 and having being lodged with Companies Commission of Malaysia and/or (ii) the Vendor and Straits mutually agreeing to the Special Audit Report, Straits shall notify the Vendor in writing ("**Year 2 Notice**") within 10 business days of the Accounts 2022, Accounts 2023 and Special Audit Report (as may be applicable) being available to Straits of the following:-

(i) the aggregate PAT for the Profit Guarantee Period based on the Accounts 2022 and Accounts 2023 and/or Special Audit Report (as the case may be);

(ii) whether there is a shortfall between the abovesaid aggregated PAT for the Profit Guarantee Period and the Profit Guarantee amount of RM2,800,000.00 ("**Shortfall**"), provided that in the event there is no PAT or Sinar Maju has cumulative consolidated LAT for the Profit Guarantee Period based on the Accounts 2022 and Accounts 2023 and Special Audit Report (where applicable), the Shortfall amount shall be deemed to be RM2,800,000.00; and

(iii) if there is a Shortfall, the Shortfall amount attributable to Straits calculated as follows ("**Shortfall Attributable To Straits**"):

Shortfall Attributable To Straits = (G x E) + (H x F)

Where:

A = number of days during the Profit Guarantee Period (i.e. 730 days being the number of days in the Profit Guarantee Period) calculated immediately after the Call Option Completion Date until the last day of the Profit Guarantee Period.

B = 730 – A

C = 730, being the number of days during the Profit Guarantee Period

D = Shortfall, provided that in the event there is no PAT or Sinar Maju has cumulative consolidated LAT for the Profit Guarantee Period based on the Accounts 2022 and Accounts 2023 and Special Audit Report (where applicable), the Shortfall amount shall be deemed to be RM2,800,000.00.

E = $D\left(\frac{A}{C}\right)$

F = $D\left(\frac{B}{C}\right)$

G = percentage of shareholding of Straits in Sinar Maju after the Call Option Completion Date. Assuming there is no change in the total issued and paid-up share capital in Sinar Maju on the expiry of the Profit Guarantee Period and Straits has not disposed any of the Sinar Maju Shares it holds, G is 100%. If the Call Option has not been exercised during the Profit Guarantee Period, G shall be deemed as 0.

H = percentage of shareholding of Straits in Sinar Maju before the Call Option Completion Date or if the Call Option is not exercised. Assuming there is no change in the total issued and paid-up share capital in Sinar Maju on the expiry of the Profit Guarantee Period and Straits has not disposed any of the Sinar Maju Shares it holds, H is 90%.

In the event the aggregate PAT for the Profit Guarantee Period based on the Accounts 2022, Accounts 2023, and Special Audit Report (where applicable) is equivalent to or more than the Profit Guarantee amount of RM2,800,000.00 and upon receipt of the Year 2 Notice from Straits, the Vendor is deemed to have fully fulfilled its obligations towards the Profit Guarantee under this paragraph (vi) of Appendix I of this Circular, whereupon Straits shall within 10 business days from the issue of the Year 2 Notice pay the Vendor the remaining unpaid Second Tranche amount in cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor.

In the event there is a Shortfall Attributable to Straits, then Straits shall set off the Shortfall Attributable to Straits against the unpaid Second Tranche and shall within 10 business days from the issue of the Year 2 Notice and pay the Vendor the remaining unpaid Second Tranche (after netting off the Shortfall Attributable to Straits) in cash via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendor. Where the Shortfall Attributable to Straits amount exceeds the unpaid Second Tranche amount, the Vendor shall within 10 business days from the date of receipt of the Year 2 Notice pay to Straits such amount of Shortfall Attributable to Straits that exceeds the unpaid Second Tranche amount. PROVIDED THAT the maximum liability of the Vendor towards the Shortfall Attributable to Straits shall be RM2,800,000.00 only.

In the event there is no PAT or Sinar Maju has cumulative consolidated LAT for the Profit Guarantee Period based on the Accounts 2022 and Accounts 2023 and Special Audit Report (where applicable), the Shortfall amount shall be deemed to be RM2,800,000.00.

For the purposes of this paragraph:-

(a) "**Accounts 2022**" means the consolidated audited financial statements of Sinar Maju for the 12 months financial year ending on 31 December 2022 prepared by the auditors of Sinar Maju consented to by Straits and adopted by the shareholders of Sinar Maju (being Straits) and shall include any notes thereon and any reports, statements or documents annexed or attached thereto;

(b) "**Accounts 2023**" means the consolidated audited financial statements of Sinar Maju for the 12 months financial year ending on 31 December 2023 prepared by the auditors of Sinar Maju consented to by Straits and adopted by the shareholders of Sinar Maju (being Straits) and shall include any notes thereon and any reports, statements or documents annexed or attached thereto;

(c) "**PAT**" means the consolidated net profit after taxation of Sinar Maju (which includes that of the present and future subsidiary, associate and investment companies) attributable to the owner of Sinar Maju for the Profit Guarantee Period based on the Accounts 2022, Accounts 2023, and/or the Special Audit Report(s) (if so required) after netting off any net losses after tax during the Profit Guarantee Period;

(d) The Vendor agrees that the financial year end of Sinar Maju may however be changed to be consistent with the financial year end of Straits. In addition, in the event the audited financial statements of Sinar Maju adopted by the shareholders of Sinar Maju do not fall within the prescribed twelve-month period of Year 1 and/or Year 2 respectively (where applicable) and/or does not fall within the definition of Accounts 2022 and/or Accounts 2023 respectively (where applicable) and/or the PAT cannot be determined or agreed upon from the Accounts 2022 and Accounts 2023 (where applicable), Straits shall cause Sinar Maju to undertake a special audit by such firm of auditors approved by Straits and the Vendor (failing concurrence of the firm to be appointed, by the auditors of Straits), all cost for which to be borne equally between the Vendor and Straits, so that it can be determined therefrom the PAT for Year 1 and/or Year 2 (where applicable) respectively. All such audited financial statements of Sinar Maju arising from the special audit for the Profit Guarantee Period shall be subject to mutual approval and acceptance by the Vendor and Straits and thereupon shall be deemed to be the adopted "Special Audit Report" and the net profit after taxation of Sinar Maju reflected therein for Year 1 and/or Year 2 (as the case may be) shall be the "PAT" for Year 1 and/or Year 2 (as the case may be) for the purposes of this paragraph (vi) of Appendix I of this Circular. For the avoidance of doubt, for the purpose of determining the Profit Guarantee, Straits may agree that the Special Audit be conducted for any one or more of Year 1 and Year 2 and/or rely on the Accounts 2022 and Accounts 2023 (as the case may be) for the financial year in which special audit is not conducted for.

For the avoidance of doubt, the total liability of the Vendor to Straits for not meeting the Profit Guarantee for the Profit Guarantee Period shall be limited to the maximum aggregate amount of RM2,800,000.00 only which shall be set off against the Second Tranche and/ or paid by the Vendor in accordance with this paragraph (vi) of Appendix I of this Circular.

The Vendor agrees to continue to be a director of any and all companies within Sinar Maju Group post Completion Date and for the duration of the Profit Guarantee Period so long as Straits requires the Vendor to do so.

Purely for illustration purpose, set out below are hypothetical scenarios in respect of the financial performance of Sinar Maju on a consolidated basis during Year 1 and Year 2 and the liability of the Vendor based on such scenarios:

Scenario A	:	*In the event the PAT is RM1,000,000 in Year 1 and RM2,000,000 in Year 2 and the Call Option is not exercised during this period. This scenario illustrates that Sinar Maju is making profits and able to achieve equivalent to or more than RM2,800,000 cumulatively during Year 1 and Year 2 and that the shareholding of Straits is 90% of Sinar Maju during such period.*
Scenario B	:	*In the event the PAT is RM1,000,000 in each of Year 1 and Year 2 and the Call Option is not exercised during this period. This scenario illustrates that Sinar Maju is making profits but achieves less than RM2,800,000 cumulatively for Year 1 and Year 2 and that the shareholding of Straits is 90% of Sinar Maju during such period.*
Scenario C	:	*In the event there is consolidated net loss of RM500,000 in Year 1 and PAT is RM1,000,000 in Year 2 and the Call Option is not exercised during this period. This scenario illustrates that Sinar Maju is making cumulative profit during Year 1 and Year 2 but achieves less than the Profit Guarantee and that the shareholding of Straits is 90% of Sinar Maju during such period.*
Scenario D	:	*In the event there is a consolidated net loss of RM500,000 for each of Year 1 and Year 2 and the Call Option is not exercised. This scenario illustrates that Sinar Maju is making cumulative loss during Year 1 and Year 2 and does not achieve the Profit Guarantee and that the shareholding of Straits is 90% of Sinar Maju during such period.*

Scenario E : *In the event the PAT is RM1,000,000 in Year 1 but records consolidated net loss of RM500,000 in Year 2 and the Call Option is exercised with the Call Option Completion Date on 5 January 2023. This scenario illustrates that Sinar Maju is making cumulative profit during Year 1 and Year 2 but achieves less than the Profit Guarantee and that the shareholding of Straits is 90% of Sinar Maju up to 5 January 2023 and 100% of Sinar Maju from 6 January 2023 to 31 December 2023.*

Scenario F : *In the event the PAT is RM1,000,000 in Year 1 but records consolidated net loss of RM500,000 in Year 2 and the Call Option is exercised with the Call Option Completion Date on 30 November 2022. This scenario illustrates that Sinar Maju is making cumulative profit during Year 1 and Year 2 but achieves less than the Profit Guarantee and that the shareholding of Straits is 90% of Sinar Maju up to 30 November 2022 and 100% of Sinar Maju from 1 December 2022 to 31 December 2023.*

Profit Guarantee Period		***Scenario A (RM)***	***Scenario B (RM)***	***Scenario C (RM)***	***Scenario D (RM)***	***Scenario E (RM)***	***Scenario F (RM)***
Year 1: *1 January 2022 to 31 December 2022*	*Amount of Second Tranche released*	*900,000*	*900.000*	*-*	*-*	*900,000*	*1,000,000*
	Amount of Second Tranche withheld at end of Year 1	*1,620,000*	*1,620,000*	*2,520,000*	*2,520,000*	*[2] 1,620,000*	*[4] 1,800,000*

Year 2: *1 Jan 2023 to 31 Dec 2023*	*Amount of Second Tranche released*	*1,620,000*	*900,000*	*450,000*	*-*	*-*	*-*
	Amount of Second Tranche set off against Shortfall Attributable to Purchaser	*-*	*720,000*	*2,070,000*	*[1] 2,520,000*	*[3] 1,900,000*	*[5] 1,800,000*

Notes:-

[1] Under Scenario D, the Shortfall is deemed RM2,800,000 and the Shortfall Attributable to Straits is RM2,520,000.

[2] Under Scenario E, the Second Tranche as at 31 December 2022 (but before the release to the Vendor for Year 1) is RM2,520,000. After the release for Year 1, the remaining Second Tranche withheld is RM1,620,000.

