THIS ABRIDGED PROSPECTUS ("AP") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

All abbreviations contained herein are defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY. If you have sold or transferred all your Rights Shares, you are not required to deliver any document to your stockbroker. You are however advised to ensure that you have sufficient number of provisionally allotted Rights Shares standing to the credit of your CDS account available for settlement of the sale or transfer. You should address all enquiries concerning the Rights Issue of Shares with Warrants to our Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan.

This AP together with the Notice of Provisional Allotment and the Rights Subscription Form (collectively referred to as "Documents") are only despatched to our Entitled Shareholders whose names appear in our Record of Depositors at 5.00 p.m. on 19 July 2017 at their registered addresses in Malaysia. The Documents are not intended to be (and will not be) issued, circulated or distributed in any countries or jurisdictions other than the laws of Malaysia. No action has been or will be taken to ensure that the Rights Issue of Shares with Warrants or the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue of Shares with Warrants in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal and/or other professional adviser as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue of Shares with Warrants, the application for Excess Rights Shares with Warrants, or the subscription, offer, sale or resale, pledge or other transfer of the new securities arising from the Rights Issue of Shares with Warrants would result in the contravention to any laws of such countries or jurisdictions. Such Entitled Shareholders and/or thier transferees and/or their renouncees (if applicable) should note the additional terms and restrictions as set out in Section 3.11 of this AP. Neither our Company, TA Securities or the Share Registrar shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/renunciation made by the Entitled Shareholders, and/or their transferees and/or their renouncees (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholders and/or his transferee or renouncee (if applicable) is a resident.

A copy of this AP has been registered with the SC. The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of Shares with Warrants or assumes responsibility for the correctness or any statement made or opinion or report expressed in this AP. The SC has not in any way considered the merits of the securities being offered for investment. A copy of this AP, together with the NPA and RSF, has also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

Our shareholders have approved the Rights Issue of Shares with Warrants at the EGM held on 19 May 2017. Bursa Securities had vide its letter dated 18 April 2017 approved the admission to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for the Warrants, the Rights Shares as well as the new Shares (as defined herein) to be issued upon the exercise of the Warrants on the ACE Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue of Shares with Warrants. Admission of the Warrants to the Official List, the listing of and quotation for the Rights Shares, Warrants and new Shares to be issued upon exercise of the Warrants on the ACE Market of Bursa Securities, are in no way reflective of the merits of the Rights Issue of Shares with Warrants. Neither Bursa Securities nor the SC takes any responsibility for the correctness of any statement made or opinion expressed in the Documents. The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS accounts of the successful applicants to the Rights Shares with Warrants have been duly credited and notices of allotment have been despatched to them.

Our Board has seen and approved all the documentation relating to this Rights Issue of Shares with Warrants. Our Board, collectively and individually, accept full responsibility for the accuracy of the information given and confirms that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these documents false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of Shares with Warrants.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO "RISK FACTORS" SECTION HEREIN.

STRAITS INTER LOGISTICS BERHAD

STRAITS INTER LOGISTICS BERHAD
(FORMERLY KNOWN AS RAYA INTERNATIONAL BERHAD)
(Company No. 412406-T)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 183,952,000 NEW ORDINARY SHARES IN STRAITS INTER LOGISTICS ("SHARES") ("RIGHTS SHARES") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE HELD AS AT 5.00 P.M. ON 19 JULY 2017 AT AN ISSUE PRICE OF RM0.115 PER RIGHTS SHARE, TOGETHER WITH UP TO 183,952,000 FREE DETACHABLE NEW WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED BY THE ENTITLED SHAREHOLDERS ("RIGHTS ISSUE OF SHARES WITH WARRANTS")

Adviser

TA SECURITIES
A MEMBER OF THE TA GROUP

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

IMPORTANT RELEVANT DATES AND TIME		
Entitlement date	:	Wednesday, 19 July 2017 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of rights	:	Wednesday, 26 July 2017 at 5.00 p.m.
Transfer of provisional allotment of rights	:	Monday, 31 July 2017 at 4.00 p.m.
Acceptance and payment	:	Thursday, 3 August 2017 at 5.00 p.m.
Excess application and payment	:	Thursday, 3 August 2017 at 5.00 p.m.

This Abridged Prospectus is dated 19 July 2017

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this AP, unless stated otherwise.

BURSA SECURITIES HAS APPROVED THE ADMISSION TO THE OFFICIAL LIST OF THE ACE MARKET OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR THE WARRANTS, THE RIGHTS SHARES AS WELL AS THE NEW SHARES TO BE ISSUED UPON THE EXERCISE OF THE WARRANTS ON THE ACE MARKET OF BURSA SECURITIES. THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF SHARES WITH WARRANTS.

THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

THE INCLUSION OF THE VALUATION CERTIFICATE FOR THE ACQUISITION OF STURGEON AND THE ACQUISITION OF STRAITS 1 IN THIS AP, SHOULD NOT BE CONSTRUED AS AN ENDORSEMENT BY BURSA SECURITIES AND THE SC ON THE VALUE OF THE OIL TANKERS, STURGEON AND STRAITS 1.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

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DEFINITIONS

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

"5D-VWAP"	:	Five (5)-day volume weighted average market price
"Act"	:	The Companies Act, 2016 as amended from time to time and any re-enactment thereof
"ACE Market"	:	ACE Market of Bursa Securities
"Acquisitions"	:	Acquisition of Sturgeon and Acquisition of Straits 1, collectively
"Acquisition of Straits 1"	:	The acquisition of one (1) vessel known as "Straits 1" by our Group from Seller 2 for a purchase consideration of RM2,800,000 to be satisfied via cash proceeds from the Rights Issue of Shares with Warrants, in accordance to the terms of Memorandum of Agreement 2. The acquisition of Straits 1 was approved by our shareholders at the EGM held on 19 May 2017
"Acquisition of Sturgeon"	:	The acquisition of one (1) vessel known as "Sturgeon" by our Group from Seller 1 for a purchase consideration of RM3,200,000 satisfied via the issuance of the Consideration Shares, in accordance to the terms of Memorandum of Agreement 1. The acquisition of Sturgeon was approved by our shareholders at the EGM held on 19 May 2017 and was completed on 20 June 2017
"AP"	:	This Abridged Prospectus issued by our Company dated 19 July 2017
"ATM"	:	Automated teller machine within Malaysia
"Bloomberg"	:	Bloomberg Finance L.P. and its affiliates
"Board"	:	Board of Directors of our Company
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities" or "Exchange"	:	Bursa Malaysia Securities Berhad
"CAGR"	:	Compound annual growth rate
"CCM" or "Registrar of Companies"	:	Companies Commission Malaysia
"CDS"	:	Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
"CDS Account"	:	A securities account established by Bursa Depository for a depositor pursuant to the SICDA and the Rules of Bursa Depository to record the deposits or withdrawals of securities or for dealings in such securities by the depositor

"Charter Agreement"	:	The charter agreement proposed to be entered into between Selatan Bunker and Pan Logistics Ltd to charter both Sturgeon and Straits 1 respectively from Pan Logistics Ltd upon completion of the Acquisition of the Sturgeon and the Acquisition of Straits 1 by TMD Sturgeon Ltd and TMD Straits Ltd respectively, in accordance to the terms of the Memorandum of Agreement 1 and Memorandum of Agreement 2, respectively
"Closing Date"	:	3 August 2017 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Rights Shares with Warrants
"CMSA"	:	Capital Market Services Act, 2007, as amended from time to time and any re-enactment thereof
"Collaboration Agreement"	:	The collaboration agreement dated 29 December 2015 and as amended by the exchange of letter dated 6 March 2017 between Selatan Bunker and Tumpuan Megah to jointly carry out the provision of bunkering services for marine fuel, petroleum and petroleum-based products in Pasir Gudang Port, Kemaman Port, Kuantan Port, Labuan Port and any other area as may be mutually agreed between the parties. The parties shall collaborate in areas of operations as well as marketing and sales of bunkering services and to work on mutually agreed projects in this area, upon the terms and conditions stipulated therein
"Consideration Shares"	:	Representing 20,000,000 new Shares issued by our Company to Sturgeon Asia at an issue price of RM0.16 per Share as consideration for the Acquisition of Sturgeon
"Corporate Exercises"	:	Share Capital Reduction, Acquisitions and Rights Issue of Shares with Warrants, collectively
"Deed Poll"	:	The document constituting the Warrants dated 4 July 2017
"Director"	:	A natural person who holds a directorship in our Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2 of the Act and Section 2(1) of the CMSA
"Documents"	:	Collectively, the AP, together with the NPA and the RSF
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"EGM"	:	Extraordinary general meeting of our Company
"Entitlement Date"	:	19 July 2017, 5.00 p.m., being the date and time on which our shareholders must appear in the Record of Depositors in order to be entitled to the Rights Issue of Shares with Warrants
"Entitled Shareholders"	:	Our shareholders, whose name appear in the Record of Depositors on the Entitlement Date
"EPS"	:	Earnings per Share
"Excess Rights Shares with Warrants Application"	:	Application for Excess Rights Shares with Warrants as set out in Section 3.8 of this AP

"Excess Rights Shares with Warrants"	:	Rights Shares with Warrants which are not taken up or not validly taken up by our Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable) prior to the Closing Date as set out in Section 3.3 of this AP.
"FPE"	:	Financial period ended/ ending, as the case may be
"FPSO"	:	Floating, production, storage and offloading
"FYE"	:	Financial year ended/ ending, as the case may be
"GDP"	:	Gross domestic product
"GL"	:	Gross loss
"GP"	:	Gross profit
"High Court"	:	High Court of Malaya
"IMR Report"	:	Independent Market Research Report on the oil bunkering industry in Malaysia, by SMITH ZANDER
"Issue Price"	:	The issue price pursuant to the Rights Issue of Shares with Warrants of RM0.115 per Rights Share
"Labuan Companies Act"	:	Labuan Companies Act 1990
"LAT"	:	Loss after tax after MI
"LBT"	:	Loss before tax
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities, including any amendments made thereto from time to time
"LPD"	:	28 June 2017, being the latest practicable date prior to the printing of this AP
"Major Shareholder"	:	A person who has interest or interests in one or more voting shares in our Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is: (a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in our Company; or (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in our Company where such person is the largest shareholder of our Company
"Market Day"	:	A day on which Bursa Securities is open for the trading of securities
"Maximum Scenario"	:	A scenario assuming that all Entitled Shareholders subscribed for their entitlement pursuant to the Rights Issue of Shares with Warrants
"Memorandum of Agreement 1"	:	The Memorandum of Agreement dated 14 November 2016 between Straits Inter Logistics and Seller 1 in relation to the Acquisition of Sturgeon

DEFINITIONS *(CONT'D)*

"Memorandum of Agreement 2"	:	Memorandum of Agreement dated 14 November 2016 between Straits Inter Logistics and Seller 2 in relation to the Acquisition of Straits 1
"MI"	:	Minority interest
"Minimum Scenario"	:	A scenario assuming that only the Undertaking Shareholder subscribed for his entitlement pursuant to the Rights Issue of Shares with Warrants, based on the Minimum Subscription Level which shall raise a minimum gross proceed of RM5,040,000
"Minimum Subscription Level"	:	A minimum level of subscription by the Undertaking Shareholder via the issuance of 43,826,100 Rights Shares together with 43,826,100 free Warrants pursuant to the Undertaking
"MGO"	:	Marine gas oil
"MOF"	:	Ministry of Finance, Malaysia
"NA"	:	Net assets
"NBV"	:	Net book value
"NL"	:	Net liabilities
"NPA"	:	Notice of Provisional Allotment in relation to the Rights Issue of Shares with Warrants
"NTA"	:	Net tangible assets
"Official List"	:	A list specifying all securities listed on the ACE Market of Bursa Securities
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Person Connected"	:	In relation to a Director or a Major Shareholder, means such person who falls under any one of the following categories: (a) a family member of the Director or Major Shareholder; (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director, Major Shareholder or a family member of the Director or Major Shareholder is the sole beneficiary; (c) a partner of the Director, Major Shareholder or a partner of a person connected with that Director or Major Shareholder; (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder; (e) a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation whether formal or informal to act;

(f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;

(g) a body corporate or its directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;

(h) a body corporate in which the Director, Major Shareholder or persons connected with him are entitled to exercise 15% of the votes attached to voting shares in the body corporate; or

(i) a body corporate which is a related corporation

"PPE"	:	Property, plant and equipment
"Price-Fixing Date"	:	4 July 2017, being the date on which the Issue Price and the exercise price of the Warrants were determined, which was announced on the same date
"Provisional Allotments"	:	The Rights Shares with Warrants provisionally allotted to Entitled Shareholders
"Record of Depositors"	:	A record of securities holders of our Company provided by Bursa Depository
"Rights Issue of Shares with Warrants"	:	Renounceable rights issue of up to 183,952,000 Rights Shares on the basis of one (1) Rights Share for every one (1) existing Share held on the Entitlement Date at the issue price of RM0.115 per Rights Share, together with up to 183,952,000 free Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed by the Entitled Shareholders
"Rights Shares"	:	Up to 183,952,000 new Straits Inter Logistics Shares to be issued pursuant to the Rights Issue of Shares with Warrants
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"RSF"	:	Rights Subscription Form in relation to the Rights Issue of Shares with Warrants
"Rules of the Bursa Depository"	:	The rules of Bursa Depository as issued pursuant to the SICDA and as amended or replaced from time to time
"Rules"	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC pursuant to Section 377 of the CMSA as amended or replaced from time to time
"SC"	:	Securities Commission Malaysia
"Selatan Bunker"	:	Selatan Bunker (M) Sdn Bhd, a 51% owned subsidiary of Straits Inter Logistics

DEFINITIONS *(CONT'D)*

"Share Capital Reduction"	:	The reduction of RM8,528,533 of the share capital account of Straits Inter Logistics by cancelling RM8,528,533 pursuant to Section 116 of the Act, and such credit was utilised to set-off against the accumulated losses of our Company. The Share Capital Reduction was completed on 7 June 2017
"Share Registrar"	:	Tricor Investor & Issuing House Services Sdn Bhd
"Ship Management Agreement"	:	The ship management agreement dated 25 January 2017 between Selatan Bunker and Skips Marine Services to appoint Skips Marine Services to provide ship management services (such as managing the operations, maintenance, crew, supplies and dry docking of the vessels) for Sturgeon and Straits 1 after the completion of the Acquisitions and Selatan Bunker entering into the Charter Agreement
"SICDA"	:	Security Industry (Central Depositories) Act 1991, as amended, modified or re-enacted from time to time
"Skips Marine Services"	:	Skips Marine Services Pte Ltd, a company incorporated in Singapore which Captain Tony Tan Han (Chen Han) is a director and shareholder of Skips Marine Services
"SMITH ZANDER"	:	Smith Zander International Sdn Bhd, the Independent Market Researcher
"Straits 1"	:	An oil tanker, owned by Straits Holdings, and is registered in Port Kelang, Malaysia
"Straits Inter Logistics" or "Company"	:	Straits Inter Logistics Berhad *(formerly known as Raya International Berhad)*
"Straits Inter Logistics Group" or "Group"	:	Straits Inter Logistics and its subsidiaries, collectively
"Straits Inter Logistics Share(s)" or "Share(s)"	:	Ordinary shares in our Company
"Straits Holdings" or "Seller 2"	:	Straits Holdings Ltd.
"Straits Holdings Shares"	:	Ordinary shares of USD1.00 each in Seller 2
"Sturgeon"	:	An oil tanker, previously owned by Sturgeon Asia, and is registered in Port Kelang, Malaysia. Sturgeon is now owned by our Group following the completion of the Acquisition of Sturgeon
"Sturgeon Asia" or "Seller 1"		Sturgeon Asia Ltd.
"Sturgeon Asia Shares"		Ordinary shares of USD1.00 each in Seller 1
"TA Securities" or "Adviser"	:	TA Securities Holdings Berhad
"TERP"	:	Theoretical ex-rights price
"TMD Straits"	:	TMD Straits Ltd, a private limited company incorporated in Labuan and a wholly-owned subsidiary of Straits Inter Logistics

DEFINITIONS *(CONT'D)*

"TMD Sturgeon"	:	TMD Sturgeon Ltd, a private limited company incorporated in Labuan and a wholly-owned subsidiary of Straits Inter Logistics
"Tumpuan Megah"	:	Tumpuan Megah Development Sdn Bhd
"Undertaking"	:	A written and irrevocable undertaking from the Undertaking Shareholder via the letter of undertaking dated 3 July 2017 that he will among others: (i) ensure that he hold not less than 8,023,300 Shares from 3 July 2017 up to the completion or termination of the Rights Issue of Shares with Warrants; and (ii) to subscribe for the Rights Shares that he is entitled to in full pursuant to the Rights Issue of Shares with Warrants and in the event other Entitled Shareholders do not subscribe for the same, to subscribe for up to a total of RM5,040,000 worth of Rights Shares with Warrants by subscribing for his entitlement of 8,023,300 Rights Shares and subscribing for up to 35,802,800 Excess Rights Shares with Warrants via Excess Rights Shares with Warrants Application in order to meet the Minimum Level of Subscription. For avoidance of doubt, the total of RM5,040,000 worth of Rights Shares with Warrants is inclusive of such Rights Shares with Warrants that he is entitled to subscribe.
"Undertaking Shareholder"	:	Dato' Sri Ho Kam Choy
"USD" or "US cents"	:	United States Dollar and cents respectively
"Valuers"	:	VPC Alliance (PJ) Sdn Bhd and BMI Appraisals Limited, collectively, the independent professional valuers
"Warrants"	:	Up to 183,952,000 free detachable new warrants to be issued pursuant to the Rights Issue of Shares with Warrants

DEFINITIONS *(CONT'D)*

All references to "you" and/or "your" in this AP are references to the Entitled Shareholders and/or where the context otherwise requires, their transferee(s) and/or renouncee(s).

