

STRAITS INTER LOGISTICS BERHAD

(Formerly known as Raya International Berhad)

(Company No.: 412406-T)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

On consolidated results for the second quarter ended 30 June 2017

SUMMARY OF KEY FINANCIAL INFORMATION

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30 June 2017 RM'000	Quarter Ended 30 June 2016 RM'000	Quarter Ended 30 June 2017 RM'000	Quarter Ended 30 June 2016 RM'000
Revenue	26,810	20,231	49,907	30,083
Profit/(Loss) before tax	766	19	1,484	24
Income tax expense	(67)	-	(127)	-
Profit/(Loss) for the period	699	19	1,357	24
Profit/(Loss) attributable to :				
Owners of the Company	623	(6)	1,171	(7)
Non-controlling interest	76	25	186	31
	699	19	1,357	24
Basic earnings/(loss) per share (sen)	0.38	0.01	0.71	0.02
Proposed/Declared Dividend per share (sen)	N/A	N/A	N/A	N/A

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30 June 2017 RM'000	Quarter Ended 30 June 2016 RM'000	Period Ended 30 June 2017 RM'000	Period Ended 30 June 2016 RM'000
Revenue	26,810	20,231	49,907	30,083
Operating expenses	(26,047)	(20,203)	(48,501)	(30,058)
Other operating income	21	-	114	22
Depreciation	(18)	(9)	(36)	(23)
Finance costs	-	-	-	-
Profit/(Loss) before tax	766	19	1,484	24
Income tax expense	(67)	-	(127)	-
Profit after taxation	699	19	1,357	24
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	699	19	1,357	24
Profit/(Loss) attributable to :				
Owners of the Company	623	(6)	1,171	(7)
Non-controlling interest	76	25	186	31
	<u>699</u>	<u>19</u>	<u>1,357</u>	<u>24</u>
Total comprehensive income/(loss) attributable to :				
Owners of the Company	623	(6)	1,171	(7)
Non-controlling interest	76	25	186	31
	<u>699</u>	<u>19</u>	<u>1,357</u>	<u>24</u>
Earnings/(loss) per share (sen)				
(a) Basic	<u>0.38</u>	<u>0.01</u>	<u>0.71</u>	<u>0.02</u>
(b) Diluted	<u>0.38</u>	<u>0.01</u>	<u>0.71</u>	<u>0.02</u>

Notes :

The Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As At 30 June 2017 RM'000	Audited As At 31 December 2016 RM'000
ASSETS		
Non-Current Asset		
Property, plant & equipment	3,708	544
Total Non-Current Asset	3,708	544
Current Assets		
Inventories	184	184
Trade receivables	7,137	6,268
Other receivables, deposits & prepaid expenses	4,295	3,891
Tax recoverable	8	8
Amount owing from associate	7	6
Cash & bank balances	1,228	1,159
Total Current Assets	12,859	11,516
TOTAL ASSETS	16,567	12,060
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	21,492	16,395
Share premium		10,425
Forex reserve	(21)	-
Accumulated losses	(5,888)	(15,587)
Equity Attributable to Owners of the Company	15,583	11,233
Non-controlling interests	393	207
Total Equity	15,976	11,440
Non-Current Liabilities		
Deferred tax liabilities	7	7
Total Non-Current Liabilities	7	7
Current Liabilities		
Trade payables	-	-
Other payables and accruals	426	582
Tax liabilities	158	31
Total Current Liabilities	584	613
Total Liabilities	591	620
TOTAL EQUITY AND LIABILITIES	16,567	12,060
Net asset per share attributable to owners of the Company (sen)	8.47	6.85

Note :

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(These figures have not been audited)