Based on the formula, the Shortfall Attributable To Straits under Scenario E:

$$= (G \times E) + (H \times F)$$

$$= 100\% \left[2{,}300{,}000 \times \frac{360}{730} \right] + 90\% \left[2{,}300{,}000 \times \frac{370}{730} \right]$$

= RM1,134,246.58 + RM1,049,178.08

= RM2,183,424.66

[3] *Based on this Scenario E, the remaining Second Tranche that has yet to be released as at 31 December 2023 (but before release to the Vendor for Year 2) is RM1,900,000.00 (i.e. RM1,620,000 from Year 1 and RM280,000 from Call Option Price). Accordingly, Straits shall withhold releasing the remaining Second Tranche of RM1,900,000 to set off against the Shortfall Attributable To Straits and the remaining Shortfall Attributable To Straits of RM283,424.66 shall be paid by the Vendor to Straits within 10 business days from the issue of the Year 2 Notice by Straits.*

[4] *Under Scenario F, the Second Tranche as at 31 December 2022 (but before the release to the Vendor for Year 1) is RM2,800,000 (i.e. initial RM2,520,000 and RM280,000 from Call Option Price).*

[5] *Based on the formula, the Shortfall Attributable To Straits under Scenario F:*

$$= (G \times E) + (H \times F)$$

$$= 100\% \left[2{,}300{,}000 \times \frac{396}{730} \right] + 90\% \left[2{,}300{,}000 \times \frac{334}{730} \right]$$

$$= RM1{,}247{,}671.23 + RM947{,}095.89$$

$$= RM2{,}194{,}767.12$$

Based on this Scenario F, the remaining Second Tranche that has yet to be released as at 31 December 2023 (but before release to the Vendor for Year 2) is RM1,800,000.00 (i.e. the remaining Second Tranche after release for Year 1). Accordingly, Straits shall withhold releasing the remaining Second Tranche of RM1,800,000 to set off against the Shortfall Attributable To Straits and the remaining Shortfall Attributable To Straits of RM394,767.12 shall be paid by the Vendor to Straits within 10 business days from the issue of the Year 2 Notice by Straits.

(vii) Specific Warranties

The Vendor represents, covenants and undertakes as following:-

(a) there is no Bumiputera equity condition imposed on any company within Sinar Maju Group which may render the sale and transfer of the Sale Shares and/ or Call Option Shares by the Vendor to Straits pursuant to the SSA to breach such condition.

(b) Sinar Maju is required to obtain the approvals of Jabatan Kastam Diraja Malaysia ("**Customs**") and Jabatan Imigresen Malaysia ("**JIM**") for the change in shareholders in Sinar Maju pursuant to their respective approval of Sinar Maju as ship agent.

(c) pursuant to paragraph (vii)(b) of Appendix I of this Circular, the Vendor shall cause Sinar Maju to apply to the Customs and JIM upon the execution of the SSA for their respective approval for the change in the legal and beneficial ownership of Sinar Maju pursuant to the SSA. The Vendor has applied/ will apply or has caused Sinar Maju to apply for the renewal of its current approval from Customs as ship agent which expires on 31 October 2021.

(d) in the event prior to the expiry of the Cut-Off Date (or the extension thereof), the Customs and/or JIM rejects the applications made by Sinar Maju under paragraph (vii)(c) of Appendix I of this Circular, Straits may require Sinar Maju to appeal against the said decision and if the approval (whether from first application or appeal application) is not obtained within the Cut-Off Date (or the extension thereof), Straits shall be entitled to treat paragraph (ii)(f) of Appendix I of this Circular as having not been fulfilled by the Vendor and exercise the right to terminate the SSA as set out in paragraph (ii) of Appendix I of this Circular.

(e) in the event the decision of the Customs and JIM shall not have been obtained after the fulfilment of paragraphs (ii)(a) to (e) of Appendix I of this Circular, Straits shall be entitled to elect to waive fulfilment of paragraph (ii)(f) for the purposes of paragraph (vii)(c) of Appendix I of this Circular above, whereupon the approvals of Customs and/or JIM shall be deemed a condition subsequent to be fulfilled.

(f) in the event after the Completion Date:-

(i) a company within Sinar Maju Group is imposed Bumiputera equity condition pursuant to the approval(s) received for the applications made under paragraph (vii)(c) of Appendix I of this Circular which renders the ownership of Sinar Maju Group by Straits to be in breach of such condition; or

(ii) the Vendor is unable to procure the approvals of Customs and/or JIM for the change in the legal and beneficial ownership of all the Sale Shares and the Call Option Shares (if the Call Option is exercised) pursuant to the SSA pursuant to the applications made under paragraph (vii)(c) of Appendix I of this Circular; or

(iii) Sinar Maju is unable to procure the renewal of approval as ship agent from Customs and/or JIM pursuant to paragraph (vii)(c) of Appendix I of this Circular;

the Vendor unconditionally undertakes and covenants to acquire up to 100% of the Sinar Maju Shares back from Straits at a cash consideration equivalent the Purchase Consideration and Call Option Price (or such proportion thereof if the sale back is less than 100%) upon written notice ("**Sell Back Notice**") received from Straits ("**Sell Back**"). The Sell Back shall be unconditional save and except as may be required by Straits to fulfil its obligations under the Listing Requirements, the Act and such applicable laws. The Sell Back shall be completed within 6 months upon the Vendor receiving the Sell Back Notice (or such other extended period as Straits may grant from time to time). Pending the completion of the Sell Back, the Vendor's Profit Guarantee obligations to pay the Shortfall Attributable To Straits and Straits' obligations to pay any unpaid Second Tranche shall be suspended. On completion of the Sell Back, the Profit Guarantee obligations of the parties under paragraph (vi) of Appendix I of this Circular shall lapse and cease to have effect, whereupon the Vendor will not be obliged to pay Straits any Shortfall Attributable To Straits and the Vendor shall pay to Straits the Sell Back Price after netting off the unpaid Second Tranche in exchange for the original share certificates and instruments of transfer under Section 105 of the Companies Act duly executed by Straits in favour of the Vendor in respect of the Sinar Maju Shares under the Sell Back.

(g) the Vendor shall not cause any change to the total issued and paid up share capital in Sinar Maju or total issued Sinar Maju Shares, or sell transfer or otherwise divest his Sinar Maju Shares from the date of the SSA until the expiry of the Profit Guarantee Period and the Call Option Period, save and except to Straits as envisaged in the SSA or otherwise with the prior written consent of Straits.

(viii) Breach/ Termination

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 before the Completion Date, then the Vendor shall be entitled to either:

(i) claim for specific performance of the SSA as may be available under law; or

(ii) if prior to Completion Date, terminate the SSA by written notice to Straits and upon such termination, Straits shall pay the Vendor all reasonable costs and expense incurred by the Vendor pursuant to the negotiation and preparation of the SSA as well as conduct of due diligence and fulfilment of Conditions Precedent and any incidental costs thereto within 10 business days of receipt of the details of such costs and supporting invoices from the Vendor and after which the Vendor shall have no other claims whatsoever against Straits and the Vendor shall return all other Purchase Consideration paid (if any) within 10 business days of issuance of the said termination notice and shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties.

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 and/or warranties of the SSA before the Completion date, then Straits shall be entitled to either:

(i) claim for specific performance of the SSA as may be available under law; or

(ii) if prior to Completion Date, terminate the SSA by written notice to the Vendor and upon such termination, the Vendor shall pay Straits all reasonable costs and expense incurred by Straits pursuant to the negotiation and preparation of the SSA as well as conduct of due diligence and fulfilment of Conditions Precedent and any incidental costs thereto within 10 business days of receipt of the details of such costs and supporting invoices from Straits and refund to Straits all Purchase Consideration received within 10 business days of receipt of the termination notice and 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.

If it is found after the Completion Date that a party shall have breached his/its obligations under the SSA (including but not limited to the Profit Guarantee and Call Option sections above), the non-defaulting party(s) shall be entitled to claim for specific performance in addition to any other remedies as may be available to the non-defaulting party(s) under law and/or equity and the defaulting party(s) shall indemnify and hold the non-defaulting party(s) harmless against all costs, charges and expenses incurred or suffered by the non-defaulting party(s) arising from such breach.

1. HISTORY AND BUSINESS

Sinar Maju was incorporated on 16 June 2017 in Malaysia under the Companies Act 2016 as a private company limited by shares.

Sinar Maju had commenced its business on 13 August 2018 and Sinar Maju Group is principally involved in the provision of shipping agency and related services. For shareholders' information, save for the provision of shipping agency and related services, Sinar Maju Group has not been involved in any other business activities.

Sinar Maju Group's shipping agency and related services involves handling the shipments as well as general needs of its customers' vessels at ports in Malaysia, which includes, amongst others, supplying crew consumables (i.e. food, dry supplies and fresh water), ship spare parts and other general supplies to customers' vessels, ferrying passengers, transporting cargo, providing garbage disposal services for vessels, arranging customs documentation as well as liaising/ coordinating with relevant authorities (including Royal Malaysian Customs Department, Immigration Department of Malaysia and Marine Department Malaysia) for crew and vessels to enter/ stay at ports in Malaysia.

At present, Sinar Maju Group operates from 10 ports/ jetties in Malaysia, namely, Teluk Ewa Jetty, Langkawi Port, Pasir Gudang – Johor Port, Tanjung Pelepas Port, Port Klang, Kuantan Port, Belungkor Port, Port of Pengerang, Tanjung Pengelih Jetty and Tanjung Langsat Port. As at the LPD, Sinar Maju Group holds the following regulatory licenses/ approvals/ registrations for its operations:-

Regulatory licenses/ approvals/ registrations			Date of approval	Expiry date
i.	Approval from Royal Malaysian Customs Department to act as a shipping agent in Malaysia under Section 90 of the Customs Act 1967		21 Oct 2021	31 Oct 2023
ii.	Registration with Immigration Department of Malaysia as a shipping agent who manages crews and/ or passengers of vessels at the following ports in Malaysia:-			
	a.	Teluk Ewa Jetty	1 Aug 2021	31 Jul 2022
	b.	Langkawi Port	1 Aug 2021	31 Jul 2022
	c.	Pasir Gudang – Johor Port	1 Aug 2021	31 Jul 2023
	d.	Tanjung Pelepas Port	21 Mar 2021	11 Mar 2023
	e.	Belungkor Port	25 Feb 2021	25 Feb 2023
	f.	Port of Pengerang	27 May 2020	27 May 2022
	g.	Tanjung Pengelih Jetty	27 May 2020	27 May 2022
	h.	Tanjung Langsat Port	1 Aug 2021	31 Jul 2023
	i.	Port Klang	8 Dec 2021	2 Jul 2023
iii.	Support service licenses from Johor Port Authority for ship chandling (i.e. providing supplies for ships) at the following ports in Malaysia:-			
	a.	Tanjung Pelepas Port	24 Dec 2021	24 Dec 2022
	b.	Pasir Gudang – Johor Port	24 Dec 2021	24 Dec 2022
	c.	Pasir Gudang – Johor Port[*1]	23 Jun 2021	23 Jun 2022

Note:-

[*1] *The license is held by Sinar Maju Marin Sdn Bhd while the remaining above licenses/ approvals/ registration are held by Sinar Maju.*

The above regulatory licenses/ approvals/ registrations of Sinar Maju Group are renewable and the typical duration of renewal ranges from 1 to 2 years.

Sinar Maju Group's current business model is based on the provision of shipping agency and related services to customers on an on-demand basis, i.e. upon request by customer based on purchase order instead of entering into fixed and/ or long-term contracts. As at the LPD, Sinar Maju Group owns 1 vessel in the provision of shipping agency and related services, i.e. a locally-made 12-seat launch boat which is approximately 11-months old.