All references to "our Company" and/or "Straits Inter Logistics" in this AP are to Straits Inter Logistics Berhad. References to "our Group" and/or "Straits Inter Logistics Group" are to Straits Inter Logistics and its subsidiaries and references to "we", "us" "our" and "ourselves" are to Straits Inter Logistics and where the context does require, shall include our subsidiaries.

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

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this AP shall be reference to Malaysian time, unless otherwise specified.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name *(Designation)*	Address	Age	Nationality	Profession
YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud *(Non-Independent Non-Executive Chairman)*	Istana Badariah, 20500 Kuala Terengganu, Terengganu Darul Iman	41	Malaysian	Businessman
Tan Sri Mohd Bakri Bin Mohd Zinin *(Non-Independent Non-Executive Director)*	No. 19, Villa Laman Cahaya, Off Jalan Datuk Sulaiman, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Wilayah Persekutuan	63	Malaysian	Businessman
Dato' Tan Seng Hu *(Managing Director)*	No. 11, Jalan PUJ 19/13B, Taman Puncak Jalil, 43300 Seri Kembangan, Selangor Darul Ehsan	41	Malaysian	Businessman
Dato' Sri Ho Kam Choy *(Executive Director)*	No. 18, Jalan Kelab Golf 13/8 Seksyen 13, 40100 Shah Alam Selangor Darul Ehsan	54	Malaysian	Businessman
Captain Tony Tan Han (Chen Han) *(Executive Director)*	BLK 87, Jurong West, Central 3 #10-50, Singapore 648343	41	Singaporean	Master Mariner
Ho Fook Meng *(Independent Non-Executive Director)*	No. 8, Jalan USJ 2/5J, 47600 Subang Jaya, Selangor Darul Ehsan	59	Malaysian	Director
Leong Fook Heng *(Independent Non-Executive Director)*	28, Jalan Sutera 2, Bandar Bukit Jalil, 57000 Kuala Lumpur, Wilayah Persekutuan	58	Malaysian	Trainer/ Consultant
Ho Hung Ming *(Alternate Director to Tan Sri Mohd Bakri Bin Mohd Zinin)*	No. 18, Jalan Kelab Golf 13/8 Seksyen 13, 40100 Shah Alam Selangor Darul Ehsan	25	Malaysian	Alternate Director

AUDIT COMMITTEE

Name	Designation	Directorship
Leong Fook Heng	Chairman	Independent Non-Executive Director
YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud	Member	Non-Independent Non-Executive Chairman
Ho Fook Meng	Member	Independent Non-Executive Director

CORPORATE DIRECTORY *(CONT'D)*

COMPANY SECRETARIES	:	Wan Haslinda Wan Yusoff (MAICSA 7055478) Sangar Nallappan (MACS 01413) No: 149A, 149B, 151B Persiaran Raja Muda Musa 42000 Port Klang, Selangor Darul Ehsan. Tel : 603-3167 3830 Fax : 603-3168 3830
REGISTERED OFFICE	:	No: 149A, 149B, 151B Persiaran Raja Muda Musa 42000 Port Klang, Selangor Darul Ehsan. Tel : 603-3167 3830 Fax : 603-3168 3830
HEAD/ MANAGEMENT OFFICE/ PRINCIPAL PLACE OF BUSINESS	:	B-10-06 Plaza Mont Kiara, Jalan Kiara 2, Mont Kiara, 50480 Kuala Lumpur, Wilayah Persekutuan Tel : 603-6419 1266 Fax : 603-6419 1267 Website : www.straits-interlogistics.com E-mail: admin-kl@straits-interlogistics.com
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 Tel : 603- 27839299 Fax : 603- 27839222
AUDITORS	:	Ecovis AHL PLT (AF 001825) 147B, Jalan Sutera Tanjung 8/2, Taman Sutera Utama, 81300 Skudai, Johor Darul Takzim Tel : 607- 5567777 Fax : 607- 5577776
REPORTING ACCOUNTANTS FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS	:	STYL Associates (AF 1929) No. 902, 9th Floor Block A Damansara Intan No: 1, Jalan SS20/27 47400 Petaling Jaya, Selangor Darul Ehsan Tel : 603-7724 2128/ 2130/ 2136 Fax : 603-7733 2125
SOLICITORS FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS	:	Cheang & Ariff 39 Court @ Loke Mansion 273A Jalan Medan Tuanku 50300 Kuala Lumpur Wilayah Persekutuan Tel : 603-2691 0803 Fax : 603-2692 8533

CORPORATE DIRECTORY *(CONT'D)*

PRINCIPAL BANKER	:	CIMB Bank Berhad Ground Floor Menara SBB 83 Jalan Medan Setia 1, Plaza Damansara 50490 Kuala Lumpur, Wilayah Persekutuan Tel : 603-2087 3000 Fax : 603-2710 4840
ADVISER FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS	:	TA Securities Holdings Berhad 29 Floor, Menara TA One 22, Jalan P. Ramlee 50250 Kuala Lumpur Wilayah Persekutuan Tel : 603-2072 1277 Fax : 603-2161 2693
INDEPENDENT MARKET RESEARCHER	:	Smith Zander International Sdn Bhd Suite 23-3, Level 23, Office Suite, Menara 1MK 1, Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur Tel : 603-6211 2121
INDEPENDENT VALUERS FOR THE VESSELS NAMED STURGEON AND STRAITS 1	:	VPC Alliance (PJ) Sdn Bhd No. 6, 1st Floor, Jalan SS26/4 Taman Mayang Jaya 47301, Petaling Jaya Selangor Darul Ehsan Tel : 603-7880 0155 Fax : 603-7880 0166 BMI Appraisals Limited 33rd Floor, Shui On Centre 6-8, Harbour Road Wanchai, Hong Kong SAR Tel : 852 2802 2191 Fax : 852 2802 0863
STOCK EXCHANGE LISTED	:	ACE Market of Bursa Securities

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STRAITS INTER LOGISTICS BERHAD

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

Registered Office:

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

19 July 2017

Our Board of Directors:

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

To: Our Entitled Shareholders

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 183,952,000 RIGHTS SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE HELD ON THE ENTITLEMENT DATE AT THE ISSUE PRICE OF RM0.115 PER RIGHTS SHARE, TOGETHER WITH UP TO 183,952,000 FREE WARRANTS ON THE BASIS OF ONE (1) WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED BY THE ENTITLED SHAREHOLDERS

1. INTRODUCTION

On 14 November 2016, TA Securities announced on behalf of our Board that our Company proposed to undertake the Acquisitions and the Rights Issue of Shares with Warrants.

On 13 January 2017, TA Securities on behalf of our Board, announced that our Company proposed to undertake the proposed reduction of our Company's share premium account pursuant to Sections 60(2) and 64(1) of the Companies Act, 1965 and such credit will be utilised to set-off against the accumulated losses of our Company. On 3 February 2017, TA Securities on behalf of our Board, announced that due to the implementation of the Act, the amount standing to the credit of our Company's share premium account shall become part of our Company's share capital. Following from the above, Straits Inter Logistics will be undertaking the Share Capital Reduction pursuant to Section 116 of the Companies Act, 2016 instead of the proposed reduction of the Company's share premium account as announced on 13 January 2017.

The additional listing application for the Corporate Exercises was submitted to Bursa Securities on 7 February 2017. Subsequently, on 18 April 2017, TA Securities, on behalf of our Board announced that Bursa Securities had, vide its letter on even date, approved the following:

(i) admission to the Official List and the initial listing and quotation of up to 183,952,000 Warrants to be issued pursuant to the Rights Issue of Shares with Warrants;

(ii) listing of 20,000,000 new Straits Inter Logistics Shares to be issued pursuant to the Acquisition of Sturgeon;

(iii) the listing of up to 183,952,000 new Rights Shares to be issued pursuant to the Rights Issue of Shares with Warrants; and

(iv) the listing of up to 183,952,000 new Straits Inter Logistics Shares to be issued pursuant to the exercise of the Warrants

on the ACE Market of Bursa Securities. The approval from Bursa Securities is subject to the following conditions:

No.	Conditions	Compliance
1.	Straits Inter Logistics and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Acquisition of Sturgeon and the Rights Issue of Shares with Warrants.	To be complied
2.	Straits Inter Logistics and TA Securities to inform Bursa Securities upon the completion of the Acquisition of Sturgeon and the Rights Issue of Shares with Warrants.	To be complied
3.	Straits Inter Logistics to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Acquisition of Sturgeon and the Rights Issue of Shares with Warrants are completed.	To be complied
4.	Straits Inter Logistics to furnish Bursa Securities on a quarterly basis a summary of the total number of Shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

On 19 May 2017, we announced that our shareholders had, at our EGM held on the same day, approved the Rights Issue of Shares with Warrants. A certified true extract of the resolutions approving, amongst others, the Rights Issue of Shares with Warrants at the EGM held on 19 May 2017 is set out in **Appendix I** of this AP.

On 7 June 2017, TA Securities had on behalf of our Board announced the completion of the Share Capital Reduction. Subsequently on 20 June 2017, TA Securities had on our behalf announced the completion of the Acquisition of Sturgeon.

On 4 July 2017, TA Securities had on our behalf announced that our Board has fixed the issue price of the Rights Shares at RM0.115 per Rights Share and the exercise price of the Warrants of RM0.115 per Warrant. Further, on the same date, TA Securities had on our behalf announced that the Entitlement Date has been fixed on 19 July 2017 at 5.00 p.m. and the other relevant dates pertaining to the Rights Issue of Shares with Warrants.

No person is authorised to give any information or to make any representation not contained in this AP in connection with the Rights Issue of Shares with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or by TA Securities in connection with the Rights Issue of Shares with Warrants.

YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP WHICH SETS OUT THE DETAILS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS AND RISK FACTORS ASSOCIATED WITH THE RIGHTS ISSUE OF SHARES WITH WARRANTS. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

2.1 Particulars of the Rights Issue of Shares with Warrants

The Rights Issue of Shares with Warrants entails a renounceable rights issue of one (1) Rights Share for every one (1) existing Straits Inter Logistics Share held on the Entitlement Date, together with one (1) Warrant for every one (1) Rights Share subscribed by the Entitled Shareholders, at an issue price of RM0.115 per Rights Share.

As at the LPD, the total number of issued Shares of our Company is 183,952,380 Shares. After taking into consideration the assumptions as detailed below, the number of new Straits Inter Logistics Shares to be issued pursuant to the Rights Issue of Shares with Warrants is as follows:

(i) 43,826,100 Rights Shares together with 43,826,100 Warrants, assuming that the Rights Issue of Shares with Warrants is undertaken on Minimum Subscription Level basis pursuant to the Undertaking. Further details of the Undertaking are set out in Section 2.5 of this AP; or

(ii) Up to 183,952,000 Rights Shares together with up to 183,952,000 Warrants, assuming all Entitled Shareholders fully subscribe for their Rights Shares entitlement.

The actual number of Rights Shares with Warrants to be provisionally allotted to our Entitled Shareholders would depend on the total number of issued Shares of our Company as at the Entitlement Date.

As the Rights Issue of Shares with Warrants is on a renounceable basis, the Entitled Shareholders can subscribe for and/or renounce their entitlements for the Rights Shares with Warrants in full or in part. However, the Rights Shares and the Warrants cannot be renounced separately. Should the Entitled Shareholders renounce all of their Rights Shares entitlements under the Rights Issue of Shares with Warrants, they shall be deemed to have relinquished the accompanying entitlement to the Warrants. However, if the Entitled Shareholders accept only part of their Rights Shares entitlements under the Rights Issue of Shares with Warrants, they shall be entitled to the Warrants in proportion of their acceptances of the Rights Shares entitlements.

The Warrants are attached to the Rights Shares without any cost and will be issued only to the Entitled Shareholders and/or their renounces who successfully subscribe for the Rights Shares. The Warrants will be immediately detached from the Rights Shares upon issuance and allotment and separately traded on the ACE Market of Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll. The salient terms of the Warrants are set out in Section 2.4 of this AP.

The Rights Shares with Warrants which are not taken up or validly taken up shall be made available for Excess Rights Shares with Warrants Applications by the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) (if applicable). It is the intention of the Board to allocate the Excess Rights Shares with Warrants, if any, in a fair and equitable manner on a basis set out in Section 3.8 of this AP.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the Provisional Allotments which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for the Provisional Allotments, as well as to apply for Excess Rights Shares with Warrants if you choose to do so.

Any dealing in our securities will be subject to the SICDA and the Rules of Bursa Depository. Accordingly, the Rights Shares with Warrants and new Shares to be issued arising from the exercise of the Warrants will be credited directly to the respective CDS Accounts of the successful applicants and exercising Warrant holders (as the case may be). No physical share certificates and warrant certificates will be issued to the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s), if applicable.

A notice of allotment will be despatched to the Entitled Shareholders and /or their transferee (s) and/or their renoucee(s) within (8) Market Days from the Closing Date.

The Rights Shares with Warrants to be issued pursuant to the Rights Issue of Shares with Warrants will be listed and quoted on the ACE Market of Bursa Securities within two (2) Market Days upon receipt of the application for quotation of the Rights Shares by Bursa Securities as specified under the Listing Requirements.

2.2 Basis of determining the Issue Price for the Rights Shares and the exercise price of the Warrants

(i) Rights Shares

Our Board has fixed the issue price at RM0.115 per Rights Share, after taking into consideration the following:

(a) the TERP(1) of Straits Inter Logistics Shares of RM0.1759, based on the 5D-VWAP of Straits Inter Logistics Shares up to and including 3 July 2017 (being the last trading date immediately preceding the Price Fixing Date) of RM0.2368 per Share ;

(b) a discount to the TERP of Straits Inter Logistics Shares (based on the 5D-VWAP of Straits Inter Logistics Shares immediately preceding the Price Fixing Date) of RM0.0609 or 34.62%; and

(c) the funding requirements of our Group, details of which are set out in Section 4 of this AP.

Note:

(1) TERP is computed as follows:

$$TERP = \frac{(A \times X) + (B \times Y)}{X + Y}$$

where;

A = Number of existing Straits Inter Logistics Shares

B = Number of Rights Shares

X = 5D-VWAP of Straits Inter Logistics Shares up to and including the Price Fixing Date

Y = Issue price of the Rights Shares

And the ratio of A:B is 1:1, in accordance with the entitlement basis of 1 Rights Share for every one (1) existing Straits Inter Logistics Share held.