	<----- Attributable to Owners of the Company ----->						
	Share Capital	Share Premium	Forex Reserve	Accumulated Loss	Total	Non- Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 30 June 2017							
At 1 January 2017	16,395	10,425	-	(15,587)	11,233	207	11,440
Profit/(Loss) for the period	-	-	(21)	1,171	1,150	186	1,336
Capital reduction	-	(8,528)	-	8,528	-	-	-
Combination of share premium into share capital	1,897	(1,897)	-	-	-	-	-
New share issue	3,200	-	-	-	3,200	-	3,200
At 30 June 2017	<u>21,492</u>	<u>-</u>	<u>(21)</u>	<u>(5,888)</u>	<u>15,583</u>	<u>393</u>	<u>15,976</u>
Period ended 30 June 2016							
At 1 January 2016	14,345	9,403	-	(15,636)	8,112	155	8,267
Profit/(Loss) for the period	-	-	-	(7)	(7)	31	24
At 30 June 2016	<u>14,345</u>	<u>9,403</u>	<u>-</u>	<u>(15,643)</u>	<u>8,105</u>	<u>186</u>	<u>8,291</u>

Note :

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial period ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

The total issued share capital comprises the share capital of RM19.60 million and the amount standing to the credit of our Company's share premium account amounting to RM1.90 million in accordance with Section 618(2) of the Act.

The estimated expenses for the Corporate Exercises of approximately RM1.80 million is to be set-off against the amount standing to the credit of our Company's share premium account pursuant to Section 618(3)(b) of the Act.

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017**CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS**

(These figures have not been audited)

	Period Ended	
	30 June 2017	30 June 2016
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	1,484	24
Adjustments for :		
Depreciation of property, plant and equipment	36	23
Interest expense	2	-
Unrealised forex	(21)	
	<hr/>	<hr/>
Operating profit/(loss) before workings capital changes	1,501	47
Net change in current assets	(1,274)	(2,372)
Net change in current liabilities	(156)	(201)
	<hr/>	<hr/>
Cash used in operations	71	(2,526)
Tax refund	-	110
	<hr/>	<hr/>
Net cash used in operating activities	71	(2,416)
Cash Flows From Investing Activities		
Purchase of property, plant & equipment	(3,200)	-
	<hr/>	<hr/>
Net cash used in operating activities	(3,200)	
Cash Flows From Financing Activities		
Proceeds from issuance of shares	3,200	-
Interest expense	(2)	-
	<hr/>	<hr/>
Net cash from/(used in) financing activities	3,198	-
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalent	69	(2,416)
Cash and cash equivalents at beginning of year	1,159	4,122
	<hr/>	<hr/>
Cash and equivalents at end of year	1,228	1,706
	<hr/>	<hr/>
Cash and cash equivalents at end of period comprise :		
Cash and bank balances	1,228	1,706
	<hr/>	<hr/>

Note :

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial period ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A1 Basis of preparation

The interim financial report has been prepared in accordance with MFRS 134, Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial year ended 31 December 2016.

A2 Significant accounting policies

The significant accounting policies and methods adopted by the Group in the preparation of the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2016 except for the adoption of the following Amendments and Annual Improvements to Standards became effective for the financial year under review:

Adoption of Amendments and Annual Improvements to Standards

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 – 2016 Cycle	
- Amendments to MFRS 12 Disclosure of Interests in Other Entities	

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group.

MFRS and Amendments to MFRSs issued but not yet effective for the current financial year

Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board (“IASB”) in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Clarifications to MFRS 15 Revenue Contracts with Customers
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
Annual Improvements to MFRSs 2014 – 2016 Cycle	
- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards	
- Amendments to MFRS 128 Investments in Associates and Joint Ventures	

MFRS and Amendments to MFRSs issued but not yet effective for the current financial year (Contd.)

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 - Leases

The Group will adopt the above pronouncements when they become effective in the respective financial period. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

Standards issued but not yet effective

As at the date of authorisation of the Interim Reports, the Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures – sale or Contribution of Assets between an Investor and the Associate or Joint Venture were issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group as they are not relevant to the Group. The effective dates of these Standards have been deferred, and are yet to be announced by MASB. The Group will adopt these Standards when they become effective and if they are applicable.