For the FYE 31 December 2020, Sinar Maju Group had a total of 22 customers and for 2021 up to the LPD, Sinar Maju Group has a total of 34 customers. The current principal operating market of Sinar Maju Group is Malaysia and revenue is predominantly derived from Malaysian customers who contributed approximately 60% of total revenue whilst the remaining approximately 40% was contributed by foreign customers. For clarity, foreign customers are foreign-based companies with marine operations near to or that are transiting Malaysian ports from which Sinar Maju Group conducts its shipping agency and related services. For the FYE 31 December 2020, the purchases of Sinar Maju Group were entirely sourced from suppliers located in Malaysia. As at the LPD, Sinar Maju Group has 19 employees to carry out its shipping agency and related services business.

2. ISSUED SHARE CAPITAL AND CONVERTIBLE SECURITIES

As at the LPD, the issued share capital of Sinar Maju, which consists of one class of ordinary share, is RM300,000 comprising 300,000 Sinar Maju Shares. Sinar Maju does not have any convertible securities as at the LPD.

3. DIRECTORS AND SHAREHOLDERS

The details of the director and shareholder of Sinar Maju and his direct and indirect shareholdings in Sinar Maju as at the LPD are as follows:-

		<-------------Direct------------->		<-------------Indirect------------>	
Director/ shareholder	**Nationality**	**No. of Sinar Maju Shares**	**%**	**No. of Sinar Maju Shares**	**%**
Tan Sri Mohd Bakri	Malaysian	300,000	100.0	-	-

4. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, Sinar Maju has 1 subsidiary and no associate company. The details of the subsidiary are as follows:-

Company	**Date/ place of incorporation**	**Equity interest held %**	**Issued share capital (RM)**	**Principal activities**
Sinar Maju Marin Sdn Bhd	22 July 2020 Malaysia	100.00	280,000	Ferrying passengers, transporting cargo and ship spare parts over seas and coastal waters as well as providing garbage disposal services for vessels

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

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

6. MATERIAL CONTRACTS

Sinar Maju Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

7. MATERIAL COMMITMENTS

As at the LPD, the board of directors of Sinar Maju is not aware of any material commitments incurred or known to be incurred by Sinar Maju Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of Sinar Maju Group.

8. CONTINGENT LIABILITIES

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

9. SUMMARY OF FINANCIAL POSITION

A summary of the financial information of Sinar Maju for the past 3 audited financial years up to the FYE 31 December 2020 and for the latest unaudited 8-month FPE 31 August 2021 is set out below:-

	<-----Audited FYE 31 December---->			Unaudited 8-month FPE 31 August	
	2018 RM	**2019 RM**	**2020 RM**	**2020 RM**	**2021 RM**
Revenue	156,987	967,661	2,163,572	908,118	2,006,399
PBT/ (LBT)	(56,702)	136,392	617,911	416,132	842,543
PAT/ (LAT)	(56,702)	115,392	466,155	311,358	593,077
Total Equity or NA	27,495	342,887	809,042	654,245	1,402,119
Total borrowings	-	-	-	-	100,000
Total issued shares (units)	100,000	300,000	300,000	300,000	300,000
Current assets	624,439	1,120,353	1,614,465	1,207,428	2,927,193
Current liabilities	647,244	872,142	2,071,149	656,426	2,719,542
Net cash from/ (used in) operating activities	444,791	(265,675)	772,416	(10.658)	58,754
Cash and bank balances	72,534	297,160	470,565	544,453	1,373,448
PBT/ (LBT) margin (%)	(36.12)	14.10	28.56	45.82	41.99
PAT/ (LAT) margin (%)	(36.12)	11.92	21.55	34.29	29.56
EPS/ (LPS)	(0.57)	0.38	1.55	1.04	1.98
NA per share	0.27	1.14	2.70	2.18	4.67
Current ratio (times)	0.96	1.28	0.78	1.84	1.08
Gearing (times)	-	-	-	-	0.07

For the FYE 31 December 2018 to FYE 31 December 2020, there was no:-

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

ii. accounting policy adopted by Sinar Maju which are peculiar to Sinar Maju because of the nature of its business or the industry it is involved in; and

iii. audit qualification of the financial statements of Sinar Maju for the financial years under review.

Commentary on past performance:-

FYE 31 December 2019 vs FYE 31 December 2018

Sinar Maju recorded revenue of RM0.97 million for the FYE 31 December 2019 which represents an increase of RM0.81 million or more than 100% as compared to RM0.16 million for the FYE 31 December 2018. The increase in revenue was mainly due to increase in the number of break-bulk vessel (i.e. vessels that carry raw materials which include, amongst others, coal, cement, copper slag and iron ore) customers in the FYE 31 December 2019, which led to an increase in revenue from the provision of shipping agency services (i.e. liaising with Royal Malaysian Customs Department, Immigration Department of Malaysia and Marine Department Malaysia on all incoming and outgoing of vessels to and from the ports and obtaining port clearance for these vessels) and handling services (i.e. providing adhoc services such as garbage and sludge disposal) services to break-bulk vessels of RM0.55 million in the FYE 31 December 2019. The increase in break-bulk vessel customers was mainly due to new break-bulk vessel customers secured via referrals from existing break-bulk vessel customers of Sinar Maju.

Sinar Maju recorded PBT of RM0.14 million for the FYE 31 December 2019 as compared to LBT of RM0.06 million for the FYE 31 December 2018. The PBT recorded was mainly due to the following:-

(i) higher gross profit recorded of RM0.90 million for the FYE 31 December 2019 which represents an increase of RM0.74 million or more than 100% as compared to RM0.16 million for the FYE 31 December 2018, which was in tandem with the increase in revenue for the FYE 31 December 2019; and

(ii) higher other operating income recorded of RM0.30 million for the FYE 31 December 2019 which represents an increase of RM0.28 million or more than 100% as compared to RM0.02 million for the FYE 31 December 2018 which was mainly attributable to increase in fees charged to foreign vessel owners and operators for project consultancy and advisory services provided by Sinar Maju on port information, relevant regulations on various governmental authorities and procedures for calling on Malaysian ports.

FYE 31 December 2020 vs FYE 31 December 2019

Sinar Maju recorded revenue of RM2.16 million for the FYE 31 December 2020 which represents an increase of RM1.19 million or more than 100% as compared to RM0.97 million for the FYE 31 December 2019. The increase in revenue was mainly due to the following:-

(i) revenue of RM0.39 million recorded from new shipping agency business activities of Sinar Maju which commenced in the FYE 31 December 2020, namely the supply of crew consumables and provisions (i.e. food, dry supplies and fresh water) to existing break-bulk vessel customers; and

(ii) Sinar Maju had also expanded its shipping agency operations to include Port Klang and Kuantan Port during the FYE 31 December 2020, including the provision of shipping agency services, handling services and supply of crew consumables and provisions to fuel cargo suppliers at the said ports.

Sinar Maju recorded PBT of RM0.62 million for the FYE 31 December 2020 which represents an increase of RM0.48 million or more than 100% as compared to RM0.14 million for the FYE 31 December 2019. The increase in PBT was mainly due to the higher gross profit recorded of RM1.58 million for the FYE 31 December 2020 which represents an increase of RM0.68 million or 75.56% as compared to RM0.90 million for the FYE 31 December 2019, which was in tandem with the increase in revenue for the FYE 31 December 2020.

<u>8-month FPE 31 August 2021 vs 8-month FPE 31 August 2020</u>

Sinar Maju recorded revenue of RM2.01 million for the 8-month FPE 31 August 2021 which represents an increase of RM1.10 million or more than 100% as compared to RM0.91 million for the 8-month FPE 31 August 2020. The increase in revenue was mainly due to the following:-

(i) higher revenue contribution from the supply of crew consumables and provisions (i.e. food, dry supplies and fresh water) due to higher demand from existing customers as a result of increased vessel activity at Malaysian ports which was in line with the ongoing recovery of the local economy from the COVID-19 pandemic in the 8-month FPE 31 August 2021; and

(ii) revenue of RM0.16 million recognised from vessel chartering services provided via Sinar Maju Group's sole vessel in the 8-month FPE 31 August 2021. As the said vessel was acquired in the fourth quarter of 2020, Sinar Maju had not recognised any revenue from vessel chartering services in the 8-month FPE 31 August 2020.

Sinar Maju recorded PBT of RM0.84 million for the 8-month FPE 31 August 2021 which represents an increase of RM0.42 million or 100% as compared to RM0.42 million for the 8-month FPE 31 August 2020. The increase in PBT was mainly due to the following:-

(i) higher gross profit recorded of RM1.25 million for the 8-month FPE 31 August 2021 which represents an increase of RM0.45 million or 56.25% as compared to RM0.80 million for the 8-month FPE 31 August 2020, which was in tandem with the increase in revenue for the 8-month FPE 31 August 2021; and

(ii) higher other operating income of RM0.46 million for the 8-month FPE 31 August 2021 which represents an increase of RM0.40 million or more than 100% as compared to RM0.06 million for the 8-month FPE 31 August 2020. The increase in other operating income was mainly attributable to port incentive amounting to RM0.45 million received by Sinar Maju Group in the 8-month FPE 31 August 2021 from port operators for attracting and bringing in vessels to call at Tanjung Pelepas Port. No port incentive had been received during the 8-month FPE 31 August 2020.

10. AUDITED FINANCIAL STATEMENTS OF SINAR MAJU FOR THE FYE 31 DECEMBER 2020

ECOVIS®

SINAR MAJU LOGISTIK SDN. BHD.

(Incorporated in Malaysia)
201701021367 (1235533-K)

REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2020

ECOVIS MALAYSIA PLT
Chartered Accountants
201404001750 (LLP0003185-LCA) & AF 001825

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2020

INDEX
*****

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

CORPORATE INFORMATION

Registered Office

No. 56-01, Jalan Kempas Utama 2/2
Taman Kempas Utama
81200 Johor Bahru
Johor Darul Ta'zim

Principal Place of Business

No. 8-B, Jalan Molek 1/9
Taman Molek
81100 Johor Bahru
Johor Darul Ta'zim

Company Secretary

Liao Sock Min (LS 0009718)

Auditors

ECOVIS MALAYSIA PLT
201404001750 (LLP0003185-LCA) & AF 001825
No. 54, Jalan Kempas Utama 2/2
Taman Kempas Utama
81200 Johor Bahru
Johor Darul Ta'zim

Principal Bankers

CIMB Bank Berhad
Public Bank Berhad

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of shipping agent, forwarding agent and manning agent.

The principal activities of the subsidiary are described in Note 4 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the year attributable to: -		
Owners of the Company	466,155	511,833

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

OPTIONS

No option has been granted during the financial year covered by the Statements of Profit or Loss and Other Comprehensive Income to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

DIRECTOR

The director who served during the financial year up to the date of this report is: -

Tan Sri Mohd Bakri Bin Mohd Zinin

Registration No. 201701021367 (1235533-K)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit, other than a benefit included in the aggregate amount of fees and emoluments received or due and receivable by the directors from the Company, or the fixed salary of a full time employee of the Company as disclosed in the financial statements, by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than certain directors who have substantial financial interests in companies which traded with the Company in the ordinary course of business.

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, being arrangements with the object of enabling directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests and deemed interests of Directors in office at the end of the financial year in the shares of the Company during the financial year are as follows: -

	←---------------- Number of ordinary shares ----------------→			
	As at 1.1.2020	**Acquired**	**Disposed**	**As at 31.12.2020**
Tan Sri Mohd Bakri Bin Mohd Zinin	300,000	-	-	300,000

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 13 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

No indemnity has been given to or insurance effected for the Directors, officers and auditors of the Company pursuant to Section 289 of the Companies Act, 2016.