(ii) Warrants

The Warrants are attached to the Rights Shares without any cost and will be issued only to the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) who successfully subscribe for the Rights Shares, and are exercisable into new Straits Inter Logistics Shares.

Our Board has fixed the exercise price at RM0.115 per Warrants after taking into consideration the following:

(a) the TERP of Straits Inter Logistics Shares of RM0.1759 based on the 5D-VWAP of Straits Inter Logistics Shares up to and including 3 July 2017 of RM0.2368; and

(b) a discount to the TERP of Straits Inter Logistics Shares of RM0.0609 or 34.62%.

The salient terms of the Warrants are set out in Section 2.4 of this AP.

2.3 Ranking of the Rights Shares and new Straits Inter Logistics Shares arising from the exercise of the Warrants

The Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Straits Inter Logistics Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid to our shareholders, the entitlement date of which is prior to or on the date of allotment of the Rights Shares.

The holders of Warrants will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities to our Company until and unless such holders of the Warrants exercise their Warrants into new Straits Inter Logistics Shares.

The new Straits Inter Logistics Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issuance, rank pari passu in all respects with the existing Straits Inter Logistics Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid where, the entitlement date of which is prior to the date of allotment and issuance of the new Straits Inter Logistics Shares arising from the exercise of the Warrants.

2.4 Salient terms of the Warrants

The salient terms of the Warrants are set out below:

Terms		Details
Issue size	:	Up to 183,952,000 free Warrants.
Number of new Straits Inter Logistics Shares to be issued upon exercise of the Warrants	:	Up to 183,952,000 new Straits Inter Logistics Shares to be issued pursuant to the exercise of up to 183,952,000 free Warrants on the basis of one (1) new Straits Inter Logistics Shares for every one (1) Warrant.
Form and detachability	:	The Warrants will be issued in registered form and will immediately be detached from the Rights Shares upon allotment and issuance. The Warrants will be constituted by the Deed Poll.
Issue price of Warrants	:	The Warrants are to be issued free to the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) who subscribe to the Rights Shares on the basis of one (1) Warrants for every one (1) Rights Share.

Terms		Details
Status of new Straits Inter Logistics Shares arising from the exercise of the Warrants	:	The new Straits Inter Logistics Shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance rank *pari passu* in all respects with the then existing Straits Inter Logistics Shares, save and except that such new Straits Inter Logistics Shares will not be entitled to any dividends, rights, allotment and/or other forms of distributions that may be declared, made or paid where the Entitlement Date precedes the date of allotment of such new Straits Inter Logistics Shares arising from the exercise of the Warrants.
Expiry date	:	The close of business at 5.00 p.m. in Kuala Lumpur on the last Market Day preceding the fifth (5th) anniversary of the first date of issuance of the Warrants.
Board lot	:	For the purposes of trading on Bursa Securities, a board lot of Warrants shall be one hundred (100) units or such other denomination as determined by Bursa Securities.
Exercise rights	:	Each Warrant carries the entitlement at any time during the exercise period to subscribe for one (1) new Straits Inter Logistics Share at the exercise price at any time during the exercise period subject to adjustments in accordance with the provisions of the Deed Poll.
Exercise period	:	The Warrants may be exercised at any time on and including the date of issuance and ending on the close of business on the business day immediately preceding the fifth (5^{th}) anniversary of the date of issuance. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
Exercise price	:	The exercise price of the Warrants has been fixed at RM0.115, subject to the adjustments in accordance with the Deed Poll.
Rights of the Warrants holders	:	The Warrants do not entitle the registered holders thereof to any dividends, rights, allotments and/or any other form of distributions that may be declared, made or paid. The Warrants do not entitle the registered holders thereof to any voting rights in any general meeting of the Company until and unless such holders of Warrants exercise their Warrants for new Straits Inter Logistics Shares.
Adjustments to the exercise price and/or number of the New Warrants	:	The exercise price and/or number of unexercised Warrants may be subject to adjustments in the event any alteration to the share capital of the Company at any time during the tenure of the Warrants, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital in accordance with the provisions of the Deed Poll.
Modification	:	Subject to the approval of any relevant authority as required under law, any modification, amendment or addition to the Deed Poll must be approved by the Warrant holders sanctioned by ordinary resolution, effected by a supplemental deed poll, executed by the Company and expressed to be supplemental and comply with the requirements of the Deed Poll.

Terms		Details
Rights in the event of winding-up, liquidation, compromise and/or arrangement	:	Where a resolution has been passed for a member's voluntary winding up of the Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then: (i) if such winding-up, compromise or arrangement in which the Warrants holders, or some person designated by them for such purposes, by special resolution are to be a party, the terms of such winding-up, compromise or scheme of arrangement shall be binding on all the Warrants holders; and (ii) in any other case, every Warrants holder shall be entitled within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within six (6) weeks from the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his Warrants to the Company by submitting exercise form duly completed, authorising the debiting of his Warrants, together with payment of the relevant exercise price, to elect to be treated as if the Warrant holders, had immediately prior to the commencement of the winding up, compromise or scheme of arrangement exercised the exercise rights represented by such Warrants to the extent specified in the exercise form and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new Straits Inter Logistics Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company must give effect to such election accordingly.
Listing status	:	The Warrants will be listed and traded on the ACE Market of Bursa Securities. An application will be made for the admission of the Warrants to the Official List of the ACE Market of Bursa Securities as well as for the listing of and quotation for the Warrants and the new Straits Inter Logistics Shares to be issued pursuant to the exercise of Warrants on the ACE Market of Bursa Securities.
Governing law	:	The Warrants and the Deed Poll shall be governed by the laws of Malaysia.

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2.5 Minimum Subscription Level and Undertaking

Our Company intends to raise a minimum of RM5,040,000 from the Rights Issue of Share with Warrants after taking into consideration the funding requirements of the Straits Inter Logistics Group, details of which are stated in Section 4 of this AP.

In view of the above, our Board has determined to undertake the Rights Issue of Shares with Warrants on a Minimum Subscription Level which will raise minimum gross proceeds of RM5,040,000 based on the issue price of RM0.115 per Rights Share.

To meet the Minimum Subscription Level, our Company has procured the Undertaking from Dato' Sri Ho Kam Choy stating that he will:

(i) ensure that he hold not less than 8,023,300 Shares from 3 July 2017 up to the completion or termination of the Rights Issue of Shares with Warrants; and

(ii) to subscribe for the Rights Shares that he is entitled to in full pursuant to the Rights Issue of Shares with Warrants and in the event other Entitled Shareholders do not subscribe for the same, to subscribe for up to a total of RM5,040,000 worth of Rights Shares with Warrants by subscribing for his entitlement of 8,023,300 Rights Shares and subscribing for up to 35,802,800 Excess Rights Shares with Warrants via Excess Rights Shares with Warrants Application in order to meet the Minimum Level of Subscription. For avoidance of doubt, the total of RM5,040,000 worth of Rights Shares with Warrants is inclusive of such Rights Shares with Warrants that he is entitled to subscribe.

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Effects of the Undertaking based on the Minimum Subscription Level are as follows:

Name	Existing shareholdings as at LPD				Minimum Rights Shares to be subscribed for pursuant to the Undertaking		
	Direct		Indirect				
	No. of Straits Inter Logistics Shares	%	No. of Straits Inter Logistics Shares	%	Subscription based on entitlement	Subscription based on excess shares application (2)	Total
Dato' Sri Ho Kam Choy	8,023,300	4.36	20,000,000(1)	10.87(1)	8,023,300	35,802,800	43,826,100

Name	Assuming none of the other Entitled Shareholders subscribe for their Rights Shares				Shareholdings after full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Straits Inter Logistics Shares held after the Rights Issue of Shares with Warrants	% of enlarged share capital (3)	No. of Straits Inter Logistics Shares held after the Rights Issue of Shares with Warrants	% of enlarged share capital (3)	No. of Straits Inter Logistics Shares	% of enlarged issued and paid-up share capital (4)	No. of Straits Inter Logistics Shares	% of enlarged share capital (4)
Dato' Sri Ho Kam Choy (1)	51,849,400	22.76	20,000,000(1)	8.78(1)	95,675,500	35.23	20,000,000	7.36

Notes:

(1) Representing Dato' Sri Ho Kam Choy's indirect interest in Straits Inter Logistics of 20,000,000 Shares pursuant to his shareholdings held in Sturgeon Asia Ltd. Kindly refer to Section 4 of ***Appendix II*** *for further details of Dato' Sri Ho Kam Choy's direct and indirect interest in Straits Inter Logistics.*

(2) Based on the issue price of RM0.115 per Rights Share to be issued pursuant to the Rights Issue of Shares with Warrants.

(3) Based on Straits Inter Logistics's enlarged share capital of 227,778,480 Shares after the Rights Issue of Shares with Warrants under the Minimum Subscription Level.

(4) Based on Straits Inter Logistics's enlarged share capital of 271,604,580 Shares after the full exercise of the Warrants to be issued under the Minimum Subscription Level.

Dato' Sri Ho Kam Choy has confirmed that he has sufficient financial resources for the Undertaking. In addition, TA Securities has verified that Dato' Sri Ho Kam Choy has the financial resources to fulfil his commitment pursuant to the Undertaking. As the Rights Issue of Shares with Warrants is implemented based on the Minimum Subscription Level, no underwriting arrangements is made for the Rights Issue of Shares with Warrants.

Our Company and Dato' Sri Ho Kam Choy confirm that the Undertaking will not give rise to any mandatory general offer obligations under the Rules immediately after the Rights Issue of Shares with Warrants. However, should he exercise his Warrants resulting in him and/or persons acting in concert's shareholdings in our Company increasing to above 33% but not more than 50%, he will be obliged to undertake a mandatory general offer after the exercise of the Warrants as required under the Rules. Dato' Sri Ho Kam Choy has confirmed that he does not intend to undertake a mandatory general offer and it is his intention to, at all times observe and ensure compliance with the Rules and all other relevant guidelines, directions, practice notes and rulings issued by the SC to ensure that he and persons acting in concert (if any) with him will not trigger an obligation to extend a mandatory general offer under the Rules.

Further, where Dato' Sri Ho Kam Choy subscribes to his Undertaking with no other Entitled Shareholders subscribing for their entitlements under the Rights Issue of Shares with Warrants, the public shareholding spread of our Company will not fall below the minimum shareholding spread requirement of 25.0% as required pursuant to Rule 8.02 (1) of the Listing Requirements.

The proforma public shareholding spread based on the Minimum Scenario is illustrated as follows:

	As at the LPD			After the Rights Issue of Shares with Warrants		
Particulars	**No. Shares**	**No. of shareholders**	**%(1)**	**No. of Shares**	**No. of shareholders**	**%(3)**
Issued share capital *Less:*	183,952,380	1,260	100.0	227,778,467	1,260	100.0
Directors of Straits Inter Logistics	12,583,300(2)	3	6.84	56,409,400(4)	3	24.77
Directors of subsidiaries of Straits Inter Logistics	-	-	-	-	-	-
Substantial shareholders of Straits Inter Logistics	57,000,000	3	30.98	57,000,000	3	25.02
Persons connected and associated to the substantial shareholders	-	-	-	-	-	-
Shareholders holding less than 100 Shares	786	21	*	786	21	*
Public shareholding spread	**114,368,264**	**1,233**	**62.18**	**114,368,264**	**1,233**	**50.21**

Notes:

* *The amount is immaterial.*

(1) Based on the share capital of 183,952,380 Straits Inter Logistics Shares as at the LPD.

(2) As at the LPD, save for the shareholdings held by Dato' Sri Ho Kam Choy (comprising 8,023,300 Shares), Dato' Tan Seng Hu (comprising 2,560,000 Shares) and Ho Fook Meng (comprising 2,000,000 Shares), our directors do not hold any Straits Inter Logistics Share.

(3) Based on the enlarged share capital of 227,778,480 Straits Inter Logistics Shares after the Rights Issue of Shares with Warrants, pursuant to the Minimum Subscription Level.

(4) Assuming only Dato' Sri Ho Kam Choy subscribe for the Rights Shares with Warrants pursuant to the Minimum Subscription Level, resulting to an increase in his shareholdings held in our Company from 8,023,300 Shares to 51,849,400 Shares.

2.6 Details of other corporate exercises

As at the LPD, save for the Rights Issue of Shares with Warrants and the Acquisition of Straits 1, there is no other outstanding corporate exercise which has been announced but pending completion.

3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

3.1 General

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotments which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue of Shares with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for the Rights Shares with Warrants that you have been provisionally allotted, as well as to apply for Excess Rights Shares with Warrants if you choose to do so. This AP and the RSF are also available at the Registered Office, the Share Registrar or on Bursa Securities' website (http://www.bursamalaysia.com).

3.2 NPA

The Provisional Allotments are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the NPA will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As Entitled Shareholders, you and/or your transferee(s) and/or your renouncees (if applicable) are required to have valid and subsisting CDS Accounts when making the applications.

3.3 Last date and time for acceptance and payment

The Closing Date for the Provisional Allotments is at **5.00 p.m. on 3 August 2017**. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

3.4 Procedures for full acceptance and payment by Entitled Shareholders

If you wish to accept your entitlement to the Provisional Allotments, the acceptance of and payment for the Provisional Allotments must be made on the respective RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this AP, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible, may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU OR YOUR TRANSFEREES OR YOUR RENOUNCEES WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF. YOU AND/OR YOUR TRANSFEREES OR RENOUNCEES (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

If you wish to accept all or part of your entitlement, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions provided in the RSF. Thereafter, please send each completed and signed RSF together with the relevant payment by using the envelope provided (at your own risk) to our Share Registrar by **ORDINARY POST, COURIER** or **DELIVERED BY HAND** at the following address:

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

Tricor Customer Services Centre
Unit G-3, Ground Floor
Vertical Podium, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Wilayah Persekutuan

Tel : 603- 2783 9299
Fax : 603- 2783 9222

so as to arrive **not later than 5.00 p.m. on 3 August 2017**, being the Closing Date.

One (1) RSF can only be used for acceptance of the Provisional Allotments standing to the credit of one (1) CDS Account. Separate RSF must be used for separate CDS Account. If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS Account where the Provisional Allotments are standing to the credit.

A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSFs by our Share Registrar for the Rights Shares with Warrants, you are advised to use one (1) reply envelope for each completed RSF.

You and/or your transferee(s) and/or renouncees (if applicable) should take note that a trading board lot for the Rights Shares and Warrants comprises one hundred (100) Rights Shares and one hundred (100) Warrants, respectively. Successful applicants of the Rights Shares will be given the free attached Warrants on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for. The minimum number of Rights Shares that can be subscribed for or accepted is one (1) Rights Share with one (1) Warrant.

If acceptance of and payment for the Provisional Allotments is not received by our Share Registrar by **5.00 p.m. on 3 August 2017**, being the Closing Date for the provisional Rights Shares with Warrants, you will be deemed to have declined the provisional entitlement made to you and it will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar.

Our Board will then have the right to allot any Rights Shares with Warrants not validly taken up to applicants applying for the Excess Rights Shares with Warrants in the manner as set out in Section 3.8 of this AP.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website (http://www.bursamalaysia.com), our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY APPROPRIATE REMITTANCE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE RIGHTS SHARES WITH WARRANTS ACCEPTED IN THE FORM OF BANKER'S DRAFT/ CASHIER'S ORDER/ MONEY ORDER OR POSTAL ORDER DRAWN ON A BANK OR POST OFFICE IN MALAYSIA AND MUST BE MADE PAYABLE TO "STRAITS INTER LOGISTICS BERHAD (RIGHTS ISSUE ACCOUNT)", CROSSED "ACCOUNT PAYEE ONLY" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME IN BLOCK LETTERS, YOUR CONTACT NUMBER AND CDS ACCOUNT NUMBER SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR NOT LATER THAN 5.00 P.M. ON 3 AUGUST 2017, BEING THE CLOSING DATE. ANY EXCESS OR INSUFFICIENT PAYMENT MAY BE REJECTED AT THE ABSOLUTE DISCREION OF OUR BOARD. CHEQUES OR OTHER MODE(S) OF PAYMENT NOT PRESCRIBED HEREIN ARE NOT ACCEPTABLE.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THEM OR THEIR TRANSFEREES OR THEIR RENOUNCEES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

PROOF OF POSTAGE SHALL NOT CONSTITUTE PROOF OF RECEIPT BY OUR SHARE REGISTRAR OR OUR COMPANY.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE BY ORDINARY POST TO THE ADDRESS SHOWN ON THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

ALL RIGHTS SHARES AND WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING SUCH RIGHTS SHARES AND THE WARRANTS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR TRANSFEREE(S) OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE OR WARRANT CERTIFICATES WILL BE ISSUED.