A3 Auditors report of preceding annual financial statements

The audit report of the preceding annual financial statements was not subject to any qualification.

A4 Seasonality or cyclical

The Group's interim operations were not affected by seasonal or cyclical factors.

A5 Unusual items

During the current quarter under review, there were no items or events that arose, which will affect assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A6 Material changes in estimates

There were no major changes in the estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have had a material effect on the result in the quarter under review.

A7 Debt and equity securities

There were no major issuances, cancellations, repurchase, resale and repayment of debt and equity securities for the quarter under review.

A8 Dividends

No dividend has been declared or paid during the period under review.

A9 Segment information

BUSINESS SEGMENTS	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30 June 2017 RM'000	Quarter Ended 30 June 2016 RM'000	Period Ended 30 June 2017 RM'000	Period Ended 30 June 2016 RM'000
<u>Segment Revenue</u>				
Air Filtration System, Fast Moving Consumer Product & Ancillary Support Services, General Trading	-	-	-	7
Consultancy Services	-	-	-	15
Oil Trading & Bunkering Services	26,810	20,231	49,907	30,061
	26,810	20,231	49,907	30,083
<u>Segment Profit/(Loss) Before Tax</u>				
Investment Holding	(277)	(114)	(390)	(241)
Air Filtration System, Fast Moving Consumer Product & Ancillary Support Services, General Trading	-	(2)	-	(3)
Consultancy Services	-	-	-	13
Oil Trading & Bunkering Services	1,043	165	1,874	255
	766	19	1,484	24

A10 Valuation of property, plant & equipment

There has been no revaluation of property, plant & equipment during the current financial period.

A11 Subsequent material events

There were no other material events subsequent to the end of the quarter under review which is likely to substantially affect the results of the operations of the Group.

A12 Changes in the composition of the Group

There has been no material change in the composition of the Group during the quarter under review.

A13 Contingencies

There were no contingent liabilities or contingent assets arising since 31 December 2016.

A14 Capital commitments

As at 30 June 2017, the Group has a capital commitment of RM2.8 million.

A15 Significant related party transactions

There were no significant related party transactions during the quarter under review, except for the acquisition of a vessel, namely Sturgeon for RM3.2 million.

A16 Profit before taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30 June 2017 RM'000	Quarter Ended 30 June 2016 RM'000	Period Ended 30 June 2017 RM'000	Period Ended 30 June 2016 RM'000
Profit before tax is arrived at after charging/(crediting) the following items :				
(a) Depreciation & Amortisation	18	9	36	23
(b) Inventories written off/Down	-	4	-	4
(c) Foreign exchange (gain)/Loss	(21)	5	(114)	32

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

B ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING

B1 Review of performance

In line with the Group's plan to diversify its principal activities into oil bunkering and trading in oil product to build a sustaining revenue stream, it has managed to increase its oil bunkering and trading revenue for the second quarter of 2017 by RM6.58 million to RM26.81 million as compared to RM20.23 million recorded in the corresponding quarter of 2016.

Over the same quarter, the Group has achieved a significantly higher profit before tax of RM0.745 million in 2017, as compared to RM0.019 million in 2016 due to improved margins.

B2 Variation of results against preceding quarter

	Current Quarter 30 June 2017 RM'000	Preceding Quarter 31 March 2017 RM'000
Revenue	26,810	23,097
Profit before tax	766	718

Revenue for the second quarter of 2017 has increased by RM3.71 million to RM26.81 million from RM23.10m achieved in the preceding quarter.

B3 Prospects for current financial year

The Group future planning for the oil trading and bunkering business includes expanding its assets base, strengthening its operational capabilities and broadening its geographical coverage to capture the growth opportunities in the oil bunkering industry in Malaysia.

The Company will assess the demand from potential customers after undertaking its marketing activities and will utilise funds to be raised from a planned rights issue and internally generated funds to undertake the oil bunkering activities in the coming year.