OTHER STATUTORY INFORMATION

(a) The directors, before the Statements of Profit or Loss and Other Comprehensive Income and Statements of Financial Position of the Group and of the Company were prepared, took reasonable steps: -

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that there were no known bad debts and that no allowance for doubtful debts was necessary; and

(ii) to ensure that any current assets which were unlikely to realise their book value in the ordinary course of business were written down to an amount which they might be expected so to realise.

(b) The directors are not aware of any circumstances, at the date of this report, which would render: -

(i) it necessary to write off any bad debts or to providing of allowance for doubtful debts in respect of the financial statements of the Group and of the Company; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Registration No. 201701021367 (1235533-K)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist: -

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors: -

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, ECOVIS MALAYSIA PLT, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board of Director in accordance with a resolution of the director,

TAN SRI MOHD BAKRI BIN MOHD ZININ

JOHOR BAHRU

Date: 31 May 2021

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTOR
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

I, TAN SRI MOHD BAKRI BIN MOHD ZININ, being the director of SINAR MAJU LOGISTIK SDN. BHD., do hereby state that, in my opinion, the financial statements set out on pages 10 to 44 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Director in accordance with a resolution of the director,

TAN SRI MOHD BAKRI BIN MOHD ZININ

JOHOR BAHRU

Date: 31 May 2021

Registration No. 201701021367 (1235533-K)

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SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, TAN SRI MOHD BAKRI BIN MOHD ZININ, being the director primarily responsible for the financial management of SINAR MAJU LOGISTIK SDN. BHD., do solemnly and sincerely declare that the financial statements set out on pages 10 to 44 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed)
TAN SRI MOHD BAKRI BIN MOHD ZININ at Johor Bahru)
in the state of Johor Darul Ta'zim on 31 May 2021)

TAN SRI MOHD BAKRI BIN MOHD ZININ

Before me,

PESURUHJAYA SUMPAH
No. J276
NUR AMREETA KAUR
GUBACHEN SINGH
01-01-2021-31-12-2023
MALAYSIA

NO. 8, JALAN DHOBY
80000 JOHOR BAHRU
JOHOR

Registration No. 201701021367 (1235533-K)

ECOVIS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINAR MAJU LOGISTIK SDN. BHD.

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SINAR MAJU LOGISTIK SDN. BHD., which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' 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 Group and of the Company 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

ECOVIS MALAYSIA PLT 201404001750 (LLP0003185-LCA) & AF 001825 Chartered Accountants, No.54, Jalan Kempas Utama 2/2, Taman Kempas Utama, 81200 Johor Bahru, Johor Darul Ta'zim, Malaysia Phone:+607 – 562 9000 Fax:+607 – 562 9090 E-Mail:johor@ecovis.com.my

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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 ISAs 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 basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, 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 the Group and of the Company, 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 the Group's and the Company's internal control.

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

(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 Group's or 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 the Group and of the Company 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 the Group or the Company to cease to continue as a going concern.

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

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Other Matters

As stated in Note 2.1 to the financial statements, SINAR MAJU LOGISTIK SDN. BHD. adopted Malaysian Financial Reporting Standards on 1 January 2020 with a transition date of 1 January 2019. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statement of financial position of the Company as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year ended 31 December 2019 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 31 December 2020, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2020 do not contain misstatements that materially affect the financial position as at 31 December 2020 and the financial performance and cash flows for the year then ended.

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ecovis

ECOVIS MALAYSIA PLT
AF 001825
Chartered Accountants

KHOR KENG LIEH
02733/07/2021 J
Chartered Accountant

JOHOR BAHRU

Date: 31 May 2021

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group 31.12.2020 RM	Company 31.12.2020 RM	31.12.2019 RM (Restated)	1.1.2019 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	3	1,265,726	64,094	101,194	50,300
Investment in a subsidiary	4	-	280,000	-	-
		1,265,726	344,094	101,194	50,300
CURRENT ASSETS					
Trade receivables	5	1,131,538	1,131,538	815,420	31,605
Other receivables	5	12,362	9,362	7,773	157,619
Amount due by a director	6	-	-	-	182,413
Amount due by a subsidiary	7	-	507,873	-	-
Cash and bank balances	8	470,565	470,565	297,160	252,802
		1,614,465	2,119,338	1,120,353	624,439
TOTAL ASSETS		2,880,191	2,463,432	1,221,547	674,739
EQUITY AND LIABILITIES					
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	9	300,000	300,000	300,000	100,000
Retained profits/Accumulated losses		509,042	554,720	42,887	(72,505)
TOTAL EQUITY		809,042	854,720	342,887	27,495
NON-CURRENT LIABILITY					
Lease liabilities	10	-	-	6,518	-
		-	-	6,518	-
CURRENT LIABILITIES					
Trade payables	11	293,134	282,562	355,372	114,288
Other payables	11	908,619	906,754	473,387	532,956
Lease liabilities	10	10,432	10,432	22,383	-
Amount due to a director	6	730,000	280,000	-	-
Current tax liabilities		128,964	128,964	21,000	-
		2,071,149	1,608,712	872,142	647,244
TOTAL LIABILITIES		2,071,149	1,608,712	878,660	647,244
TOTAL EQUITY AND LIABILITIES		2,880,191	2,463,432	1,221,547	674,739

The accompanying notes form an integral part of the financial statements.

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group	Company	
		2020	2020	2019
	Note	RM	RM	RM (Restated)
REVENUE	12	2,163,572	2,163,572	967,661
ADD: OTHER OPERATING INCOME		255,245	255,245	300,313
LESS: TRANSPORTATION FEE		(569,569)	(569,569)	(63,807)
LESS: DEPRECIATION		(60,676)	(50,676)	(50,355)
LESS: STAFF COST		(779,222)	(773,341)	(796,386)
LESS: RENTAL EXPENSES		(6,000)	-	(3,710)
LESS: OTHER OPERATING EXPENSES		(384,145)	(360,348)	(215,085)
PROFIT FROM OPERATIONS		619,205	664,883	138,631
LESS: FINANCE COSTS		(1,294)	(1,294)	(2,239)
PROFIT BEFORE TAX	13	617,911	663,589	136,392
INCOME TAX EXPENSE	14	(151,756)	(151,756)	(21,000)
PROFIT FOR THE YEAR		466,155	511,833	115,392
OTHER COMPREHENSIVE INCOME			-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		466,155	511,833	115,392

The accompanying notes form an integral part of the financial statements.

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Non-distributable	*Distributable*	
	Share capital RM	**Retained profits/ Accumulated losses** RM	**Total** RM
Group			
At 1 January 2020	300,000	42,887	342,887
Profit/Total comprehensive income for the year	-	466,155	466,155
At 31 December 2020	300,000	509,042	809,042
Company			
At 1 January 2019	100,000	(72,505)	27,495
Issue of shares during the year	200,000	-	200,000
Profit/Total comprehensive income for the year	-	115,392	115,392
At 31 December 2019	300,000	42,887	342,887
At 1 January 2020, as previously stated	300,000	45,442	345,442
Effect of adopted MFRS	-	(2,555)	(2,555)
At 1 January 2020, restated	300,000	42,887	342,887
Profit/Total comprehensive income for the year	-	511,833	511,833
At 31 December 2020	300,000	554,720	854,720

The accompanying notes form an integral part of the financial statements.

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group	Company	
	2020	2020	2019
	RM	RM	RM
			(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	617,911	663,589	136,392
Adjustments for: -			
Depreciation of property, plant and equipment	30,045	20,045	19,769
Depreciation of right-of-use assets	30,631	30,361	30,586
Unrealised loss on foreign exchange	85,334	85,334	32
Interest expenses	1,294	1,294	2,239
Interest income	(4,320)	(4,320)	(36)
Operating profit before working capital changes	760,895	796,303	188,982
Decrease/(Increase) in working capital			
Trade receivables	(316,118)	(316,118)	(783,815)
Other receivables	(4,589)	(1,589)	149,846
Trade payables	(62,238)	(72,810)	241,084
Other payables	435,232	433,367	(59,569)
Cash generated from/(used in) operations	813,182	839,153	(263,472)
Interest paid	(1,294)	(1,294)	(2,239)
Interest received	4,320	4,320	36
Tax paid	(43,792)	(43,792)	-
Net cash from/(used in) operating activities	772,416	798,387	(265,675)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash	-	(280,000)	-
Purchase of property, plant and equipment	(1,213,681)	(2,049)	(44,317)
Net cash used in investing activities	(1,213,681)	(282,049)	(44,317)
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount due by/(to) subsidiary	-	(507,873)	-
Amount due by/(to) director	730,000	280,000	182,413
Repayment of lease liabilities	(29,996)	(29,996)	(28,031)
Proceeds from issuance of ordinary shares	-	-	200,000
Pledged of fixed deposits	(69,320)	(69,320)	(75,000)
Net cash from/(used in) financing activities	630,684	(327,189)	279,382

The accompanying notes form an integral part of the financial statements.

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group	Company	
	2020	2020	2019
	RM	RM	RM (Restated)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	189,419	189,149	(30,610)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	41,892	41,892	72,534
Effect of exchange rate changes on the balance of cash held in foreign currencies	(85,334)	(85,334)	(32)
CASH AND CASH EQUIVALENTS AT END OF YEAR	145,977	145,707	41,892
Cash and cash equivalents comprise the following: -			
Cash and bank balances (Note 8 (b))	145,977	145,977	41,892

The accompanying notes form an integral part of the financial statements.

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The principal activities of the Company are those of shipping agent, forwarding agent and manning agent. The principal activities of the subsidiary are described in Note 4 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at No. 56-01, Jalan Kempas Utama 2/2, Taman Kempas Utama, 81200 Johor Bahru, Johor Darul Ta'zlm. The principal place of the business of the Company is located at No. 8-B, Jalan Molek 1/9, Taman Molek, 81100 Johor Bahru, Johor Darul Ta'zim.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and comply with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the Companies Act, 2016 in Malaysia. These are the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Company were prepared in accordance with Malaysian Private Entities Reporting Standard ("MPERS") in Malaysia. The financial impact on transition of MFRSs are disclosure in Note 19.

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

(b) Statement of compliance

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 June 2020

Amendments to MFRS 16, Leases – Covid-19-Related Rent Concessions

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 17 August 2020

Amendments to MFRS 4, Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9, Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments, MFRS 4, Insurance Contracts and MFRS 16, Leases - Interest Rate Benchmark Reform (Phase 2)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 April 2021

Amendment to MFRS 16, Leases - Covid-19-Related Rent Concessions beyond 30 June 2021

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

Amendment to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 – 2020)
Amendments to MFRS 3, Business Combinations — Reference to the Conceptual Framework
Amendment to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018 – 2020)
Amendments to MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets — Onerous Contracts - Cost of Fulfilling a Contract
Amendment to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018 – 2020)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

MFRS 17, Insurance Contracts and Amendments to MFRS 17, Insurance Contracts
Amendments to MFRS 101, Presentation of Financial Statements – Classification of liabilities as current or non-current
Amendments to MFRS 101, Presentation of Financial Statements – Disclosure of Accounting Policies
Amendments to MFRS 108, 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Accounting Estimates

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group plans to apply the abovementioned standards, amendments and interpretations in the respective financial years when the above standards, amendments and interpretations become effective.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior period financial statements of the Company upon their first adoption.

(c) Basis of consolidation

(i) **Subsidiaries**
Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) **Business combination**
Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) **Acquisitions of non-controlling interests**
The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) **Acquisitions from entities under common controls**
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that the common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of the equity of the acquired entities are added to the same components within Group equity and any resulting gain or loss is recognised directly in equity.