3.5 Procedures for part acceptance by Entitled Shareholders

You are entitled to accept part of the Provisional Allotments. Entitled Shareholders of the Rights Shares will be given the free attached Warrants on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for. The minimum number of security that can be subscribed for or accepted is one (1) Rights Share for every one (1) existing Straits Inter Logistics Share held. The minimum number of Warrant that can be issued and allotted with the accepted Rights Shares is one (1) Warrant. Applicants should take note that the trading board lot comprises 100 Straits Inter Logistics Shares and 100 Warrants, respectively.

You must complete both Part I(A) of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.4 of this AP.

YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND THE RSF.

The portion of the Provisional Allotments that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Provisional Allotments.

3.6 Procedures for sale/transfer of Provisional Allotments

As the Provisional Allotments are prescribed securities, you may dispose of or transfer all or part of your entitlement to the Provisional Allotments to one (1) or more person(s) through your stockbrokers during the period up to the Closing Date (in accordance with the Rules of Bursa Depository) without first having to request for a split of the Provisional Allotments standing to the credit of your CDS Accounts.

To dispose or transfer all or part of your entitlement to the Provisional Allotments, you may sell such entitlement in the open market or transfer such entitlement during the period up to the last date and time for sale or transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository) or transfer such entitlement to persons as may be allowed under the Rules of Bursa Depository during the period up to the last date and time for sale or transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository).

If you have sold or transferred only part of the Provisional Allotments, you may still accept the balance of the Provisional Allotments by completing Parts I(A) and II of the RSF and delivering the RSF together with the full amount payable on the balance of the Rights Shares with Warrants applied for to the Share Registrar. Please refer to Section 3.4 of this AP for the procedures for acceptance and payment.

In disposing/transferring all or part of your provisionally Rights Shares with Warrants, you need not deliver any document including the RSF, to any stockbroker. However, you must ensure that there is sufficient provisional Rights Shares with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the provisional Rights Shares with Warrants may obtain a copy of this AP and the RSF from their stockbrokers or from our Share Registrar or at our Registered Office. This AP and the RSF are also available on Bursa Securities' website at http://www.bursamalaysia.com.

3.7 Procedures for acceptances by renouncees

Renouncees who wish to accept the provisional Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers or our Share Registrar or at our Registered Office or from the Bursa Securities' website http://www.bursamalaysia.com and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 3.4 of this AP also applies to renouncees who wish to accept the provisional Rights Shares with Warrants.

RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND THE RSF.

3.8 Procedures for Excess Rights Shares with Warrants Applications

You and/or your transferees and/or your renouncees (if applicable) who accepted the Provisional Allotments may apply for additional Rights Shares with Warrants in excess of your entitlement by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forward it (together with a **separate remittance** made in RM for the full amount payable in respect of the Excess Rights Shares with Warrants applied for) to our Share Registrar **not later than 5.00 p.m. on 3 August 2017**, being the Closing Date for Excess Rights Shares with Warrants Applications and payment, or such extended time and date as may be determined and announced by our Board.

PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 3.4 OF THIS AP, WHERE THE BANKER'S DRAFT(S)/CASHIER'S ORDER(S)/MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "ACCOUNT PAYEE ONLY" AND MADE PAYABLE TO "STRAITS INTER LOGISTICS BERHAD (EXCESS RIGHTS ISSUE ACCOUNT)" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR NOT LATER THAN 5.00 P.M. ON 3 AUGUST 2017, BEING CLOSING DATE, OR SUCH EXTENDED TIME AND DATE AS MAY BE DETERMINED AND ANNOUNCED BY OUR BOARD.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, on the pro-rata basis and in board lots, to our Entitled Shareholders who have applied for the Excess Rights Shares with Warrants, taking into consideration their respective shareholdings in our Company as at the Entitlement Date;

(iii) thirdly, on a pro-rata basis and in board lots, to our Entitled Shareholders who have applied for Excess Rights Shares with Warrants, taking into consideration the quantum their respective excess application; and

(iv) fourthly, on a pro-rata basis and in board lots, to the transferees and/or renouncees who have applied for Excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application.

In the event of any balance of excess Rights Shares after the above sequence of allocation, the balance will be allocated through the same sequence of process (ii) to (iv) until all excess Rights Shares are fully allocated.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis and that the intention of our Board as set out in Section 3.8 (i) to (iv) above are achieved. Our Board also reserves the right to accept any Excess Rights Shares with Warrants Applications, in full or in part, without assigning any reason.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND A NOTICE OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.

3.9 Notice of allotment and refund

Upon allotment of the Rights Shares with Warrants in respect of your acceptance and/or your transferee's and/or your renouncee's acceptance (if applicable) and Excess Rights Shares with Warrants Application (if any), the Rights Shares with Warrants shall be credited directly into the respective CDS account. No physical share certificates and warrant certificates will be issued in respect of the Rights Shares with Warrants. However, a notice of allotment will be despatched to you and/or your transferees or renouncees (if applicable), by ordinary post within eight (8) Market Days from the Closing Date for the Rights Shares with Warrants and Excess Rights Shares with Warrants Application, or such other period as may be prescribed or allowed by Bursa Securities, at the address shown on the Record of Depositors at your own risk.

Where any application for the Rights Shares with Warrants is not accepted due to non-compliance with the terms of the Rights Issue of Shares with Warrants or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest to you within fifteen (15) Market Days from the Closing Date of the Rights Shares with Warrants by ordinary post to the address shown on the Record of Depositors at your own risk.

Please note that a completed RSF and the payment thereof once lodged with our Share Registrar for the Rights Issue of Shares with Warrants is irrevocable and cannot be withdrawn subsequently.

3.10 Form of issuance

Bursa Securities has prescribed that Straits Inter Logistics Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants and the new Shares to be issued arising from the exercise of Warrants are prescribed securities and as such the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights Shares with Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS account number may result in the application being rejected. Your subscription for the Rights Shares with Warrants shall mean your consent to receiving such Rights Shares with Warrants as deposited securities which will be credited directly into your CDS account. No physical share certificate or warrant certificate will be issued to you under the Rights Issue of Shares with Warrants.

Instead, the Rights Shares with Warrants will be credited directly into your CDS accounts, and notices of allotment will be sent to you in the manner as stated in Section 3.9 of this AP.

Any person who has purchased the Provisional Allotments or to whom Provisional Allotments has been transferred and intends to subscribe for the Rights Shares with Warrants must state his/her CDS account number where the Provisional Allotments are standing to the credit in the space provided in the RSF. The Rights Shares with Warrants will be credited directly as prescribed securities into his/her CDS account upon listing.

The Excess Rights Shares with Warrants, if allotted to the successful applicant who applies for Excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS account of the successful applicant. The allocation of the Excess Rights Shares with Warrants will be made on a fair and equitable basis as disclosed in Section 3.8 of this AP.

3.11 Laws of foreign jurisdictions

This AP and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue of Shares with Warrants will not be made or offered for subscription in any foreign jurisdiction.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) may collect this AP including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to the Rights Issue of Shares with Warrants.

Foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of Shares with Warrants only to the extent that it would be lawful to do so.

TA Securities, our Company and our Board and officers would not, in connection with the Rights Issue of Shares with Warrants, be in breach of, responsible or liable under the laws of any jurisdiction to which that foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) are or may be subject to. He shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. TA Securities, our Company and our Board and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

The foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company and/or TA Securities and/or other professional advisers in respect of their rights and entitlements under the Rights Issue of Shares with Warrants. Such foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of Shares with Warrants.

In accepting the Provisional Allotments by completing and signing the RSF accompanying this AP, the foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) TA Securities, our Company and our Board and officers that:

(i) our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue of Shares with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) is or may be subject to;

(ii) the foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the provisional Rights Shares with Warrants;

(iii) the foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation of the provisional Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) the foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) the foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) have received a copy of this AP and have been provided the opportunity to pose such questions to the representatives and receive answers thereto as the foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) deem necessary in connection with the foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) decision to subscribe for or purchase the Rights Shares with Warrants. However, any information relevant to an investment shall be contained in this AP; and

(vi) the foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this AP, the NPA and the RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, the NPA and the RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

4. UTILISATION OF PROCEEDS

Based on the Issue Price of RM0.115 per Rights Share, the Rights Issue of Shares with Warrants is expected to raise gross proceeds of up to RM21,154,480 which will be utilised in the following manner based on the scenarios as illustrated below:

Minimum Scenario	:	Assuming that only the Undertaking Shareholder subscribed for his entitlement pursuant to the Minimum Subscription Level which shall raise a minimum gross proceed of RM5,040,000.
Maximum Scenario	:	Assuming that all entitled shareholders subscribed for their entitlement pursuant to the Rights Issue of Shares with Warrants.

		Minimum Scenario **RM'000**	**Maximum Scenario** **RM'000**	**Expected time frame for utilisation of proceeds (from the date of listing of the Rights Shares)**
Acquisition of Straits 1	*(1)*	2,800	2,800	Within 12 months
Working capital	*(2)*	440	16,554	Within 12 months
Defray estimated expenses in relation to the Corporate Exercises	*(3)*	1,800	1,800	Within 1 month
		5,040	21,154	

Notes:

(1) Our Group intends to earmark up to RM2.80 million to finance the cash consideration for the Acquisition of Straits 1. In the event that the Acquisition of Straits 1 is not implemented, the proceeds raised and allocated for this purpose will then be utilised for purchase of MGO as stated in note (2) (a) below.

Details of Straits 1 which is to be acquired by our Group are as follows:

Vessel's name	:	Straits 1
Type	:	Oil tanker
Age	:	27 years
Specifications (Length x Beam x Draft)	:	48.00 metres x 8.60 metres x 3.80 metres
Flag	:	Malaysian
Class	:	KM
Built (year and builder's name)	:	1990, Kao Sangyo Co. Ltd.
Gross register tonnage	:	433 tonnes
Place of registration	:	Port Kelang, Malaysia
Registered owner	:	Straits Holdings
Current use	:	Operation of bunkering activities in Kuantan Port and Kemaman Port
Encumbrances	:	Vessel is free from encumbrances
Cost of investment/ year of acquisition of Straits 1	:	RM 2,355,496 / year 2011

(2) The working capital will be utilised for our Group's day-to-day operations to support its business operations. The details of the utilisation of the Rights Issue of Shares with Warrants proceeds for working capital purposes are as follows:

	Minimum Scenario RM'000	**Maximum Scenario RM'000**
Oil bunkering activity related expenses [(a)]	252	15,220
General operations expenses[(b)]	24	288
Repair and maintenance costs [(c)]	160	1,000
Rental of office premise [(d)]	4	46
Total	**440**	**16,554**

(a) Our Group intends to earmark up to RM15.22 million for oil bunkering activity and related expenses as follows:

	Minimum Scenario RM'000	**Maximum Scenario RM'000**
Oil bunkering activity related expenses:		
- Purchase of MGO [(i)]	240	15,070
- Marketing expenses[(ii)]	12	150
Total	**252**	**15,220**

(i) Part of the Rights Issue of Shares with Warrants proceeds will be catered for the expansion of our Group's activity in providing bunkering services for marine fuel, petroleum and petroleum based products. Our Company intends to allocate up to RM15.07 million (based on the Maximum Scenario) mainly for the purchases of MGO from suppliers which will be supplied to ships off the ports for their own use (i.e. oil bunkering activity). The allocation of up to RM15.07 million would be sufficient for our Company to load the storage capacity for Sturgeon and Straits 1 up to its maximum capacity during each refuelling of once per week, for a period of approximately three (3) months. Subsequently, our Group will use its internally generated funds to purchase the MGO.

(ii) Pursuant to the Acquisitions, our Group will undertake efforts to promote our Group's services in providing oil bunkering. In this regard, part of the Rights Issue of Shares with Warrants proceeds is earmarked for our Group's marketing and sales to organisations in the oil and gas industry that have marine based operations in the Pasir Gudang Port and subsequently to other organisations in other industries which operates vessels such as cargo vessels, passenger ferries and navy vessels. Approximately up to RM150,000 (based on the Maximum Scenario) is allocated for advertising activities where Straits Inter Logistics promotes its bunkering branding to reach out to the target customers through trade shows as well as distribution of corporate profiles and brochures. Apart from the operations in Pasir Gudang Port, our Group intends to offer oil bunkering services in Kuantan Port, Kemaman Port and Labuan Port via the Collaboration Agreement, as supplemented by the exchange of letter dated 6 March 2017, with Tumpuan Megah. Kindly refer to Section 7.3 of this AP for further details on the prospects and future plans of our Group.

(b) Part of the Rights Issue of Shares with Warrants proceeds is earmarked for our Group's day-to-day operations mainly for the payment of overheads (i.e. utilities and office administrative cost) and employees' salaries of up to twelve (12) months as follows:

	Minimum Scenario RM'000	Maximum Scenario RM'000
Payment of salaries for 2 general managers, 1 manager and 2 employees	19	228
Overheads (utilities and office administrative cost)	5	60
Total	**24**	**288**

(c) Pursuant to the Acquisitions, up to RM1.0 million from the proceeds of the Rights Issue of Shares with Warrants proceeds is earmarked for repair and maintenance of the two (2) vessels which will be acquired (based on the Maximum Scenario). These repair and maintenance costs comprises among others, purchase of vessels' spare parts, maintenance of vessels' engines, maintenance of vessels' decks, and upkeep of vessels' equipment. After the proposed utilisation period of twelve (12) months, our Group will utilise its internally generated funds to defray repair and maintenance expenses.

(d) In September 2016, our Group entered into a tenancy agreement with Labchem Industries Berhad to rent our new corporate office located in Plaza Mont Kiara, Kuala Lumpur with a monthly rental of RM3,800. The tenancy of the new office premise commenced on 15 November 2016 for a duration of three (3) years. The gross built-up area and net useable area of this new office premise is approximately 1,418 sq ft.

Straits Inter Logistics intends to utilise up to RM45,600 (based on the Maximum Scenario) as payment for rental for the above-mentioned new corporate office. After the proposed utilisation period of twelve (12) months, our Group will utilise its internally generated funds to continue renting the premise. The renovation works for this new office premise were undertaken in November 2016 and was completed in January 2017. Our Group relocated its corporate office in July 2017. The re-location of our corporate office to Mont' Kiara would serve to provide the Group with a better corporate identity as it is located in commercial development (comprising of office complex with retail space) compared to our previous corporate office which was based in a shop lot located in Kampung Attap, Kuala Lumpur.

The renovation cost for the new corporate office is approximately RM0.33 million which comprises the following:

Types of renovation	**Cost (exclusive of GST) (RM'000)**
Demolition and dismantling work	7
Built-in furniture works	109
Installation works (i.e. electrical, lighting, air-conditioning, partition & closed-circuit television ("CCTV"), workstation, carpet tile and etc)	216
Total	**332***

Note:

* The renovation costs were funded from our Company's internally generated funds.

The actual amount to be utilised by each component of working capital may differ subject to the operating requirements of our Group at the time of utilisation.

(3) The expenses relating to the Corporate Exercises comprise, amongst others, the estimated professional fees, fees payable to the relevant authorities, expenses to convene the EGM held on 19 May 2017, printing, despatch and advertisement expenses and other ancillary expenses. If the actual expenses incurred are higher than the estimated expenses, the deficit will be funded from the proceeds allocated for our Group's working capital. Conversely, any surplus of funds after the full payment of these expenses will be utilised as working capital for our Group.