With the Petroleum Development Act Licence ("PDA Licence") secured on 5 September 2016 by Selatan Bunker, the Group intends to commence its oil bunkering operations from the Pasir Gudang Port, Johor by the 4th quarter of 2017 after the completion of the Proposed Acquisition of the second vessel, namely Straits I.

The Group's operations are dependent on the level of activity in the exploration, development and production of oil and natural gas, including the level of capital spending in the offshore oil and gas industry.

Despite the relatively positive outlook for the offshore oil and gas industry, the industry competition is expected to intensify further in view of the rising operating costs and fluctuations in foreign exchange rates. The Group will continue to take all reasonable steps and precautions to mitigate the impact of rising costs and intensifying market competition.

B4 Profit forecast and profit guarantee

Not applicable as the Group has not previously provided a profit forecast in a public document or a profit guarantee.

B5 Taxation

The low effective tax rate of 8.53% was due to the availability of unutilised tax losses and allowances to set off the entire adjusted income of generated by some operating entities.

B6 Unquoted investments and properties

There was no acquisitions or disposals of unquoted investments or properties during the financial quarter under review.

B7 Quoted and marketable securities

The Group does not hold any quoted or marketable securities as at 30 June 2017. There were no purchases or disposals of quoted securities for the current quarter.

B8 Status of corporate proposals

B8.1 The Company has completed the following stages of its corporate proposals, collectively referred to as “the Proposals” :

- (a) The share capital reduction of the Company pursuant to Section 116 of the Companies Act, 2016;
- (b) The acquisition on one (1) vessel known as “Sturgeon” for a consideration of RM3.20 million to be satisfied via the issuance of new ordinary shares of RM0.10 each in Straits (“Straits Shares” or “Shares”);
- (c) The issuance and listing of renounceable rights issue of 183,952,000 new Straits Shares (“Rights Shares”) together with up to 183,952,000 free detachable new warrants (“Warrants”). Each warrant will entitle its holder to subscribe for one (1) Straits Shares at the exercise price of 11.5 sen; and

B8.2 The acquisition on one (1) vessel known as “Straits I” for a consideration of RM2.80 million to be satisfied via cash from the proceeds raised from the completed Rights Issue of Shares with Warrants is still pending.

B9 Group borrowings and debt securities

As at 30 June 2017, the Group has no bank borrowings nor any debt securities.

B10 Material litigation

As at the date of this report, the Group has no material litigation which will materially and adversely affect the position or business of the Group.

B11 Dividends

The Directors do not recommend the payment of any dividend in respect of the current financial period.

B12 Earnings per share

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 30 June 2017	Quarter Ended 30 June 2016	Period Ended 30 June 2017	Period Ended 30 June 2016
Profit/(Loss) for the period (RM'000)	623	19	1,171	24
Weighted Average Number of Ordinary Shares in Issue ('000)	164,500	143,452	164,500	143,452
Basic earnings/(Loss) Per Share (sen)	0.38	0.01	0.71	0.02

Basic earnings per share is calculated by dividing the net profit for the period under review by the weighted average number of shares in issue during the period.

The Company does not have any financial instrument in issue or other contract that may entitle its holder to ordinary share which may dilute its basic earnings per share.

B13 Realised and unrealised profits

Supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad are as follow :

	As At 30 June 2017 RM’000	As At 30 June 2016 RM’000
Total accumulated profits/(accumulated losses) of the Company and its subsidiaries :		
- Realised	(6,414)	(14,729)
- Unrealised	(114)	
	<u>(6,528)</u>	<u>(14,729)</u>
Add : Consolidation adjustments	619	(914)
Total group accumulated losses as per consolidation accounts	<u>(5,909)</u>	<u>(15,643)</u>

By Order of the Board

Dato’ Sri Ho Kam Choy
Executive Director
Kuala Lumpur
Date : 25th August 2017