(v) **Loss of control**
Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) **Non-controlling interests**
Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) **Transactions eliminated on consolidation**
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currencies

(i) **Foreign currency transaction and balances**

Transactions in foreign currencies are initially translated to the functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period 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.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(e) Financial instruments

(i) **Initial recognition and measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group and the Company becomes a party to the contractual provisions for the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivate is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contact is not measured at fair value through profit or loss. The host contract, in the event embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) **Classification and subsequent measurement**

Financial assets: Classification

On initial recognition, a financial asset is classified as measured at:

(a) amortised cost;
(b) fair value through other comprehensive income ("FVOCI") – debt investment;
(c) fair value through other comprehensive income ("FVOCI") – equity investment; or
(d) fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group and Company change its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as at FVTPL.

A debt investment is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at FVTPL.

An equity investment is measured at FVOCI if it is not held for trading and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on investment-by-investment basis. If not elected, equity investment is measured at FVTPL.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

(a) ***Financial assets at amortised cost***
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(b) ***Financial assets at FVTPL***
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

(c) ***Debt investments at FVOCI***
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(d) ***Equity investments at FVTPL***
These assets are subsequently measured at fair value. Dividend and other net gains and losses are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities: Classification and subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss. For financial liabilities categorised as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liabililty's credit risk would create or enlarge an accounting mismatch.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) **Derecognition**

The Group or the Company derecognise a financial asset or a 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 the profit or loss.

The Group or the Company derecognise 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified terms are substantially different. 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.

(iv) **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(f) Property, plant and equipment

(i) **Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. 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. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within 'other income' and 'other expenses' respectively in profit or loss.

(ii) **Subsequent costs**

The cost of replacing a component 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 component will flow to the Group or 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 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 profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction is not depreciated until the assets are ready for their intended use.

The annual depreciation rates used for the current and comparative periods are as follows: -

	%
Ships	10
Furniture and equipment	10 - 50
Renovation and fittings	10
Right-of-use assets	24 - 28 months

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

(g) Leases

(i) **Definition of a lease**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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(ii) Recognition and initial measurement

(a) As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Company entities' incremental borrowing rate. Generally, the Company entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Company applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) **Subsequent measurement**

(a) **As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) **As a lessor**

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease. The Company aims to allocate finance income over the lease term on a systematic and rational basis. The Company applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, Financial Instruments.

(h) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. Contract asset is recognised when the entity has performed under the contract but has not yet billed the customer. Contract asset is stated at cost less accumulated impairment.

Contract liability is the obligation to transfer goods or services to customer for which the Company has received the consideration or has billed the customer. Contract liability is recognised when the entity has not yet performed under the contract but has received advanced payments from the customer. Contract liabilities also include downpayments received from customers.

Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the entity performs under the contract.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment

Financial instruments and contract assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and lease receivables.

The Group and the Company apply a two-step approach to measure the ECL on financial assets other than trade receivables, contract assets and lease assets.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

The Group and the Company assess at each financial year end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in the profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in the profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assesse whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the writeoff. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due.

Other assets

The carrying amounts of the other assets (except for inventories, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) 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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating unit) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that asset's carrying amount does not exceed the carrying amount that amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares are classified as equity.

(l) Employee benefits

(i) **Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) **State plans**

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(m) Provision

A provision is recognised if, as a result of a past event, the Group 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 pretax 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) Revenue

Revenue is measured at the fair value of consideration received or receivable in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service.

The Group recognises revenue from contracts with customers at a point in time unless one of the following over time criteria is met:
(i) Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date; or
(ii) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) Provides benefits that the customer simultaneously receives and consumes as the Group performs.

(a) **Revenue from contracts with customers**

(i) **Services**
Revenue is recognised over time as those services are provided. The total consideration in the service contracts is allocated to all services based on their stand-alone selling prices.

(o) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis in the useful life of the asset.

Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Any unutilised portion of a tax incentive that is not a tax base of an asset is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(q) 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.

When measuring the fair value of an asset or a liability, the Group 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 price (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or a liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

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

(r) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than disclosed.

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3. **PROPERTY, PLANT AND EQUIPMENT**

Group 2020	As at 1.1.2020 RM	Subsidiary acquired RM	Additions RM	Reclassification RM	As at 31.12.2020 RM
Cost					
Ships	-	1,211,632	-	-	1,211,632
Furniture and equipment	100,590	-	2,049	(24,100)	78,539
Renovation and fittings	-	-	-	24,100	24,100
Right-of-use assets	56,932	-	11,527	-	68,459
	157,522	1,211,632	13,576	-	1,382,730

2020	As at 1.1.2020 RM	Subsidiary acquired RM	Charge for the year RM	Reclassification RM	As at 31.12.2020 RM
Accumulated depreciation					
Ships	-	10,000	-	-	10,000
Furniture and equipment	25,742	-	17,635	(2,410)	40,967
Renovation and fittings	-		2,410	2,410	4,820
Right-of-use assets	30,586	-	30,631	-	61,217
	56,328	10,000	50,676	-	117,004

	2020 RM
Net carrying amount	
Ships	1,201,632
Furniture and equipment	37,572
Renovation and fittings	19,280
Right-of-use assets	7,242
	1,265,726

Company 2020	As at 1.1.2020 RM (Restated)	Additions RM	Reclassification RM	As at 31.12.2020 RM
Cost				
Furniture and equipment	100,590	2,049	(24,100)	78,539
Renovation and fittings	-	-	24,100	24,100
Right-of-use assets	56,932	11,527	-	68,459
	157,522	13,576	-	171,098

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2020	As at 1.1.2020 RM (Restated)	Charge for the year RM	Reclassification RM	As at 31.12.2020 RM
Accumulated depreciation				
Furniture and equipment	25,742	17,635	(2,410)	40,967
Renovation and fittings	-	2,410	2,410	4,820
Right-of-use assets	30,586	30,631	-	61,217
	56,328	50,676	-	107,004

Company 2019	As at 1.1.2019 RM	Additions RM	Reclassification RM	As at 31.12.2019 RM (Restated)
Cost				
Furniture and equipment	56,273	44,317	-	100,590
Right-of-use assets	-	56,932	-	56,932
	56,273	101,249	-	157,522

2019	As at 1.1.2019 RM	Charge for the year RM	Reclassification RM	As at 31.12.2019 RM (Restated)
Accumulated depreciation				
Furniture and equipment	5,973	19,769	-	25,742
Right-of-use assets	-	30,585	-	30,585
	5,973	50,354	-	56,327

	2020 RM	2019 RM (Restated)
Net carrying amount		
Furniture and equipment	37,572	74,848
Renovation and fittings	19,280	-
Right-of-use assets	7,242	26,346
	64,094	101,194

The right-of-use assets are held under lease liabilities as referred to in Note 10.

The Company leases buildings that run for one to two years that include an extension option for additional one year. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and to align with the Company's business needs. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The lease arrangements generally do not allow for subleasing of the leased assets to another party.

4. INVESTMENT IN A SUBSIDIARY

	Company 2020 RM	Company 2019 RM
In Malaysia: -		
Unquoted shares, at cost	280,000	-

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The subsidiary and shareholdings therein are as follows: -

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2020	2019
Sinar Maju Marin Sdn Bhd # ^	Malaysia	Shipping and forwarding agent	100%	-

The audited financial statements are not available and the management's financial statements were used in the preparation of the consolidated financial statements.

^ The subsidiary remained dormant during the financial period.

5. **TRADE AND OTHER RECEIVABLES**

	Group 2020 RM	Company 2020 RM	2019 RM (Restated)
Trade receivables:			
Receivables from contracts with customers:			
- Entities in which director has interest	778,279	778,279	519,287
- Third parties	353,259	353,259	296,133
	1,131,538	1,131,538	815,420
Other receivables:			
Sundry receivables	2,346	2,346	-
Deposits	10,016	7,016	7,773
	12,362	9,362	7,773
	1,143,900	1,140,900	823,193

Credit terms of trade receivables are 30 days (2019: 30 days).

6. **AMOUNT DUE BY/(TO) A DIRECTOR**

This represents unsecured, interest-free advances with no fixed term of repayment.

7. **AMOUNT DUE BY A SUBSIDIARY**

This represents unsecured, interest-free advances with no fixed term of repayment.

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8. **CASH AND BANK BALANCES**

	Group	Company	
	2020	2020	2019
	RM	RM	RM
Fixed deposits placed with licensed bank	324,588	324,588	255,268
Bank balances and cash	145,977	145,977	41,892
	470,565	470,565	297,160

(a) Included in fixed deposits placed with licensed bank are RM324,588 (2019: RM255,268) pledged as security for bank guarantee issuance in favor of third parties.

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Group	Company	
	2020	2020	2019
	RM	RM	RM
Deposits placed with licensed bank	324,588	324,588	255,268
Cash and bank balances	145,977	145,977	41,892
	470,565	470,565	297,160
Less: Deposits pledged to licensed bank	(324,588)	(324,588)	(255,268)
Cash and cash equivalents	145,977	145,977	41,892

(c) The reconciliation of liabilities arising from financing activities are as follows:

	Amount due to a director	Lease liabilities	Total
	RM	RM	RM
Group			
At 1 January 2020	-	28,901	28,901
Cash flows:			
Advances	730,000	-	730,000
Repayment	-	(29,996)	(29,996)
Non cash changes:			
Addition	-	11,527	11,527
			-
At 31 December 2020	730,000	10,432	740,432

	Amount due to a director RM	Lease liabilities RM	Total RM
Company			
At 1 January 2019	-	-	-
Cash flows:			
Repayment	-	(28,031)	(28,031)
Non cash changes:			
Addition	-	56,932	56,932
At 31 December 2019	-	28,901	28,901
Cash flows:			
Advances	280,000	-	280,000
Repayment	-	(29,996)	(29,996)
Non cash changes:			
Addition	-	11,527	11,527
At 31 December 2020	280,000	10,432	290,432

9. **SHARE CAPITAL**

	Group/Company			
	2020		2019	
	Number	RM	Number	RM
Ordinary shares: -				
Issued and fully paid				
At 1 January	300,000	300,000	100,000	100,000
Issued and paid up during the year	-	-	200,000	200,000
At 31 December	300,000	300,000	300,000	300,000

10. **LEASE LIABILITIES**

	Group	Company	
	2020 RM	2020 RM	2019 RM (Restated)
Non-current	-	-	6,518
Current	10,432	10,432	22,383
	10,432	10,432	28,901
Represented by:			
Lease obligations	10,432	10,432	28,901
	10,432	10,432	28,901

The lease obligations for right-of-use assets included in property, plant and equipment as referred to in Note 3 are initially measured at the present value of the lease payment that the not paid at the commencement date. The lease payments are discounted using the Company's incremental borrowing rate of 5.6%.

The Company has recognised the lease payments associated with short-term leases and low value assets on a straight-line basis over the lease terms and recognised as rental expenses as disclosed in Note 13 to the financial statements.

11. TRADE AND OTHER PAYABLES

	Group	Company	
	2020	2020	2019
	RM	RM	RM
			(Restated)
Trade payables	293,134	282,562	355,372
Other payables:			
Sundry payables	89,792	87,927	90,499
Accruals	239,117	239,117	97,097
Contract liabilities	579,710	579,710	285,791
	908,619	906,754	473,387
	1,201,753	1,189,316	828,759

Credit terms of trade payables range are 30 days (2019: 30 days).