The actual proceeds to be raised from the Rights Issue of Shares with Warrants is dependent the subscription level of the Rights Issue of Shares with Warrants. Any variation in the actual proceeds raised will be adjusted against the amount allocated for the working capital purposes of our Group. If the actual proceeds raised is less than RM21,152,480 under the Maximum Scenario, the shortfall will be funded from the Group's internally generated funds, if required.

Pending utilisation of the proceeds from the Rights Issue of Shares with Warrants for the abovementioned purposes, the proceeds will be placed in deposits with financial institution licensed by Bank Negara Malaysia or short-term money market instruments in Malaysia as the Board may deem fit. The interest derived from the deposits with financial institution licensed by Bank Negara Malaysia or any gain arising from short-term money market instruments in Malaysia will be used as the additional working capital of our Group.

The exact quantum of gross proceeds to be raised from the exercise of the Warrants is dependent on the total number of Warrants exercised during the tenure of Warrants. The proceeds to be raised from the exercise of Warrants shall be utilised for working capital of our Group, mainly for the purchase of MGO inventories, of which the exact timeframe and the breakdown for utilization are not determinable at this juncture.

5. RATIONALE FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

After due consideration of the various methods to raise funds for purposes as stated in Section 4 above, our Board is of the opinion that the Rights Issue of Shares with Warrants is currently an appropriate avenue for our Company, after taking into consideration the following:

(i) it will enable our Company to raise immediate funds without incurring interest costs as compared to other means of financing, such as bank borrowings or the issuance of debt instruments;

(ii) it provides an opportunity for the existing shareholders to increase their equity participation in our Company at a discount to the prevailing market price for our Company's Shares from the subscription of the Rights Shares; and

(iii) the Warrants which are attached to the Rights Shares are intended to provide added incentive to our Entitled Shareholders to subscribe for the Rights Shares. The Warrants will allow our Entitled Shareholders to increase their equity participation in our Company by the exercise of the Warrants at a predetermined price over the tenure of the Warrants. In addition, upon exercise of the Warrants (if any), our Company will obtain additional proceeds to fund any future business expansion and/or working capital requirements of our Group, whilst strengthening capital base and potentially increasing the liquidity of our Company's Shares.

The Rights Issue of Shares with Warrants is undertaken on the Minimum Subscription Level basis as the funds to be raised will be sufficient for our Group's funding requirements based on the present cash flow position and level of operations of our Group. In the event the actual level of subscription for the Rights Issue of Shares with Warrants is higher than the Minimum Subscription Level, our Group will be able to improve our Group's business activities in oil bunkering (i.e. increase our procurement of MGO from suppliers and in turn, the increase in sales to our customers).

6. RISK FACTORS

6.1 Risks relating to our existing business and industry

(i) Non-renewal or revocation of our Group's license issued under the Petroleum Development Act 1974 ("PDA License") and inability to or delay in securing further PDA Licenses

Our Group, via Selatan Bunker had been issued a PDA License on 5 September 2016 to provide bunkering services in the area of Pasir Gudang, Johor. With the PDA License secured for Pasir Gudang Port, Johor, our Group intends to commence oil bunkering operations in this area by 2nd half of 2017. Further as stated in Section, 7.3 (c) of this AP, our Group also intend to apply for PDA Licences for the Kemaman Port, Kuantan Port and Labuan Port by 1st half of 2018. Industry players that are involved in the provision of bunkering services must obtain appropriate licenses from the Ministry of Domestic Trade, Co-operatives and Consumerism ("MDTCC") under the Petroleum Development Act 1974 for the category of bunkering services.

The Petroleum Development Act 1974 regulates, among others, the downstream activities relating to petroleum and its products, including the oil bunkering industry. The Petroleum Development Act 1974 applies to all activities in the value chain of the oil and gas industry, except the supply of gas through pipelines to consumers. Under the Petroleum Development Act 1974, the MDTCC is responsible for the issuance of licenses for the marketing and distribution of petroleum and petrochemical products, which includes bunkering licenses (*Source: IMR Report*).

Our Group's PDA License above is valid for the period up to 3 August 2018. An application for renewal of the PDA License must be made 3 months before its expiry. The validity of the PDA License is subject to continuous compliance with the Petroleum Development Act 1974, the relevant regulations and the conditions imposed by MDTCC from time to time and in the event we fail to comply with such requirements, our Group's PDA License for the Pasir Gudang Port, Johor may be revoked or subsequently not renewed. Such revocation or non-renewal of our PDA License in Pasir Gudang Port, Johor will affect our ability to carry out our business operations for oil bunkering activities on our own in Pasir Gudang Port, Johor area in the future.

Furthermore, there is no assurance that our Group will be able to obtain or that there would not be a delay in obtaining the PDA Licences for the Kemaman Port, Kuantan Port and Labuan Port. In the event we are unable to or there is a delay in obtaining the PDA Licenses for the Kemaman Port, Kuantan Port and Labuan Port, our Group may not be able to realise our plans as we have envisaged in Sections 4 – Utilisation of Proceeds and 7.3 – Prospects and Future Plans of our Group of this AP, to venture and expand our business activities in oil bunkering.

(ii) Dependency on the offshore oil and gas industry

Oil bunkering customers comprises organisations with marine-based operations that own and/or operate ocean faring vessel, as well as offshore structures such as those used for exploration and production activities in the oil and gas industry. Our Group's operations are dependent on the level of activity in the exploration, development and production of oil and natural gas, including the level of capital spending in the offshore oil and gas industry. Such activities are affected by factors such as volatility in the demand for and supply of oil, fluctuations in the current and future oil prices, the number, size and locations of offshore oil fields, the demand for and supply of alternative fuels or energy, the prices of alternative fuels or energy, changes in capital expenditure by customers in the offshore oil and gas industry and general economic, social and political conditions.

In the event that there is deterioration in the offshore oil and gas industry and/or the offshore support services industry or in global or regional economic and political conditions, oil and gas companies may defer or reduce their planned exploration and production expenditure which may reduce the demand for offshore vessels and services. This may result in a decrease in our Group's business activities and consequently, our Group's results of operations and financial conditions following the completion of the Acquisitions, may be materially and adversely affected. There can be no assurance that our Group will be able to reap the benefits of ownership of the vessels as opposed to merely chartering it. There is no certainty that our Group will be able to adequately and efficiently utilise the vessels to ensure that our Group operates efficiently.

(iii) Environmental risks

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

(iv) Dependency on key management

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

Our Group's trading of offshore oil (i.e. MGO and oil bunkering) business units are dependent on the technical knowledge related to the oil bunkering industry. The number of people with the required expertise and experience is limited whilst competition for their services is typically high in the offshore oil and gas industry. As such, our Group could experience difficulties in attracting, recruiting and retaining the appropriate number of technical personnel for our Group's business needs. Our Group may be required to increase the remuneration package to attract and retain such personnel. As our Group's future performance will depend on the continued services of these personnel, a sudden loss of our Group's key technical personnel or the inability to manage the attrition rate in different employee categories could adversely affect the quality of our services, the growth of our Group's business and result in increased costs and consequently, materially and adversely affect our Group's business, results of operations and financial condition.

(v) Non-completion of the Acquisition of Straits 1

The completion of the Acquisition of Straits 1 is subject to certain conditions which are beyond the control of our Group, such as the approvals of relevant authorities. There can be no assurance that all the conditions set out in the Memorandum of Agreement 2 will be fulfilled or obtained in a timely manner or at all, and thus there can be no assurance that the Acquisition of Straits 1 will be completed as contemplated by our Group or completed within the timeframe stipulated in the Memorandum of Agreement 2. Should a delay or non-completion of the Acquisition of Straits 1 occur, our Group may not realise all the benefits that may accrue from the Acquisition of Straits 1.

6.2 Risks relating to the Rights Issue of Shares with Warrants

(i) Investment risk and capital market risk

The market price of the Rights Shares is influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of Straits Inter Logistics Shares, the outlook of the oil bunkering industry in Malaysia, changes in regulatory requirements or market conditions, the financial performance and fluctuations in our Group's operating results. In view of this, there can be no assurance that the Rights Shares will trade above the Issue Price for the Rights Shares or TERP upon or subsequent to the listing of and quotation for the Rights Shares on the ACE Market of Bursa Securities.

The market price of the Warrants may be influenced by, amongst others, the market price of Straits Inter Logistics Shares, and the remaining exercise period of the Warrants and the volatility of Straits Inter Logistics Shares. There can be no assurance that the Warrants will be "in-the-money" during their exercise period. In the event the Warrants are not exercised during the exercise period, the unexercised Warrants will lapse and cease thereafter to be valid for any purpose.

(ii) Delay in or abortion of the Rights Issue of Shares with Warrants

The Rights Issue of Shares with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of force majeure events or circumstances which are beyond the control of our Company arising prior to the implementation of the Rights Issue of Shares with Warrants. Such events or circumstances include inter-alia, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn and changes in political leadership. There can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue of Shares with Warrants.

In this respect, all proceeds arising from the Rights Issue of Shares with Warrants will be refunded without interest to our Entitled Shareholders and/or their transferees and/or their renouncees (if applicable) in the event the Rights Issue of Shares with Warrants is aborted and if such monies are not repaid within fourteen (14) days after it becomes liable, we will repay such monies with interest at the rate of ten percent (10%) per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

In the event that the Rights Shares and Warrants have been allotted to you and/or your transferee(s) and or your renouncee(s) (if applicable) and the Rights Issue of Shares with Warrants is subsequently cancelled/terminated, a return of the monies to the holders of the Rights Shares and Warrants can only be fulfilled by way of cancellation of our share capital as provided under the Act. Such cancellation may be carried out with the approval of our shareholders by way of special resolution in a general meeting and confirmation by the High Court of Malaya or supported by a solvency statement made by all directors of our Company. There can be no assurance that such monies can be recovered within a short period of time or at all under such circumstances.

(iii) Forward-looking statements

Certain statements in this AP are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this AP are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, among others, the risk factors as set out in this section. In view of the above, the inclusion of any forward-looking statements in this AP should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

(iv) Potential dilution

Entitled Shareholders who do not or are not able to accept their entitlement in respect of the Rights Issue of Shares with Warrants will have their ownership and voting interests in our Company being reduced, and the percentage of the enlarged and paid-up share capital of Straits Inter Logistics represented by their shareholding in our Company will also be diluted accordingly.

Further, their entitlement to any dividends, rights, allotment, and/or other distribution that we may declare, make or pay will correspondingly be reduced.

7. INDUSTRY OUTLOOK AND PROSPECTS OF OUR GROUP

7.1 Prospects and outlook of the Malaysian economy

In 2016, the Malaysian economy continued to face considerable external and domestic headwinds.

While some of the impact of earlier domestic shocks gradually dissipated during the year, growth performance was affected by new risks and ongoing adjustments to external shocks that have impacted the economy since end-2014. Despite these challenges, the economy grew by 4.2% in 2016. Despite the challenging economic environment, the Malaysian economy registered a growth of 4.2% in 2016

Export performance and investment activity were relatively subdued throughout the year following lacklustre global demand and low commodity prices. In addition, the unexpected outturn of political developments in the advanced economies, especially the United Kingdom and the United States, and the macroeconomic policies adopted by these economies, have led to heightened uncertainty in financial markets and a significant reversal of capital flows from emerging economies.

On the domestic front, the economy continued to face headwinds from higher cost of living and weak sentiments. Ongoing adjustments by households, especially the low and middle-income groups, to the increased cost of living and by soft labour market conditions. Concurrently, business and consumer sentiments were affected by global and domestic factors, including the heightened volatility in financial markets and the prolonged underperformance of the ringgit.

In the external sector, the current account of the balance of payments remained in surplus, but by a smaller amount. This stemmed from a lower trade surplus as export growth moderated in line with the subdued global demand. The persistent structural deficits in the services and income accounts also contributed further to the narrowing of the current account surplus. The financial account continued to record net outflows. While direct investment registered net inflows, portfolio investment inflows in the first half of the year were offset by larger net outflows in the second half of the year.

The fundamentals of the Malaysian economy have accorded Malaysia the ability to weather these challenges. The diversified sources of growth in the economy have allowed the adverse impact of sector-specific shocks to remain manageable. Despite some softening, labour market conditions remained stable with continued income growth providing continued support to household spending. Notwithstanding the weak global demand, Malaysia's external position remained strong, supported by ample international reserves and manageable levels of external debt.

(Source: Bank Negara Malaysia Annual Report 2016)

The Malaysian economy is expected to expand between 4% and 5% in 2017 (2016: 4% - 4.5%) with nominal gross national income per capita increasing 5% to RM39,699 (2016: 4.8%; RM37,812). Economic growth will be underpinned by strong domestic demand, especially private sector expenditure. Private sector activity will be supported pro-growth fiscal and accommodative monetary policies in an environment of stable inflation, which is projected to range between 2% and 3% (2016: 2% – 2.5%) Meanwhile, public sector expenditure will be driven mainly by higher investment by public corporations.

(Source: Ministry of Finance Malaysia, Economic Report 2016/2017)

7.2 Overview of the oil bunkering industry in Malaysia

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

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

The consumption of residual fuel oil for bunkering doubled from 420 barrels daily in 2010 to 985 barrels daily in 2012, and subsequently to an estimated 1,600 barrels daily in 2016, registering a CAGR of 25.0% between 2010 and 2016. SMITH ZANDER anticipates that the consumption of residual fuel oil for bunkering will reach an estimated 1,800 barrels daily in 2017.

Demand for marine fuels is derived from the demand for transportation of various types of cargoes by ocean faring vessels which, in turn, is derived from the demand for commodities that are produced in one (1) region of the world and consumed in another. Demand for marine fuels also takes into account demand from non-cargo bearing vessels i.e. cruise ships and ferries, as well as vessels utilised in the upstream oil and gas industry such as offshore support vessels, submersible and semisubmersible rigs and FPSO vessels.

The key demand drivers for the oil bunkering industry in Malaysia include:

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

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

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

(d) naval military activities signify growth opportunities for the oil bunkering industry.

(Source: IMR Report)

7.3 Prospects and future plans of our Group

Our Board, having taken into consideration the favourable outlook of the oil bunkering industry as stated in Section 7.2 of this AP, is positive of the prospects of the oil bunkering activities. In addition, our Group's future plans for the oil bunkering business are as follows:

(a) To pursue opportunities in the oil bunkering industry in Malaysia to drive business growth and expansion

Premised on the positive overview of the oil bunkering industry in Malaysia as stated in Section 7.2 of this AP, our Group is keen to expand our Group's asset base, strengthen its operational capabilities and broaden its geographical coverage (to the Kemaman Port, Kuantan Port and Labuan Port in Malaysia by 2nd half of 2017), in order to capture growth opportunities in the oil bunkering industry in Malaysia. To this end, the Acquisitions will allow our Company to establish in-house vessels for the purpose of supporting its oil bunkering and trading business, and position our Company to capture growth opportunities in the oil bunkering industry in Malaysia.

Our Company envisages that the funds required for the expansion to the Kemaman Port, Kuantan Port and Labuan Port are not significant since the marketing and administrative expenses are estimated to be approximately RM72,000 per annum in total. Our Company's main funding requirements will be for working capital, specifically for the purchase of MGO from suppliers which will be supplied to ships off the ports for their own use (i.e. oil bunkering activity). Such funding requirements are dependent on the demand for our Company's bunkering activities. The demand for our Group's bunkering activities is not known at this juncture although the Management expects it to be encouraging. Our Company will assess the demand from potential customers after undertaking its marketing activities and will utilise our Group's internally generated funds to undertake the bunkering activities.

(b) To secure a varied customer base of organisations with marine-based operations to diversify sources of revenue

With the PDA License secured on 5 September 2016 by our Company's 51% owned subsidiary, namely, Selatan Bunker, our Group intends to commence oil bunkering operations from the Pasir Gudang Port, Johor by the 2nd half of 2017 after the completion of the Acquisitions, to provide, market and sell bunkering services primarily to organisations with marine-based operations that own and/or operate ocean faring vessels, all types of oil and gas seafaring vessels such as supply boats, barges, tug boats, catamarans as well as offshore structures such as fixed platforms, floating production platforms, semi-submersible platforms, rigs and living quarters.