The contract liabilities primarily related to the advance consideration received from customer, which revenue is recognised at point in time at which the performance obligations are satisfied. The revenue will be recognised within 12 months of the end of the reporting period.

12. REVENUE

	Group	Company	
	2020	2020	2019
	RM	RM	RM
Revenue from contracts with customers			
Service rendered	2,163,572	2,163,572	967,661
Disaggregation of revenue:			
Major services			
Shipping service	1,299,754	1,299,754	712,824
Transportation service	200,887	200,887	139,951
Food supplies service	391,975	391,975	-
Other shipping related services	270,956	270,956	114,886
	2,163,572	2,163,572	967,661
Timing of revenue recognised			
At a point in time at which the performance obligation is satisfield	2,163,572	2,163,572	967,661

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13. PROFIT BEFORE TAX

	Group	Company	
	2020	2020	2019
	RM	RM	RM (Restated)
Profit before tax are stated after charging/(crediting): -			
Auditors' remuneration: -			
- current year	17,000	17,000	3,800
- underprovision in prior year	3,200	3,200	-
Depreciation of property, plant and equipment	30,045	20,045	19,769
Depreciation of right-of-use assets	30,631	30,631	30,586
Bank interest	-	-	(36)
Fixed deposit interest	(4,320)	(4,320)	-
Lease liabilities interest	1,294	1,294	2,239
Lease:-			
- Low value	8,440	2,440	1,504
- Short term	-	-	3,710
Foreign exchange: -			
- Realised gain	(153,601)	(153,601)	(21,308)
- Realised loss	37,198	37,198	-
- Unrealised loss	129,877	129,877	32
Government grants	(59,400)	(59,400)	-
Staff costs (excludes directors' remuneration):			
- wages, salaries and others	700,380	695,097	727,486
- contribution to state plans	78,842	78,244	68,900

14. INCOME TAX EXPENSE

	Group	Company	
	2020	2020	2019
	RM	RM	RM
Recognised in profit or loss: -			
Malaysian			
- current year	150,000	150,000	21,000
- underprovision in prior year	1,756	1,756	-
Total income tax expense	151,756	151,756	21,000
Reconciliation of tax expense: -			
Profit before tax	617,911	663,589	136,392

	Group 2020 RM	Company 2020 RM	Company 2019 RM
Income tax calculated using Malaysian tax rate of 24%	148,000	159,000	33,300
Non-deductible expenses	44,000	33,000	4,400
Tax savings arising from utilisation of unutilized tax losses	-	-	(3,100)
Tax savings arising from utilisation of previously unrecognised unabsorbed capital allowances	-	-	(5,000)
Different tax rate at 7% (2019: 7%) on first RM600,000 (2019: RM500,000) for qualified small and medium enterprise	(42,000)	(42,000)	(8,600)
Underprovision in prior year	1,756	1,756	-
Tax expense for the year	151,756	151,756	21,000

15. **FINANCIAL INSTRUMENTS**

(a) **Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

(i) Financial assets measured at amortised cost ('FAAC')
(ii) Financial liabilities measured at amortised cost ('FLAC')

	Group		Company	
	Carrying amount RM	FAAC/ (FLAC) RM	Carrying amount RM	FAAC/ (FLAC) RM
31 December 2020				
Financial assets				
Trade receivables	1,131,538	1,131,538	1,131,538	1,131,538
Other receivables (exclude prepayment)	12,362	12,362	9,362	9,362
Amount due by a subsidiary	-	-	507,873	507,873
Cash and bank balances	470,565	470,565	470,565	470,565
	1,614,465	1,614,465	2,119,338	2,119,338
Financial liabilities				
Trade payables	(293,134)	(293,134)	(282,562)	(282,562)
Other payables	(908,619)	(908,619)	(906,754)	(906,754)
Amount due to a director	(730,000)	(730,000)	(280,000)	(280,000)
	(1,931,753)	(1,931,753)	(1,469,316)	(1,469,316)

31 December 2019		
Financial assets		
Trade receivables	815,420	815,420
Other receivables	7,773	7,773
Cash and bank balances	297,160	297,160
	1,120,353	1,120,353
Financial liabilities		
Trade payables	(355,372)	(355,372)
Other payables	(473,387)	(473,387)
	(828,759)	(828,759)

(b) **Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

(c) **Credit risk**

Credit risk is the risk of a financial loss to the Group or the Company that may arise if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of its receivables from customers. The Company's exposure to credit risk arises principally from the loan and advances to subsidiary. There are no significant changes as compared to prior periods.

(i) **Trade receivables**

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally sales limits are established for each customer and any sales exceeding those limits require approval from the management.

At each reporting date, the Group assess whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivable for which no loss allowance is recognised because of collateral.

Concentration of credit risk
Approximately 56% (2019: 29%) of the Group's service sales was from a customer in Malaysia and approximately 69% (2019: 72%) of the Group's accounts receivables was from this customer. The Group determines concentration of risk by monitoring its trade receivable individually on an ongoing basis.

Expected credit loss assessment for customers
The Group uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables.

	Gross carrying amount	Loss allowance	Net balance
	RM	RM	RM
Group/Company			
2020			
Current (Not past due)	730,458	-	730,458
Past due 0 to 2 month	376,743	-	376,743
Past due more than 2 months	24,337	-	24,337
	1,131,538	-	1,131,538
Company			
2019			
Current	599,883	-	599,883
Past due 0 to 2 month	60,771	-	60,771
Past due more than 2 months	154,766	-	154,766
	815,420	-	815,420

Expected loss rate are remote.

(ii) **Cash and bank balances**
The cash and bank balances are mainly held with bank and financial institution counterparties, which have financial strength and are reputable with high credit rating and no history of default. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment on cash and bank balances has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the creditworthiness of the counterparties.

(iii) **Other receivables**
Credit risk on other receivables are mainly arising from sundry debtors and deposits receivables. The Group monitors the repayment on an individual basis on the 12-month expected loss basis.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group did not recognised any allowance for impairment losses.

(iv) **Inter-company loans and advances**
The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at the end of the reporting period, the maximum exposure to of financial position and the Company did not recognise any allowance for impairment loss.

(d) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Maturity analysis
The table below summarises the maturity profile of the Group's and the Company's liabilities as at the end of the reporting period based on undiscounted contractual payments.

Group 2020	Carrying amount RM	Contractual interest rate	Contractual cash flows RM	Under 1 year RM	1-5 years RM
Non-derivative financial liabilities					
Trade payables	293,134	-	293,134	293,134	-
Other payables	908,619	-	908,619	908,619	-
Amount due to a director	730,000	-	730,000	730,000	
Lease obligations	10,432	5.6%	10,560	10,560	-
	1,942,185		1,942,313	1,942,313	-
Company					
2020					
Non-derivative financial liabilities					
Trade payables	282,562	-	282,562	282,562	-
Other payables	906,754	-	906,754	906,754	-
Amount due to a director	280,000	-	280,000	280,000	
Lease obligations	10,432	5.6%	10,560	10,560	-
	1,479,748		1,479,876	1,479,876	-
2019					
Non-derivative financial liabilities					
Trade payables	355,372	-	355,372	355,372	-
Other payables	473,387	-	473,387	473,387	-
Lease obligations	28,901	5.6%	29,970	23,370	6,600
	857,660		858,729	852,129	6,600

(e) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rate and interest rates that will affect the Group's financial position or cash flows.

(i) **Currency risk**
The Group is exposed to foreign currency risk on sales and bank that are denominated in a currency other than the functional currency of the Group. The currency giving rise are primarily Singapore Dollar ("SGD") and United State Dollar ("USD").

Risk management objectives, policies and processes for managing the risk
In respect of monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group does not hedge this exposure. However, the Group keep this policy under review.

Exposure to foreign currency risk
The Group's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in		
Group/Company	SGD	USD	Total
In RM			
2020			
Trade receivables	2,187	69,985	72,172
Cash and bank balances	-	10,240	10,240
Other payables	-	(517,418)	(517,418)
Net exposure	2,187	(437,193)	(435,006)
Company			
In RM			
2019			
Trade receivables	-	104,185	104,185
Cash and bank balances	-	1,115	1,115
Other payables	-	(284,423)	(284,423)
Net exposure	-	(179,123)	(179,123)

Currency risk sensitivity analysis
A 5% (2019: 5%) strengthening of the Ringgit Malaysia against other relevant currencies at the end of the reporting period would have increased pre-tax profit or loss by approximately RM22,000 (2019: RM9,000). This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

(ii) **Interest rate risk**
The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk
The Group managed interest rate risk through effective use of its floating and fixed rate debts.

Exposure to interest rate risk
The interest rate profile of the Group's significant interest-bearing financial instruments and lease liabilities, based on carrying amounts as at the end of the reporting period was:

	Group	Company	
	2020	2020	2019
	RM	RM	RM
Fixed rate instruments			
Deposits placed with licenced banks	324,588	324,588	255,268
Lease liabilities	(10,432)	(10,432)	(28,901)
	314,156	314,156	226,367

Interest rate risk sensitivity analysis

- *Fair value sensitivity analysis for fixed rate instruments*
  The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(f) **Fair value of financial instruments**

The carrying amounts of cash and bank balances, short term receivables and payables, amount due by a subsidiary and amount due to a director approximate fair values due to the relatively short term nature of these financial instruments.

16. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios were as follows:

	Group	Company	
	2020	2020	2019
	RM	RM	RM
Trade and other payables	1,201,753	1,189,316	828,759
Lease liabilities	10,432	10,432	28,901
Less: Cash and bank balances	(470,565)	(470,565)	(297,160)
Net debt	741,620	729,183	560,500
Total equity	809,042	854,720	342,887
Debt-to-equity ratio	0.92	0.85	1.63

There was no change in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirements.

17. **RELATED PARTY**

Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, directors and entities in which director has interest.

Significant related party transactions

The significant related party transactions of the Group and the Company are shown below:

	Group	Company	
	2020	2020	2019
	RM	RM	RM
Entity in which directors have interest			
- Service rendered to	1,234,000	1,234,000	277,554
- Service received from	680	680	-

18. **COMPARATIVE FIGURES**

No comparative information has been presented for the Group as this is the Group's first set of financial statements.

19. **EXPLANATION OF TRANSITION OF MFRS**

As stated in Note 2(a), this is the first financial statements of the Group and of the Company prepared in accordance with MFRS.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2020, the comparative information presented in this financial statements for the financial year ended 31 December 2019 and in the preparation of the opening MFRS statement of financial position at 1 January 2019 (the Group's and the Company's date of transition to MFRS).