With our Group's priority in the near term to focus on oil bunkering operations within the Pasir Gudang Port, Selatan Bunker intends to secure more customers comprising other organisations in other industries which operate vessels such as cargo vessels, cruise ships and ferries as well as naval vessels after the Acquisitions, by 2nd half of 2017. Our Company has since commenced business development activities, where it involves identifying potential customers and establishing contact with potential customers. Such diversified customer base will allow Selatan Bunker to mitigate the risk of dependency on customers in the oil and gas industry, where crude oil and natural gas exploration and production activities and investments are influenced by global demand and supply factors.

Accordingly, the Acquisitions will allow our Company to increase bunkering capacity for our Company's oil bunkering business to ensure uninterrupted services to customers.

The estimated financial resources required to secure more customers comprising organisations in other industries within the Pasir Gudang Port (as stated in the paragraph above) is approximately RM72,000 per annum for marketing and administrative expenses, which also includes the marketing and administrative expenses for the expansion to the Kemaman Port, Kuantan Port and Labuan Port, as stated in Section 7.3 (a) of this AP. This amount will be funded from our Group's own internally generated funds.

(c) To pursue offering oil bunkering business in other seaports in Malaysia to increase the geographical diversity of revenue base

Selatan Bunker principally operates from the Pasir Gudang Port. Our Company intends to broaden our geographical coverage beyond the Pasir Gudang Port and expand to the Kemaman Port, Kuantan Port and Labuan Port for bunkering activities by the 2nd half of 2017, via its collaboration with Tumpuan Megah. At this juncture, our Company has commenced business development activities, where this involves identifying potential customers and establishing contact with these potential customers. Our Group intends to utilise part of the proceeds from the Rights Issue of Shares with Warrants and internally generated funds, as stated in Section 7.3 (a) and 7.3 (b) of this AP above, to secure more customers comprising organisations in other industries which operate vessels, at the Pasir Gudang Port.

On 29 December 2015, Selatan Bunker had entered into the Collaboration Agreement with Tumpuan Megah to explore and develop the oil bunkering and trading business which enabled our Company to jointly operate bunkering services with Tumpuan Megah in Pasir Gudang. Subsequently, by way of exchange of letter dated 6 March 2017, the parties expanded the area of collaboration to include Kemaman Port, Kuantan Port, Labuan Port and any other area as may be mutually agreed between the parties. The Collaboration Agreement shall be for a period of one (1) year ("Initial Term") and shall be renewed for subsequent periods of one (1) year ("Subsequent Term") thereafter unless terminated by written notice. The Collaboration Agreement was renewed for one (1) year up to 28 December 2017.

Upon our Group securing the relevant PDA Licenses for the Kemaman Port, Kuantan Port and Labuan Port, the ability of our Group to offer oil bunkering services will be further strengthen. Our Group plans to submit the applications to the relevant authorities to obtain the PDA Licenses for the Kemaman Port, Kuantan Port and Labuan Port by the 1st half of 2018 and endeavors to secure the same within 12 months from the date of the application. When our Group has obtained the relevant PDA Licenses for the Kemaman Port, Kuantan Port and Labuan Port and taking into consideration the future business needs of our Group, our Company will be able to carry out oil bunkering activities on its own and shall discontinue the Collaboration Agreement by 2019. In order to support our Group's plans to operate oil trading and oil bunkering on our own, our Group may consider increasing our workforce by recruiting employees with relevant experience in marketing and bunkering operations. In the event additional workforce is required, such hiring shall commence by the 2nd half of 2018. In the event Sturgeon and Straits 1 are not sufficient support our Group's oil bunkering activities in order to meet our Group's future demands for the MGO offered by our Group, the Straits Inter Logistics Group may consider the option of chartering vessels.

Pursuant to the Collaboration Agreement, the acquisition of these vessels will provide additional source of income to our Company as it shall be solely used by our Group to commence our bunkering operations and increase the geographical diversity of its earnings base.

This geographical expansion will reduce our Company's dependency on a single market, namely the Pasir Gudang Port, and allow our Company to promote our oil bunkering services to organisations with marine-based operations that own and/or operate ocean faring vessels across multiple seaports. The growth opportunities for geographical expansion will be supported by growth in the overall marine-based activities in Malaysia, comprising marine-based oil and gas exploration and production activities, marine-based trade activities as well as marine-based tourism activities.

The Acquisitions will allow our Company to have greater control over our oil bunkering operations, where vessel scheduling based on location and operations can be optimised based on our Company's requirements for efficiency and productivity.

Our Group is presently involved in the trading of off-shore oil such as MGO which are sourced from Singapore suppliers, and subsequently supplied to ships anchored off port waters for their own use. Selatan Bunker commenced trading in off-shore oil by end of December 2015 via the Collaboration Agreement with Tumpuan Megah, where Tumpuan Megah provides the related assets such as refuelling vessels, warehouse, storage facilities and logistics facilities to assist and support Selatan Bunker in the trading of off-shore oil business. Selatan Bunker will source products from suppliers and sell directly to customers, and record the sales revenue and cost of products, in full. Tumpuan Megah will, separately charge a fee to the customers as a service provider based on market rates, at approximately one (1) sen per litre of products shipped. Selatan Bunker fully recognised the revenue and profits arising from the trading and there is no sharing of revenue or profits with Tumpuan Megah.

Our Group will commence its oil bunkering operations upon completion of the acquisition of Sturgeon and Straits 1. The implementation of our Group's oil bunkering business will be led by our Executive Directors, Dato' Sri Ho Kam Choy and Captain Tony Tan Han (Chen Han). Dato' Sri Ho Kam Choy and Captain Tony Tan Han (Chen Han) will be assisted by Ho Hung Ming, General Manager and Chai Siang Chia, Technical General Manager, whom are employees of Selatan Bunker. The profiles of the key management personnel are as follows:

- Dato' Sri Ho Kam Choy, aged 54, Malaysian, was appointed to our Board on 5 August 2016 as a Non-Independent and Non-Executive Director and subsequently re-designated as Executive Director on 12 January 2017. He obtained his GCE "A" Level from Christ Church Secondary School, Singapore in 1983. Dato' Ho Kam Choy has approximately 29 years of experience in commercial management of vessels in the shipping industry. From 1988 to 1989, Dato' Sri Ho Kam Choy joined Tai Kuang Hang Co. Pte. Ltd, Singapore as a Shipping Executive and was in-charge with ship chartering and operations of vessles. Subsequently, from 1989 to 1991, Dato' Sri Ho Kam Choy joined a Hong Kong trading and shipping company, Kelway Entreprise Ltd as a Manager and was in charge for the commercial management of our Company owned fleet vessels. Since 1991, he is a director of RH Pacific Shipping Agencies Ltd, a company involved in shipping and transportation of bulk/bagged cargo and shipping. He is also a director of TMD Bunker Labuan Sdn Bhd, a 50.0% subsidiary of Tumpuan Megah. Dato' Sri Ho Kam Choy will be in charge of the strategic planning and business development of our Group.

- Captain Tony Tan Han (Chen Han), aged 41, Singaporean, was appointed to our Board on 24 March 2015 as an Independent Non-Executive Director and subsequently re-designated as Executive Director on 12 January 2017. He obtained his Diploma in Nautical Studies from Singapore Polytechnics in 1999. In 2009, he obtained a Specialist Diploma in workplace Safety and Health from Ngee Ann Polytechnics. Captain Tony Tan Han (Chen Han) has a Certificate of Competency ("COC") Class 1 Master Mariner (foreign-going) issued by the Maritime and Port Authority of Singapore and also holds a Registered Safety Officer certificate issued by the Ministry of Manpower in 2011. He started his career as a Marine Superintendent/ Senior Marketing Executive with EZRA Marine Services Pte Ltd in 2007 where he was responsible to ensure smooth implementation of the Safety and Environmental Management System on all the fleet vessels. Subsequently, he joined Hako Offshore Pte Ltd in 2010 as a Senior Safety Manager/ Designated Person Ashore where he was tasked to manage and implement the Safety Management System throughout the organisation and for the fleet vessels, addressing deficiencies pertaining to manning requirement and training, conducting internal audits and participating in the emergency response team, and ensuring that adequate resources and shore-based support are applied as required.

  He established Skips Marine Services in Singapore in 2012 and is presently the Managing Director where he oversees the business and contractual obligation to our Company's clients and implementation of safety standards. Captain Tony Tan Han (Chen Han) is well versed in the maritime industry and has approximately 19 years of professional marine experience in both sea-going and shore-based operations which include container, tanker, oil and gas, offshore fleet and ship management, ship operations and marine safety operations.

  He was also involved in audit, incident investigation as well as implementation of International Safety Management ("ISM") appointments. Captain Tony Tan Han (Chen Han) will be in charge of our Group's oil bunker and trading business segment. He will also be responsible for formulating strategies to secure oil related product supplies and building customer base.

- Chai Siang Chia, aged 60, Malaysian, is the Technical General Manager of Selatan Bunker. Chai Siang Chia obtained a Diploma in Human Resource Management from Institute of Commercial Management, Bournemouth, England in year 1999. In 2010, he obtained a Post Graduate Diploma in Management from International Institute of Management, United Kingdom ("UK"). He holds a Masters in Business Administration and Masters in Management from Kusuma Negara University (School of Economics), Indonesia in 2011. He is a holder of Class I Domestic Engineer (Motor) qualification from Malaysia Marine Department, Class I and Class II Marine Engineer (Motor) qualification from Ministry of Transport and Maritime Safety Authority, New Zealand. He is a member of Institute of Marine Engineers, Science and Technology (UK). He is also registered as Integrated Engineer with Engineering Council of UK and a Life Member of Ikhtisas Kelautan Malaysia (IKMAL).

  He began his career in 1973 as an engine room apprentice in deep sea fishing fleet of a Malaysian company. He worked through the ranks in engine room and eventually became a Chief Engineer in year 1983. Since then, he ventured and progress his undertaking in marine technical and engineering field and has joined several marine services companies, offshore companies, shipping and ship management companies based in Malaysia, Singapore, Brunei and Hong Kong, where he has acquired marine technical and engineering skills and experience dealing in various type of offshore vessels, both sea-going and onshore such as tug, fast area launch and safety stand-by boat, anchor handling tug supply vessel, diving support vessel, seismic survey vessel, crane ship, maintenance workboat, container vessel, bulk carriers and floating production utility vessel. Chai Siang Chia has over 40 years of experience in the marine industry.

He co-founded Skips Marine Services and is a director of Skips Marine Services since 2012. He joined Selatan Bunker as a Technical General Manager in December 2016.

- Ho Hung Ming, aged 24, Malaysian, is the General Manager of Selatan Bunker. Ho Hung Ming holds a Bachelor Degree (Hons) in Economics and Politics and a Masters Degree in Project Management from Manchester Metropolitan University, UK obtained in 2013 and 2014 respectively. After graduation, Ho Hung Ming joined Tumpuan Megah as a management trainee and was attached to various functions of our Company's business operations, specifically in marketing division. He was then promoted as a manager of Tumpuan Megah in-charge specifically for sales and marketing and management. Tumpuan Megah is involved in the business of supplying bunkering services, oil trading and barging to customers in the shipping industry of MGO. He joined Selatan Bunker as a General Manager in December 2016. Ho Hung Ming is the son of Dato' Sri Ho Kam Choy.

Ho Hung Ming shall be assisted by Tai Mok Same, the Marketing Manager of Selatan Bunker and will be responsible for the business development and marketing of Selatan Bunker's oil bunkering services. Chai Siang Chia will be responsible for vessel operations and management.

The operations of the vessels for will be undertaken by Skips Marine Services, who will be responsible for crew management, ensuring vessel compliance with regulatory requirements and vessel maintenance. In this regard, Selatan Bunker had on 25 January 2017 entered into a Ships Management Agreement with Skips Marine Services to appoint Skips Marine Services to provide ship management services for Sturgeon and Straits 1, after the completion of the Acquisitions and Selatan Bunker entering into the Charter Agreement.

Subsequent to the completion of the acquisition of Sturgeon and Straits 1, our Group intends to commence operations from the Pasir Gudang Port, Johor by 2nd half of 2017, to provide, market and sell bunkering services primarily to organisations with marine-based operations that own and/or operate ocean faring vessels, all types of oil and gas seafaring vessels such as supply boats, barges, tug boats, catamarans as well as offshore structures such as fixed platforms, floating production platforms, semi-submersible platforms, rigs and living quarters.

Our Group shall also continue to leverage on the Collaboration Agreement, as supplemented by the exchange of letter dated 6 March 2017, to pursue offering oil bunkering services to other seaports in Malaysia, namely, Kemaman Port, Kuantan Port and Labuan Port, by 2nd half of 2017. Kindly refer to Section 7.3 (a) of this AP for further details of our Group's future plans in pursuing oil bunkering services at other seaports in Malaysia.

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8. EFFECTS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

8.1 Share capital

The proforma effects of the Rights Issue of Shares with Warrants on the share capital of Straits Inter Logistics are as follows:

Minimum Scenario

	No. of Straits Inter Logistics Shares ('000)	Share capital (RM'000)
Total issued share capital as at LPD	183,952	21,492[(1)]
Pursuant to the Rights Issue of Shares with Warrants	43,826	5,040 [(2)]
Estimated expenses for Corporate Exercises	-	(1,800)[(3)]
	227,778	24,732
Shares to be issued pursuant to the exercise of the Warrants	43,826	5,040 [(2)]
Enlarged issued share capital	**271,604**	**29,772**

Maximum Scenario

	No. of Straits Inter Logistics Shares ('000)	Share capital (RM'000)
Total number of issued shares as at the LPD	183,952	21,492[(1)]
Pursuant to the Rights Issue of Shares with Warrants	183,952	21,154[(2)]
Estimated expenses for Corporate Exercise	-	(1,800)[(3)]
	367,904	40,846
Shares to be issued pursuant to the exercise of the Warrants	183,952	21,154[(2)]
Enlarged total number of issued shares	**551,856**	**62,001^**

Notes:

^ *Differences due to rounding.*

(1) *The total issued share capital as at the LPD 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.*

(2) *Computed based on the issue price of RM0.115 per Rights Share and the exercise price of RM0.115 per Warrant.*

(3) *The estimated expenses for the Corporate Exercises of approximately RM1.80 million is 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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8.2 NA and gearing

The pro forma effects of the Rights Issue of Shares with Warrants on the NA and gearing of our Group are as follows:

Minimum Scenario

Group	Audited as at 31 December 2016 (RM'000)	(I) After taking into account subsequent events completed up to the LPD [1] (RM'000)	(II) After (I) and the Rights Issue of Shares with Warrants (RM'000)	(III) After (II) and the Acquisition of Straits 1 (RM'000)	(IV) After (III) and assuming full exercise of the Warrants
Share capital	16,395	21,492	24,732 [2]	24,732	29,772 [3]
Share premium	10,425	-	-	-	-
Warrant reserve	-	-	3,506[3]	3,506	- [3]
Other reserve	-	-	(3,506)[3]	(3,506)	- [3]
Accumulated loss	(15,587)	(7,059)	(7,059)	(7,059)	(7,059)
Equity attributable to owners of the Company / NA	11,233	14,433	17,673	17,673	22,713
Non-controlling interests	207	207	207	207	207
Total Equity	11,440	14,640	17,880	17,880	22,920
No. of Shares in issue ('000)	163,952	183,952	227,778	227,778	271,605
NA per Share (RM)	0.07	0.08	0.08	0.08	0.08
Total borrowings	-	-	-	-	-
Gearing (time)	-	-	-	-	-

Notes:

(1) *After taking into account the following subsequent events completed up to the LPD:*

(a) *The Act (except section 241 and Division 8 of Part III of the Act) was implemented on 31 January 2017. In this respect, the amount standing to the credit of our Company's share premium account shall become part of the share capital of our Company on that date and will be reflected in our Company's and our Group's financial statements for the FYE 31 December 2017;*

(b) *Subsequent to 31 December 2016, our Company has undertaken a share capital reduction exercise which entails the reduction of RM8,528,533 of the share capital account by cancelling RM8,528,533 pursuant to Section 116 of the Act and such credit was utilised to set-off against the accumulated loss of our Company. The Share Capital Reduction was completed on 7 June 2017; and*

(c) *Subsequent to 31 December 2016, our Group acquired one (1) vessel known as Sturgeon for a purchase consideration of RM3,200,000 which was satisfied via the issuance of 20,000,000 new ordinary shares in our Company at an issue price of RM0.16 per Share. The acquisition was approved by the shareholders at the EGM held on 19 May 2017 and was completed on 20 June 2017.*

(2) *Based on the issue price of RM0.115 per Rights Share to be issued pursuant to the Rights Issue of Shares with Warrants and after deducting estimated expenses of RM1.80 million for the Corporate Exercises.*

(3) *Arises from the Warrants to be issued at an exercise price of RM0.115 per Warrant pursuant to the Rights Issue of Shares with Warrants. For illustration purposes, the fair value of each Warrant is estimated to be RM0.08 as at the LPD. The fair value is estimated using Trinomial Option Pricing Model.*

Maximum Scenario

Group	Audited as at 31 December 2016 (RM'000)	(I) After taking into account subsequent events completed up to the LPD [(1)] (RM'000)	(II) After (I) and the Rights Issue of Shares with Warrants (RM'000)	(III) After (II) and the Acquisition of Straits 1 (RM'000)	(IV) After (III) and assuming full exercise of the Warrants
Share capital	16,395	21,492	40,846 [(2)]	40,846	62,001[(3)]
Share premium	10,425	-	-	-	-
Warrant reserve	-	-	14,716[(3)]	14,716	-[(3)]
Other reserve	-	-	(14,716)[(3)]	(14,716)	-[(3)]
Accumulated loss	(15,587)	(7,059)	(7,059)	(7,059)	(7,059)
Equity attributable to owners of the Company / NA	11,233	14,433	33,787	33,787	54,942
Non-controlling interests	207	207	207	207	207
Total Equity	11,440	14,640	33,994	33,994	55,149
No. of Shares in issue ('000)	163,952	183,952	367,905	367,905	551,857
NA per Share (RM)	0.07	0.08	0.09	0.09	0.10
Total borrowings	-	-	-	-	-
Gearing (time)	-	-	-	-	-

(1) *After taking into account the following subsequent events completed up to the LPD:*

(a) *The Act (except section 241 and Division 8 of Part III of the Act) was implemented on 31 January 2017. In this respect, the amount standing to the credit of our Company's share premium account shall become part of the share capital of our Company on that date and will be reflected in our Company's and our Group's financial statements for the FYE 31 December 2017;*

(b) *Subsequent to 31 December 2016, our Company has undertaken a share capital reduction exercise which entails the reduction of RM8,528,533 of the share capital account by cancelling RM8,528,533 pursuant to Section 116 of the Act and such credit was utilised to set-off against the accumulated loss of our Company. The Share Capital Reduction was completed on 7 June 2017; and*

(c) *Subsequent to 31 December 2016, our Group acquired one (1) vessel known as Sturgeon for a purchase consideration of RM3,200,000 which was satisfied via the issuance of 20,000,000 new ordinary shares in our Company at an issue price of RM0.16 per Share. The acquisition was approved by the shareholders at the EGM held on 19 May 2017 and was completed on 20 June 2017.*

(2) *Based on the issue price of RM0.115 per Rights Share to be issued pursuant to the Rights Issue of Shares with Warrants and after deducting estimated expenses of RM1.80 million for the Corporate Exercises.*

(3) *Arises from the Warrants to be issued at an exercise price of RM0.115 per Warrant pursuant to the Rights Issue of Shares with Warrants. For illustration purposes, the fair value of each Warrant is estimated to be RM0.08 as at the LPD. The fair value is estimated using Trinomial Option Pricing Model.*

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8.3 Earnings and EPS

The Rights Issue of Shares with Warrants is not expected to have an immediate material effect on the earnings and EPS of our Group for the FYE 31 December 2017 as it is expected to be completed in the third quarter of 2017. However, it is expected to contribute positively to the earnings of our Group for the ensuing financial years when the benefits of the utilization of proceeds are realized.

The EPS of our Group shall be correspondingly diluted as a result of the increase in the number of Straits Inter Logistics Shares in issue pursuant to the Rights Issue of Shares with Warrants and new Straits Inter Logistics Shares arising from the exercise of Warrants in the future. The effect of any exercise of Warrants on Straits Inter Logistics's EPS would be dependent on the returns generated by our Group from the utilization of proceeds arising from the exercise of Warrants.

8.4 Convertible securities

Our Company does not have any existing convertible securities as at the date of this AP.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds from the Rights Issue of Shares with Warrants, cash in hand, funds generated from our operation and banking facilities available, our Group will have adequate working capital to meet our current core business requirements for the next twelve (12) months from the date of this AP.

9.2 Borrowings

As at the LPD, our Group does not have any outstanding borrowings.

9.3 Contingent liabilities

As at LPD, there are no contingent liabilities incurred or known to be incurred by our Company or our Group, which may have material impact on the financial position of our Group.

9.4 Material commitments

As at LPD, there are no material commitment incurred or known to be incurred by our Group which, upon becoming enforceable, may have material impact on our Group's financial position.

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10. TERMS AND CONDITIONS

The issuance of the Rights Shares and Warrants pursuant to the Rights Issue of Shares with Warrants is governed by the terms and conditions as set out in this AP, the NPA and the RSF enclosed herewith together with the Deed Poll.

11. FURTHER INFORMATION

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

Yours faithfully
For and behalf of the Board of
STRAITS INTER LOGISTICS BERHAD
(formerly known as Raya International Berhad)

DATO' TAN SENG HU
Managing Director

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM HELD ON 19 MAY 2017

RAYA INTERNATIONAL BERHAD

(Company No: 412406-T)

CERTIFIED EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF RAYA INTERNATIONAL BERHAD HELD AT HAZEL & IVY ROOM, LEVEL 2M, ONE WORLD HOTEL, FIRST AVENUE, BANDAR UTAMA CITY CENTRE, 47800 PETALING JAYA, SELANGOR ON FRIDAY, 19 MAY 2017 AT 10.00 A.M.

CERTIFIED TRUE COPY

WAN HASLINDA BT WAN YUSOFF, FCIS
Chartered Secretary
(MAICSA NO: 7055478)

IT WAS RESOLVED:-

The Shareholders had in the Extraordinary General Meeting of the Company approved the following resolution by poll:-

ORDINARY RESOLUTION 3

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 183,952,000 NEW RAYA SHARES ("RIGHTS SHARE") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING RAYA SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("RIGHTS ENTITLEMENT DATE"), TOGETHER WITH UP TO 183,952,000 FREE DETACHABLE NEW WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED BY THE ENTITLED SHAREHOLDERS ("PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS")

"THAT subject to the approvals of all relevant authorities and/or parties, if required, being obtained, approval be and is hereby given to the Company to:

(i) provisionally issue and allot by way of a renounceable rights issue of up to 183,952,000 Rights Shares on the basis of one (1) Rights Share for every one (1) existing Raya Share held on the Entitlement Date, together with up to 183,952,000 new Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed by the shareholders of Raya whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later by the Board;

(ii) determine the final issue price of the Rights Shares as stated in Section 2.3.2 of Part A of the circular to shareholders of Raya dated 25 April 2017 ("Circular");

(iii) determine the exercise price of the new Warrants as stated in Section 2.3.2 of Part A of the Circular

(iv) constitute the Warrants upon the terms and conditions of a deed poll to be executed by Raya ("Deed Poll"), the salient terms of which are as set out in Appendix I of the Circular;

(v) issue and allot such other additional Warrants as may be required or permitted to be issued as a result of any adjustment under the provisions of the Deed Poll;

(vi) issue and allot such number of new Raya Shares arising from the exercise of the Warrants during the tenure of the Warrants;

(vii) utilise the proceeds to be derived from the Proposed Rights Issue of Shares with Warrants in the manner as set out in Section 3 of Part A of the Circular and the Board be and is hereby authorised to revise the utilisation of the proceeds as they may deem fit and in the best interest of the Company; and

(viii) enter into and execute the Deed Poll constituting the Warrants and to do all acts, deeds and things as they may deem fit or expedient in order to implement, finalise and give effect to the Deed Poll.

THAT the Board be and is hereby authorised to deal with any fractional entitlements of the Rights Shares and Warrants that may arise from the Proposed Rights Issue of Shares with Warrants, in such manner at their absolute discretion as they may deem fit or expedient or in the best interest of the Company.

THAT the Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the entitled shareholders and/or their renouncee(s) (if applicable) and such excess Rights Shares shall be allocated in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

THAT the Rights Shares and the new Raya Shares to be issued arising from the exercise of the Warrants will, upon issuance and allotment, rank pari passu in all respects with the then existing Raya Shares, save and except that the Rights Shares and the new Raya Shares arising from the exercise of the Warrants, shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid where the entitlement date precedes the date of allotment of the Rights Shares and such new Raya Shares arising from the exercise of the Warrants.

CERTIFIED TRUE COPY

WAN HASLINDA BT WAN YUSOFF, FCIS
Chartered Secretary
(MAICSA NO: 7055478)

RAYA INTERNATIONAL BERHAD – EXTRACT OF MINUTES OF EGM ON PROPOSED RENOUNCEABLE RIGHTS ISSUE

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

CERTIFIED TRUE COPY

WAN HASLINDA BT WAN YUSOFF, FCIS
Chartered Secretary
(MAICSA NO: 7055478)

Confirmed by,

DATO' TAN SENG HU
Managing Director

WAN HASLINDA BINTI WAN YUSOFF
Secretary
MAICSA No: 7055478

Port Klang
Dated : 19 June 2017

1. HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 4 December 1996 as a private limited company under the name of Ruby Quest Sdn Bhd and was converted into a public company on 19 March 2004 under the name of Ruby Quest Berhad . Ruby Quest Berhad was listed on the MESDAQ Market of Bursa Securities on 30 May 2005 (now listed on the ACE Market of Bursa Securities). On 22 June 2007, Ruby Quest Berhad changed its name to Envair Holding Berhad and subsequently on 2 July 2013 changed its name to Raya International Berhad. On 20 June 2017, our Company changed its name to Straits Inter Logistics Berhad.

Our Company is principally engaged in investment holding activities and the provision of management services. The principal activities of our subsidiaries and associated companies are set out in Section 5 of **Appendix II** of this AP.

2. SHARE CAPITAL

The issued Shares in our Company as at the LPD are as follows:

Type	No. of Shares	Total RM
Issued Shares	183,952,380	21,491,998

The change in our issued share capital for the past three (3) years preceding the LPD is set out below:

Date of allotment	No. of Shares allotted	Description/ Consideration	Cumulative issued share capital RM
26 September 2014	11,855,580	Cash	13,041,138
22 December 2015	13,041,000	Cash	14,345,238
25 October 2016	12,500,000	Cash	15,595,238
7 November 2016	8,000,000	Cash	16,395,238
31 January 2017	-	Pursuant to the Act (except Section 241 and Division 8 of Part III of the Act) which was implemented on 31 January 2017, the amount standing to the credit of the Company's share premium became part of the share capital of the Company on that date.	26,820,531
31 May 2017	-	Reduction of Share Capital amounting to RM8,528,533	18,291,998
16 June 2017	20,000,000	Otherwise than in cash	21,491,998

3. BOARD OF DIRECTORS

Please refer to Corporate Directory of this AP for details of the age, profession, nationality, designation and address of our Board.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDER'S SHAREHOLDINGS

The proforma effects of the Rights Issue of Shares with Warrants on the shareholdings of our Directors and substantial shareholder based on their shareholdings in our Company as at the LPD are as follow:

(i) Minimum Scenario

Names	As at LPD				(I) After the Rights Issue of Shares with Warrants[(3)]				(II) After (I) and full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Straits Inter Logistics Shares ('000)	%	No. of Straits Inter Logistics Shares ('000)	%	No. of Straits Inter Logistics Shares ('000)	%[(3)]	No. of Straits Inter Logistics Shares ('000)	%[(3)]	No. of Straits Inter Logistics Shares ('000)	%[(4)]	No. of Straits Inter Logistics Shares ('000)	%[(4)]
Directors:												
YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud	-	-	-	-	-	-	-	-	-	-	-	-
Tan Sri Mohd Bakri Bin Mohd Zinin	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Tan Seng Hu	2,560	1.39	-	-	2,560	1.12	-	-	2,560	0.94	-	-
Dato' Sri Ho Kam Choy	8,023	4.36	20,000[(1)]	10.87[1)]	51,849	22.76	20,000[(1)]	8.78[(1)]	95,676	35.23	20,000[(1)]	7.36[(1)]
Captain Tony Tan Han (Chen Han)	-	-	-	-	-	-	-	-	-	-	-	-
Ho Fook Meng	2,000	1.09	-	-	2,000	0.88	-	-	2,000	0.74	-	-
Leong Fook Heng	-	-	-	-	-	-	-	-	-	-	-	-
Ho Hung Ming (Alternate Director to Tan Sri Mohd Bakri Bin Mohd Zinin	-	-	28,023[(2)]	15.23[(2)]	-	-	28,023[(2)]	12.30[(2)]	-	-	28,023[(2)]	10.32[(2)]
Substantial Shareholders:												
Rithauddin Hussein Jamalatiff Bin Jamaluddin	20,500	11.14	-	-	20,500	9.00	-	-	20,500	7.55	-	-
Ang Tun Young	16,500	8.97	-	-	16,500	7.24	-	-	16,500	6.08	-	-
Sturgeon Asia Ltd	20,000	10.87	-	-	20,000	8.78	-	-	20,000	7.36	-	-
Goo Yong Sing	-	-	20,000[(1)]	10.87	-	-	20,000[(1)]	8.78	-	-	20,000[(1)]	7.36
Lim Ser Kuo, David	-	-	20,000[(1)]	10.87	-	-	20,000[(1)]	8.78	-	-	20,000[(1)]	7.36

Notes:

(1) Deemed interested by virtue of his shareholding in Sturgeon Asia Ltd.

(2) Deemed interested through the direct and indirect shareholding of his father, Dato' Sri Ho Kam Choy.

(3) Based on the enlarged issued share capital of 227,778,480 Shares after the Rights Issue of Shares with Warrantsunder the Minimum Subscription Level.

(4) Based on the enlarged issued share capital of 271,604,580 Shares after the full exercise of the Warrants to be issued under the Minimum Subscription Level.