In preparing the opening statement of financial position at 1 January 2019, the Group and the Company have adjusted amounts reported previously in financial statements prepared in accordance with previous MPERS. An explanation of how the transition from previous MPERS to MFRS has effected the Group's and the Company's financial position, financial performance is set out as follows:

Registration No. 201701021367 (1235533-K)

An explanation of how the transition from previous MPERS to MFRS has affected the Company's financial statements, are set out as follows:

	At 31 December 2019		
	As previously stated RM	Adjustment RM	Restated RM
Statement of financial position:			
Non-current assets			
Property, plant and equipment	74,848	26,346	101,194
Current assets			
Trade receivables	529,629	285,791	815,420
Non-current liabilities			
Lease liabilities	-	6,518	6,518
Current liabilities			
Other payables	187,596	285,791	473,387
Lease liabilities	-	22,383	22,383
Statement of profit and loss:			
Depreciation	(19,769)	(30,586)	(50,355)
Rental expenses	(33,980)	30,270	(3,710)
Finance cost	-	(2,239)	(2,239)
Statement of change in equity:			
Equity			
Retained earnings	45,442	(2,555)	42,887

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SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RM	2019 RM (Restated)
REVENUE	2,163,572	967,661
ADD: OTHER OPERATING INCOME		
Consultancy fee	17,869	257,562
Bank interest	-	36
Fixed deposit interest income	4,320	-
Government grant	59,400	-
Other income	20,055	21,407
Realised gain on foreign exchange	153,601	21,308
	255,245	300,313
LESS: TRANSPORTATION FEE		
Purchases	(569,569)	(63,807)
LESS: DEPRECIATION		
Depreciation of right-of-use assets	30,631	30,586
Depreciation of property, plant and equipment	20,045	19,769
	(50,676)	(50,355)
LESS: STAFF COSTS		
Salary	663,998	706,414
EPF	78,244	68,900
EIS	991	763
SOCSO	8,746	7,100
Staff welfare	18,352	4,607
Allowance	3,010	8,602
	(773,341)	(796,386)
LESS: RENTAL EXPENSES	-	(3,710)
LESS: OTHER OPERATING EXPENSES		
Accommodation	483	4,748
Auditors' remuneration - current year	17,000	3,800
- underprovision in prior year	3,200	-
Advertisement	2,889	4,237
Advisory fee	-	5,000
Bank charges	12,270	12,877
Commission	29	-

The detailed statement of profit or loss does not form part of the audited statutory financial statements required under the Companies Act, 2016.

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RM	2019 RM (Restated)
Cleaning expenses	1,272	1,970
Crew arrangement pin	505	150
Entrance fee	-	855
Entertainment	21,554	25,266
Fire extinguisher	227	-
General expenses	738	409
General wages	-	3,000
Insurance	23,440	2,246
Legal fee	-	566
License fee	550	2,820
Medical expenses	1,249	2,538
Parking fee and toll	4,860	6,507
Pass polariod	-	690
Penalty	2,784	5,507
Petrol	9,227	9,464
Printing and stationery	8,377	7,360
Professional fees	3,930	-
Realised loss on foreign exchange	37,198	-
Repair and maintenance	1,576	1,120
Refreshment	2,569	1,652
Rental of equipment	2,440	1,504
Registration fee	171	142
Safety personal protection equipment	640	2,662
Secretarial and filing fee	2,679	4,758
Services charges	-	472
Small value assets	-	2,317
Stamp and postage	5,883	10,804
Subscription fee	985	1,180
Telecommunication charges	21,265	18,545
Transport charges	5,113	26,929
Travelling expenses	7,690	10,407
Training and education expenses	3,970	12,424
Tax agent fee	2,862	1,696
Upkeep of office	7,575	2,230
Upkeep of office equipment	3,720	607
Upkeep of computer and printer	1,767	8,291

The detailed statement of profit or loss does not form part of the audited statutory financial statements required under the Companies Act, 2016.

Registration No. 201701021367 (1235533-K)

SINAR MAJU LOGISTIK SDN. BHD.
(Incorporated in Malaysia)

DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RM	2019 RM (Restated)
Upkeep of motor vehicles	195	-
Unrealised loss on foreign exchange	129,877	32
Water and electricity	7,589	7,303
	(360,348)	(215,085)
LESS: FINANCE COSTS		
Lease liabilities interest	1,294	2,239
	(1,294)	(2,239)
	(1,755,228)	(1,131,582)
PROFIT BEFORE TAX	663,589	136,392

The detailed statement of profit or loss does not form part of the audited statutory financial statements required under the Companies Act, 2016.

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.

2. CONSENT

UOBKH, being the Principal 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.

AER, being the Independent Adviser for the Proposed Acquisition and Proposed Call Option, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH and AER have 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 their respective roles as the Principal Adviser and Independent Adviser for the Proposals and the Proposed Acquisition and Proposed Call Option, respectively.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the Group's financial position or business:-

Arbitration proceedings 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 Development Sdn Bhd ("TMD" or the "Respondent")

The Claimants alleged that on 19 December 2013, a series of financing agreements were entered to 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.

On 14 April 2021, TMD received a sealed Order dated 22 March 2021 and undated Notice of Registration of Foreign Judgement and this represents an attempt by the Claimants to enforce an English Judgment for USD937,353.24 with interest and cost of which TMD has disputed jurisdiction.

TMD is taking steps to strenuously resist this attempt to enforce an invalid arbitration award issued without jurisdiction. On 27 April 2021, TMD's solicitors had filed an application to set aside the sealed Order dated 22 March 2021 and undated Notice of Registration of Foreign Judgment. On 3 June 2021, TMD's solicitors had filed an Affidavit in Reply in relation to the application to set aside the Sealed Order dated 22 March 2021 and the undated Notice of Registration of Foreign Judgment.

Notwithstanding the aforesaid, the vendor of TMD in the initial acquisition of TMD by Straits (i.e. Raja Ismail bin Raja Mohamed) via an irrevocable personal guarantee dated 30 April 2020 had undertaken to indemnify Straits against the liabilities of TMD arising from the arbitration and to promptly pay such liabilities upon receipt of a payment demand from Straits and accordingly, no provision have been made in the financial statements.

5. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group that has not been provided for which, upon becoming enforceable, may have a material impact on the Group's financial results/ position:-

Material commitments of the Group as at the LPD		**RM'000**
In respect of capital expenditure:-		
i.	Approved and contracted for	22,676

6. CONTINGENT LIABILITIES

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

7. 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 Darul Ehsan during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

i. Constitution of Straits and Sinar Maju;

ii. Audited consolidated financial statements of the Group for the past 2 financial years up to the FYE 31 December 2020 and the latest unaudited quarterly report of the Group for the 9-month FPE 30 September 2021;

iii. The letter of consent and declaration of conflict of interests referred to in Sections 2 and 3 of Appendix III, respectively;

iv. The SSA;

v. Audited consolidated financial statements of Sinar Maju for the past 3 financial years up to the FYE 31 December 2020 and the latest management accounts of Sinar Maju for the 8-month FPE 31 August 2021; and

vi. Relevant cause papers in respect of the Company's material litigation as set out in Section 4 of Appendix III.

STRAITS ENERGY RESOURCES BERHAD

(FORMERLY KNOWN AS STRAITS INTER LOGISTICS BERHAD)
Registration No.: 199601040053 (412406-T)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Straits Energy Resources Berhad (formerly known as Straits Inter Logistics Berhad) ("**Straits**" or the "**Company**") which will be conducted on a fully virtual basis through live streaming and online meeting platform at TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd ("**Tricor**") in Malaysia via Remote Participation and Electronic Voting ("**RPV**") facilities at https://tiih.online on Wednesday, 19 January 2022 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF STRAITS (EXCLUDING TREASURY SHARES) TO THIRD PARTY INVESTOR(S) TO BE IDENTIFIED LATER ("PROPOSED PRIVATE PLACEMENT")

"**THAT** subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to allot and issue up to 186,811,479 ordinary shares in Straits ("**Straits Share(s)**") ("**Placement Share(s)**"), representing up to 20% of the issued shares of Straits.

THAT approval be and is hereby given to the Board to determine the issue price for the Placement Shares at a later date based on not more than 10% discount to the five-day volume weighted average market price ("**VWAP**") of the Straits Shares immediately preceding the price-fixing date.

THAT the Placement Shares will, upon allotment and issuance, rank equally and carry the same rights with the current existing Straits Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

THAT the proceeds of the Proposed Private Placement be utilised for the purpose as set out in the circular to shareholders dated 31 December 2021 ("**Circular**"), and the Board be and is hereby authorised with full power to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Board deems fit, necessary and/ or expedient or in the best interest of the Company, subject (where required) to the approval of the relevant authorities and the requirements under law and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") ("**Bursa Securities**").

THAT the Placement Shares shall be listed on the ACE Market of Bursa Securities.

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 matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and 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.

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein and shall continue in full force and effect until all Placement Shares to be issued pursuant to or in connection with the Proposed Private Placement have been duly allotted and issued in accordance with the terms of the Proposed Private Placement."

ORDINARY RESOLUTION 2

PROPOSED ACQUISITION OF 270,000 ORDINARY SHARES IN SINAR MAJU LOGISTIK SDN BHD ("SINAR MAJU") ("SALE SHARE(S)"), REPRESENTING 90% EQUITY INTEREST IN SINAR MAJU, FROM TAN SRI MOHD BAKRI BIN MOHD ZININ ("TAN SRI MOHD BAKRI" OR THE "VENDOR") FOR A PURCHASE CONSIDERATION OF RM16,380,000 ("PURCHASE CONSIDERATION") TO BE SATISFIED ENTIRELY VIA CASH ("PROPOSED ACQUISITION")

"**THAT**, subject to the approvals of all relevant authorities and/ or parties being obtained and the fulfilment of all conditions precedent set out in the conditional share sale agreement dated 25 October 2021 ("**SSA"**) entered into between Straits and Tan Sri Mohd Bakri Bin Mohd Zinin, approval be and is hereby given for Straits to acquire 90% equity interest in Sinar Maju for the purchase consideration of RM16,380,000 to be satisfied entirely by cash, in accordance with the terms and conditions of the SSA;

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 aforesaid 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 3

PROPOSED GRANTING BY THE VENDOR TO STRAITS OF A CALL OPTION ("CALL OPTION") FOR STRAITS TO ACQUIRE ALL THE REMAINING ORDINARY SHARES IN SINAR MAJU ("SINAR MAJU SHARE(S)") TO BE HELD BY THE VENDOR AFTER THE COMPLETION OF THE PROPOSED ACQUISITION ("CALL OPTIONS SHARE(S)"), REPRESENTING THE REMAINING 10% EQUITY INTEREST IN SINAR MAJU, FOR A PURCHASE CONSIDERATION OF RM1,820,000 ("CALL OPTION PRICE") TO BE SATISFIED ENTIRELY VIA CASH ("PROPOSED CALL OPTION")

"**THAT**, subject to and conditional upon the passing of the Ordinary Resolution 2 and the approvals of all relevant authorities and/ or parties being obtained, approval be and is hereby given for Straits to exercise the Call Option and acquire the Call Option Shares from Tan Sri Mohd Bakri Bin Mohd Zinin in a single transaction, for the purchase consideration of RM1,820,000 to be satisfied entirely via cash pursuant to the terms and conditions of the SSA;

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 aforesaid Proposed Call Option and for the exercise and completion of the Call Option 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 Call Option."

By Order of the Board

WAN HASLINDA BINTI WAN YUSOFF (MAICSA 7055478)
SSM PC No. 202008002798

SANGAR NALLAPPAN (MACS 01413)
SSM PC No. 202008002985
Company Secretaries

Port Klang
31 December 2021

Notes:-

1. *Only depositors whose names appear in the Record of Depositors as at 10 January 2022 shall be regarded as members and be entitled to attend, participate, speak and vote at the EGM.*

2. *A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the 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**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.*

5. *Any alterations in the Proxy Form must be initialed by the member.*

6. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.*

7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Share Registrar office at 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 Kuala Lumpur, Wilayah Persekutuan or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or you have the option to lodge the proxy appointment electronically via TIIH Online at https://tiih.online or email to is.enquiry@my.tricorglobal.com not less than 48 hours before the time holding the EGM or at any adjournment thereof. Please refer to the procedures as set out in the Administrative Guide for the electronic lodgement of Proxy Form.*

8. *Pursuant to Paragraph 8.31A (1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of EGM will be put to vote by poll. For this purpose, the Company has appointed Tricor as poll administrator to conduct the poll voting electronically and Asia Securities Sdn Bhd as the scrutineers to verify the poll results.*

9. *A Shareholder who has appointed a proxy or attorney or authorised representative to attend, participate and vote at this EGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Guide to Shareholders.*

STRAITS ENERGY RESOURCES BERHAD

(formerly known as Straits Inter Logistics Berhad)
Registration No.: 199601040053 (412406-T)
(Incorporated in Malaysia

ADMINISTRATIVE GUIDE TO SHAREHOLDERS

EXTRAORDINARY GENERAL MEETING

Date	**:**	**Wednesday, 19 January 2022**
Time	**:**	**10.00 a.m.**
Online Meeting Platform	**:**	**TIIH online website at https://tiih.online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia**

MODE OF MEETING

In view of the COVID-19 outbreak which may continue to pose a threat to the health and safety of the shareholders even after the expiry of the Movement Control Order imposed by the Government of Malaysia and in line with the revised Guidance Notes on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia ("**SC Guidance Notes**"), the Extraordinary General Meeting ("**EGM**") of Straits Energy Resources Berhad [formerly known as Straits Inter Logistics Berhad ("**Straits**" or the "**Company**")] will be conducted on a fully virtual basis through live streaming and online meeting platform at TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd ("**Tricor**") in Malaysia via Remote Participation and Electronic Voting ("**RPV**") facilities.

ENTITLEMENT TO PARTICIPATE AND VOTE

Only members whose names appear on the Record of Depositors on **10 January 2022** shall be eligible to participate and vote at the EGM or appoint a proxy(ies) to participate and vote on his/her behalf at this EGM.

REMOTE PARTICIPATION AND VOTING ("RPV")

Shareholders who wish to participate at the EGM may do so using the RPV facilities to be provided by Tricor. To participate, shareholders are required to register via Tricor's TIIH Online website at https://tiih.online prior to the meeting. Please refer to the "Procedures for RPV" as set out in this Administrative Guide.

APPOINTMENT OF PROXY

1. If a shareholder is unable to participate at the EGM, he/she may appoint his/her proxy(ies) to participate and vote on his/her behalf and indicate the voting instruction in the Proxy Form. Alternatively, the shareholder may also appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the Proxy Form. Please refer to the "Procedures for RPV" as set out in this Administrative Guide.

2. A Shareholder who has appointed a proxy or attorney or authorised representative to attend, participate and vote at this EGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please refer to the "Procedures for RPV" as set out in this Administrative Guide.

3. Shareholders who appoint proxies or attorney or authorized representative(s) to participate via RPV in the EGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Monday, 17 January 2022 at 10.00 a.m.**

   3.1 In hard copy

   The Proxy Form shall be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

   3.2 By electronic means

   The Proxy Form can be electronically lodged via Tricor's TIIH Online website at https://tiih.online OR email to is.enquiry@my.tricorglobal.com. Please refer to procedures for "Electronic Lodgement of Proxy Form" as set out in this Administrative Guide.

POLL VOTING

1. The voting at the EGM will be conducted by poll in accordance with Paragraph 8.31(A) (1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. For this purpose, the Company has appointed Tricor as poll administrator to conduct the poll voting electronically and Asia Securities Sdn. Bhd as the scrutineers to verify the poll results.

2. Shareholders and proxies can proceed to vote on the resolutions at any time from the commencement of the meeting at 10.00 a.m. but before the end of the voting session which will be announced by the Chairman of the meeting. Please refer to "Procedures for RPV" for guidance on how to vote remotely via TIIH Online.

SUBMISSION OF QUESTIONS PRIOR TO AND DURING THE EGM

1. Shareholders of the Company may submit questions relating to the resolutions to be tabled for approval at the EGM. The Company will endeavour to address questions that are substantial and relevant during the meeting. If there is time constraint, the responses from the Company will be emailed to the shareholder at the earliest possible, after the meeting.

2. Shareholders may submit their questions prior to the EGM via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to login, pose questions and submit electronically **no later than Monday, 17 January 2022 at 10.00 a.m.**

3. Shareholders may also use the Query Box facility to transmit questions to the Board of Directors via the RPV facilities during live streaming of the EGM. The Board will endeavor to answer the questions received at the EGM.

REQUEST FOR PRINTED COPY OF THE CIRCULAR

As a shareholder of the Company, you may request for a printed copy of the Circular at https://tiih.online by selecting "Request for Circular" under the "Investor Services" or alternatively, you may also make your request through telephone or e-mail to our Share Registrar at the number or e-mail address given below.

We will send it to you by ordinary post as soon as possible upon receipt of your request. However, please consider the environment before requesting for the printed copy of the said documents.

NO DOOR GIFT/FOOD VOUCHER

There will be **no distribution** of door gifts or food vouchers for the EGM since the meeting will be conducted on virtual basis.

Straits would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

PROCEDURES FOR RPV

Shareholders/proxies/corporate representatives/attorneys who wish to participate the EGM remotely using the RPV are to follow the requirements and procedures as summarized below:

	Procedure	Action
BEFORE THE EGM DAY		
(a)	Register as a user with TIIH Online	• Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services". "select Create Account by **Individual Holder**" Refer to the tutorial guide posted on the homepage for assistance. • Registration as a user will be approved within one (1) working day and you will be notified via e-mail. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.

	Procedure	Action
(b)	Submit your Request to attend EGM remotely	• **Registration is open from Friday, 31 December 2021 until such time before the voting session ends at the EGM on Wednesday, 19 January 2022**. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the EGM to ascertain their eligibility to practice the EGM using the RPV. • Login with your user ID (i.e. e-mail address) and password and select the corporate event: **"(REGISTRATION) STRAITS EGM**. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting" • Review your registration and proceed to register • System will send an e-mail to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the General Meeting Record of Depositors as at 10 January 2022, the system will send you an e-mail after 17 January 2022 to approve or reject your registration for remote participation. *(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).*
ON THE DAY OF THE EGM		
(c)	Login to TIIH Online	• Login with your user ID and password for remote participation at the EGM at any time from **9.00 a.m.** i.e. 1 hour before the commencement of the EGM on **Wednesday, 19 January 2022 at 10.00 a.m.**
(d)	Participate through Live Streaming	• Select the corporate event: **"(LIVE STREAM MEETING) STRAITS EGM"** to engage in the proceedings of the EGM remotely. If you have any question for the Chairman / Board, you may use the query box to transmit your question. The Chairman / Board will endeavor to respond to questions submitted by remote participants during the EGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.

	Procedure	Action
(e)	Online Remote Voting	• Voting session commences **from 10.00 a.m. on Wednesday, 19 January 2022** until a time when the Chairman announces the completion of the voting session of the EGM. • Select the corporate event: **"(REMOTE VOTING) STRAITS EGM"** or if you are on the live stream meeting page, you can select **"GO TO REMOTE VOTING PAGE"** button below the Query Box. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
(f)	End of remote participation	• Upon the announcement by the Chairman on the closure of the EGM, the live streaming will end.

Note to users of the RPV facilities:

1. Should your application to join the meeting be approved, we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.

2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.

3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

STRAITS ENERGY RESOURCES BERHAD

ADMINISTRATIVE GUIDE TO SHAREHOLDERS FOR EGM

ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your proxy form electronically via Tricor's **TIIH Online** website are summarised below:

	Procedure	Action
i)	**Steps for individual Shareholders**	
a	Register as a User with TIIH Online	• Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
b	Proceed with submission of Proxy Form	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: **Straits EGM "Submission of Proxy Form".** • Read and agree to the Terms & Conditions and confirm the Declaration • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote. • Review and confirm your proxy(s) appointment. • Print proxy form for your record.
ii)	**Steps for corporation or institutional shareholders**	
a.	Register as a User with TIIH Online	• Access TIIH Online at https://tiih.online. • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects **"Create Account by Representative of Corporate Holder".** • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.

	Procedure	Action
iii)	**Steps for corporation or institutional shareholders (cont'd)**	
b.	Proceed with submission of Proxy Form	• Login to TIIH Online at https://tiih.online • Select the corporate exercise name: Straits EGM "Submission of Proxy Form". • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Submit the proxy appointment file. • Login to TIIH Online, select corporate exercise name: **Straits EGM "Submission of Proxy Form"**. • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission. • Print the confirmation report of your submission for your record.

ENQUIRY

If you have any enquiries on the above, kindly contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn Bhd

General Line: 603-2783 9299
Fax Number : 603-2783 9222
Email : is.enquiry@my.tricorglobal.com

Contact persons:

- Ms. Lim Lay Kiow

  +603-2783 9232 ; email : Lay.Kiow.Lim@my.tricorglobal.com

- Puan Zakiah Wardi

  +603-2783 9287 ; email : Zakiah@my.tricorglobal.com

- Mr. Keith Lim

  +603-2783 9240 ; email : Keith.Lim@my.tricorglobal.com

PERSONAL DATA PRIVACY

By registering for the remote participation and electronic voting meeting and/or submitting an instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

STRAITS ENERGY RESOURCES BERHAD
(FORMERLY KNOWN AS STRAITS INTER LOGISTICS BERHAD)
Registration No.: 199601040053 (412406-T)

CDS Account No.	
No of Shares Held	

PROXY FORM

*I/We,____
(FULL NAME OF SHAREHOLDER AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

*NRIC/Passport No./Company No. _______________________________of___________________________

____
(FULL ADDRESS)

being a member of STRAITS ENERGY RESOURCES BERHAD hereby appoint:

FIRST PROXY

Full Name of Proxy in capital letters		**Proportion of Shareholdings**	
		No. of Shares	**%**
NRIC No/ Passport No			

and

SECOND PROXY

Full Name of Proxy in capital letters		**Proportion of Shareholdings**	
		No. of Shares	**%**
NRIC No/ Passport No			

or failing him/her, the Chairman of the meeting as *my/our proxy/proxies on my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company which will be held on a fully virtual basis through live streaming and online meeting platform at TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd ("**Tricor**") in Malaysia via Remote Participation and Electronic Voting ("**RPV**") facilities at https://tiih.online on Wednesday, 19 January 2022 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:-

ORDINARY RESOLUTIONS		**FOR**	**AGAINST**
1.	**PROPOSED PRIVATE PLACEMENT**		
2.	**PROPOSED ACQUISITION**		
3.	**PROPOSED CALL OPTION**		

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……………………………………2022.

____
Signature/ common seal of shareholder

* Delete if not applicable

Notes:-

1. *Only depositors whose names appear in the Record of Depositors as at 10 January 2022 shall be regarded as members and be entitled to attend, participate, speak and vote at the EGM.*

2. *A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the 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**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.*

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7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Share Registrar office at 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 Kuala Lumpur, Wilayah Persekutuan or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or you have the option to lodge the proxy appointment electronically via TIIH Online at https://tiih.online or email to is.enquiry@my.tricorglobal.com not less than 48 hours before the time holding the EGM or at any adjournment thereof. Please refer to the procedures as set out in the Administrative Guide for the electronic lodgement of Proxy Form.*

8. *Pursuant to Paragraph 8.31A (1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of EGM will be put to vote by poll. For this purpose, the Company has appointed Tricor as poll administrator to conduct the poll voting electronically and Asia Securities Sdn Bhd as the scrutineers to verify the poll results.*

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

STRAITS ENERGY RESOURCES BERHAD
(FORMERLY KNOWN AS 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 Kuala Lumpur, Wilayah Persekutuan

1st fold here