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(ii) **Maximum Scenario**

Names	As at LPD				(I) After the Rights Issue of Shares with Warrants(3)				(II) After (I) and full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Straits Inter Logistics Shares ('000)	%	No. of Straits Inter Logistics Shares ('000)	%	No. of Straits Inter Logistics Shares ('000)	%(3)	No. of Straits Inter Logistics Shares ('000)	%(3)	No. of Straits Inter Logistics Shares ('000)	%(4)	No. of Straits Inter Logistics Shares ('000)	%(4)
Directors:												
YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud	-	-	-	-	-	-	-	-	-	-	-	-
Tan Sri Mohd Bakri Bin Mohd Zinin	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Tan Seng Hu(5)	2,560	1.39	-	-	5,120	1.39	-	-	7,679	1.39	-	-
Dato' Sri Ho Kam Choy	8,023	4.36	20,000(1)	10.87(1)	16,047	4.36	40,000(1)	10.87(1)	24,070	4.36	60,000(1)	10.87(1)
Captain Tony Tan Han (Chen Han)	-	-	-	-	-	-	-	-	-	-	-	-
Ho Fook Meng	2,000	1.09	-	-	4,000	1.09	-	-	6,000	1.09	-	-
Leong Fook Heng	-	-	-	-	-	-	-	-	-	-	-	-
Ho Hung Ming (Alternate Director to Tan Sri Mohd Bakri Bin Mohd Zinin	-	-	28,023(2)	15.23(2)	-	-	56,047(2)	15.23(2)	-	-	84,070(2)	15.23(2)
Substantial Shareholders:												
Rithauddin Hussein Jamalatiff Bin Jamaluddin	20,500	11.14	-	-	41,000	11.14	-	-	61,500	11.14	-	-
Ang Tun Young	16,500	8.97	-	-	33,000	8.97	-	-	49,500	8.97	-	-
Sturgeon Asia Ltd	20,000	10.87			40,000	10.87			60,000	10.87	-	-
Goo Yong Sing	-	-	20,000(1)	10.87	-	-	40,000(1)	10.87	-	-	60,000(1)	10.87
Lim Ser Kuo, David	-	-	20,000(1)	10.87	-	-	40,000(1)	10.87	-	-	60,000(1)	10.87

Notes:

(1) *Deemed interested by virtue of his shareholding in Sturgeon Asia Ltd.*

(2) *Deemed interested through the direct and indirect shareholding of his father, Dato' Sri Ho Kam Choy.*

(3) *Based on the enlarged issued share capital of 367,904,380 Shares under the Maximum Scenario.*

(4) *Based on the enlarged issued share capital of 551,856,380 Shares under the Maximum Scenario.*

(5) *On 3 July 2017, Dato' Tan Seng Hu had provided an irrevocable undertaking to waive and not renounce his entitlement of 380 Rights Shares ("Waived Shares") out of the total number of 2,560,00 Rights Shares with Warrants which he is entitled to subscribe for under the Rights Issue of Shares with Warrants. Pursuant to this, our Company will not be issuing the Waived Shares for the Rights Issue of Shares with Warrants.*

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5. SUBSIDIARIES AND ASSOCIATED COMPANIES

The details of our subsidiaries and associated companies as at the LPD are as follows:

Name of company	Date and place of incorporation	Principal activities	Share capital	Effective equity interest %
Subsidiaries:				
Envair Energy Sdn Bhd	25 July 1990 / Malaysia	Distribution and manufacturing of air filters. Also involved in the provision of consultancy services and trading of carbon filter cartridges.	RM500,000	100.0
Quest Equipment & Services Sdn Bhd	11 October 1989 / Malaysia	Principally involved in installation of cleanroom systems, sale of air filters and cleanroom equipment. Also principally engaged in the trading of carbon filter cartridges.	RM25,000	100.0
Quest Technology Sdn Bhd	6 October 1989 / Malaysia	Trading in air filters, cleanroom equipment and vinyl flooring and installation of cleanroom systems. Also principally involved in general trading. Also engaged in provision of oil trading and bunkering services for marine fuel and petroleum based products.	RM250,000	100.0
Raya Consumable Sdn Bhd	28 November 1994 / Malaysia	Manufacturing and trading of water filters, beauty products and healthcare products. Also engaged in the provision of oil trading and bunkering services for marine fuel and petroleum based products.	RM500,000	100.0
Quest System & Engineering Sdn Bhd	27 August 1993 / Malaysia	Selling, installation, maintenance and servicing of water treatment equipment and sale of cleanroom filters and equipment. Also principally involved in the provision of other ancillary services.	RM130,000	100.0
Youbicom Malaysia Sdn Bhd	22 May 2012 / Malaysia	Distribution of wireless energy saving products. Also involved in provision of website development services.	RM40,000	70.0
Selatan Bunker (M) Sdn Bhd	14 September 2015 / Malaysia	Provision of bunkering services for marine fuel and petroleum based products.	RM300,000	51.0
Pan Logistics Ltd	2 December 2016 / Malaysia	The intended principal activity is to engage in offshore trading and investment holding activities.	USD10	100.0
TMD Straits Ltd	2 December 2016 / Malaysia	The intended principal activity is to engage in offshore trading and investment holding activities.	USD10	100.0
TMD Sturgeon Ltd	5 December 2016 / Malaysia	The intended principal activity is to engage in offshore trading and investment holding activities.	USD10	100.0

Associate company:				
Fajar Maritime and Logistics Sdn Bhd	29 November 2016 / Malaysia	The intended principal activity is providing bunkering services for marine fuel, petroleum and petroleum based products	RM1,000	49.0

6. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements for the FYE 31 December 2014, FYE 31 December 2015, FYE 31 December 2016 and the unaudited FPE 30 March 2017 are as follows:

	Audited			**Unaudited**	
	FYE 31 December 2014 RM'000	**FYE 31 December 2015 RM'000**	**FYE 31 December 2016 RM'000**	**3-month FPE 31 March 2017 RM'000**	**3-month FPE 31 March 2016 RM'000**
Revenue	2,935	14,474	68,526	23,097	9,852
GP / (GL)	140	665	910	800	134
Other income	266	586	159	93	22
Finance costs	(491)	(244)	-	-	-
(LBT) / PBT	(1,391)	(285)	143	718	5
Taxation	(141)	(194)	(43)	(60)	-
(LAT)/ PAT	(1,532)	(479)	100	658	5
(LAT)/ PAT attributable to owners of the Company	(1,533)	(484)	49	548	(1)
(LAT)/ PAT attributable to the non-controlling interests	1	5	51	110	6
EBITDA	(568)	72	181	738	19
Shareholders' funds / NA	6,715	8,112	11,233	11,781	8,111
Total borrowings	4,725	-	-	-	-
Weighted average no. of Straits Inter Logistics Shares ('000)	121,706	130,554	146,987	163,952	143,520
GP margin (%)	4.77%	4.59%	1.33%	3.46%	1.36%
PBT margin (%)	(47.38%)	(1.97%)	0.21%	3.11%	0.05%
Basic net (loss) / earnings per Share (sen)	(1.26)	(0.37)	0.03	0.33	0.00
Diluted net (loss) / earnings per Share (sen)	(1.26)	(0.37)	0.03	0.33	0.00
NA per Share (sen)	5.52	6.21	7.64	7.19	5.65
Current ratio (times)	3.64	18.68	18.78	27.99	29.28
Gearing ratio (times)	0.70	-	-	-	-
Dividend (sen)	-	-	-	-	-

Commentary on financial performance:

FYE 31 December 2014

For the FYE 31 December 2014, our Group recorded revenue of RM2.94 million (FYE 31 December 2013: RM2.42 million), which represents an increase of approximately 21.49% as compared to the revenue of FYE 31 December 2013, due to increased sales of the filtration products as well as from general trading activities such as trading in apparels and fast moving consumer goods (i.e. water boilers and cookers).

Despite the higher revenue generated in FYE 31 December 2014, our Group's GP margin reduced from approximately 51.81% in FYE 31 December 2013 to approximately 4.77% in FYE 31 December 2014, mainly due to lower margins earned from sales of the fast moving consumer goods. The lower margins earned during the FYE 31 December 2014 were due to increase in sales of fast moving consumer goods with low margins as our Group no longer manufactures our water and air filters products since early 2014 as these products were not cost competitive against other cheaper and imported products. The fast moving consumer goods segment contributes approximately 39.4% to our Group's total revenue.

Our Group recorded LBT of RM1.39 million in FYE 31 December 2014 compared to PBT of RM0.35 million in the previous financial year mainly due to higher operating expenses incurred during the year. The higher operating expenses was mainly due to deposits written off in respect of deposits placed for the production of a special type of fragrant soap of RM0.40 million due to the closure of the supplier's company. In this relation, our Group has made efforts to locate the supplier in order to recover the deposits. However it was unsuccessful as the supplier was not contactable by our Group and no further legal action was taken by our Group on the supplier. In addition, the higher operating expenses were contributed by the reduction in the waiver of advances from a director cum shareholder amounted to RM0.27 million in FYE 31 December 2014 (FYE 31 December 2013: RM0.83 million). The advances were ad hoc advances by a director cum shareholder to partially fund our Group's working capital requirements and to meet the bank loan repayment obligation. As the director cum shareholder was committed and supportive of our Group, the ad hoc advances were waived by the director cum shareholder.

Although our Group recorded LBT of RM1.39 million, our Group recognised an income tax expense of RM0.14 million due to higher expenses which were not deductible for tax purposes in Quest Technology Sdn Bhd (a wholly-owned subsidiary of Straits Inter Logistics) as well as non-recognition of deferred tax assets of Raya Consumable Sdn Bhd (a wholly-owned subsidiary of Straits Inter Logistics) and in Straits Inter Logistics, due to continued losses experienced by these companies. After accounting for the tax expense of RM0.14 million, our Group posted a LAT of RM1.53 million in FYE 31 December 2014, as compared to a PAT of RM0.09 million achieved in FYE 31 December 2013.

The gearing ratio as at FYE 31 December 2014 was 0.70 times representing a decrease of 0.07 times as compared to gearing ratio of 0.77 times in FYE 31 December 2013. The reduced gearing ratio was mainly attributed to the full repayment of finance lease and decrease in term loans as well as lower usage of bank overdraft facilities by our Group. Our current ratio had increased to 3.64 times (FYE 31 December 2013: 1.51 times) mainly due to increase in trade receivables and settlement of the amount owing to directors. Further, our Group's NA per Share is sustained at 5.5 sen (FYE 31 December 2013: 5.0 sen).

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FYE 31 December 2015

Our Group registered revenue of RM14.47 million for the FYE 31 December 2015, a substantial increase of approximately RM11.53 million (FYE 31 December 2014: RM2.94 million) recorded in the preceding year. Higher revenue was recorded in FYE 31 December 2015 mainly due to a surge in the supply of fast moving consumer goods such as mattresses, water boilers and cookers to the government flood victims' aid projects in early 2015. Our Management's strategy was to focus on increasing the volume of its trading activities as opposed to the manufacturing of water and air filter products, which it has lost its competitive edge, especially in terms of pricing and cost, and faced with operational issues such as availability of workers. Our Group no longer manufactures our water and air filter products since early 2014 and in November 2015 completed our disposal of three (3) storey office block annexed to a single storey warehouse building.

Despite the substantial rise in revenue, our Group's GP margin dropped from approximately 4.77% for the FYE 31 December 2014 to approximately 4.59% for the FYE 31 December 2015 mainly due to the low margins earned from the general trading activities of the fast moving consumer goods. The fast moving consumer goods segment contributes approximately 86.9% to our Group's total revenue.

Our Group recorded a lower LBT of RM0.29 million for the FYE 31 December 2015 as compared to a LBT of RM1.39 million for the FYE 31 December 2014 primarily due to higher revenues generated, lower finance costs due to full repayment of our Group's bank borrowings, lower depreciation charges of property, plant and equipment and did not incur a write off of a deposit of RM0.40 million as in FYE 31 December 2014. Our Group's taxation expense increased from RM0.14 million in FYE 31 December 2014 to RM0.19 million in FYE 31 December 2015 was mainly due to real property gain tax expense incurred for the disposal of factory of our Company.

The gearing ratio as at FYE 31 December 2015 was nil, as there were no borrowings, compared to a gearing ratio 0.70 times as at FYE 31 December 2014. Our current ratio had increased to 18.68 times (FYE 31 December 2014: 3.64 times) mainly due to increase in cash and bank balances of approximately RM3.51 million (the increase of RM3.51 million in cash and bank balances was mainly due to cash consideration of RM8.30 million received during the year for disposal of freehold land together with corner three (3) storey office block annexed to single warehouse building and off-set by the repayment of term loan amounting to approximately RM4.03 million) and decrease of trade payables of approximately RM2.45 million. Further, our Group's NA per Share increased to 6.21 sen (FYE 31 December 2014: 5.52 sen).

FYE 31 December 2016

Our Group registered revenue of RM68.53 million for the FYE 31 December 2016, a substantial increase of RM54.06 million as compared to RM14.47 million recorded in the preceding year. Higher revenue was due to sales from oil trading activities (i.e. trading of off-shore oil such as MGO which were sourced from Singapore suppliers, and subsequently supply to ships anchored off port waters for their own use), since December 2015. Despite the substantial increase in revenue, our Group's GP margin declined from approximately 4.59% for the FYE 31 December 2015 to 1.33% in 2016 due to the lower margins earned from oil trading activities.

Notwithstanding the low margins earned from our oil trading segment, our Group recorded PBT of RM0.14 million in FYE 31 December 2016 compared to the LBT of RM0.29 million recorded during the preceding FYE 31 December 2015. The improvement of our Group's PBT was mainly due to lower depreciation cost of RM0.04 million (FYE 31 December 2015: RM0.11 million) and no finance costs were incurred during the year (FYE 31 December 2015: RM0.24 million). Our Group's taxation expense has also decreased from RM0.19 million in FYE 31 December 2015 to RM0.04 million in FYE 31 December 2016 due to utilisation of tax allowances from our Company's losses in FYE 31 December 2015.

The gearing ratio of our Company as at FYE 31 December 2016 was nil, as there were no borrowings during the year. Our current ratio had increased slightly to 18.78 times (FYE 31 December 2015: 18.68 times). Further, our Group's NA per Share has increased to 7.64 sen (FYE 31 December 2015: 6.21).

Since December 2015 until to date, our Group via Selatan Bunker was involved in trading of MGO, which was in line with our Group's strategy to enhance and expand our trading activities to venture into business activities that have market demand with consistent trading volumes for our product and services, in order to improve our Group's long term sustainable growth. Following our Group's venture into trading of MGO, our Group's revenue has substantially improved from RM14.47 million for the FYE 31 December 2015 to RM68.53 million for the FYE 31 December 2016. As a result of our Management's efforts in venturing into this business segment, our Group also achieved profitability (after considering other income derived amounting to approximately RM0.12 million from unrealised gain on foreign exchange resulting from the trading of MGO) during the FYE 31 December 2016, after experiencing losses in the past two (2) FYE 31 December 2014 and FYE 31 December 2015.

Three (3) months FPE 31 March 2017

For the 3 months FPE 31 March 2017, our Group recorded revenue of RM23.10 million, an increase of approximately RM13.25 million over the preceding year's corresponding quarter (3-months FPE 31 March 2016: RM9.85 million), mainly due to increase in its oil trading activities (i.e. trading of off-shore oil such as MGO which were sourced from Singapore suppliers, and subsequently supply to ships anchored off port waters for their own use). The oil trading activities has resulted in improved gross profit margin of our Group from 1.4% for the FPE 31 March 2016 to 3.5% in FPE 31 March 2017. The increase in gross profit of approximately RM0.6 million and unrealised foreign exchange gain of approximately RM0.09 million has contributed to our Group's higher PBT of RM0.72 million in FPE 31 March 2017 compared to the PBT of RM0.05 million recorded during the preceding FPE 31 March 2016.

The gearing ratio of our Company as at FPE 31 March 2017 was nil, as there were no borrowings during the period. Our current ratio had decreased slightly to 27.99 times (FPE 31 March 2016: 29.28 times). Further, our Group's NA per Share has increased to 7.19 sen (FPE 31 March 2016: 5.65 sen).

7. HISTORICAL PRICES OF STRAITS INTER LOGISTICS SHARES

The monthly highest and lowest transacted prices of Straits Inter Logistics Shares for the past twelve (12) months from July 2016 to June 2017 are as follow:

	High RM	Low RM
2016		
July	0.205	0.175
August	0.195	0.180
September	0.190	0.175
October	0.185	0.170
November	0.205	0.170
December	0.195	0.175
2017		
January	0.205	0.180
February	0.215	0.180
March	0.250	0.190
April	0.245	0.210
May	0.265	0.215
June	0.250	0.220

Last transacted market price of our Shares immediately prior to the announcements for the Corporate Exercises i.e. 11 November 2016 and 12 January 2017 are RM0.18 and RM0.19 respectively.

Last transacted market price of our Shares on 14 July 2017 (being the last day on which our Shares were traded prior to the ex-date of the Rights Issue of Shares with Warrants) was RM0.28 per Share and as at the LPD prior to printing of this AP of RM0.235 per Share.

(Source: Bloomberg)

STYL Associates *(AF1929)*

No: 902, 9th Floor, Block A, Damansara Intan, No: 1, Jalan SS20/27, 47400 Petaling Jaya

Tel: 03 -7724 2128/2130/2136 Fax: 03 -7733 2125 Email: stylassociates@yahoo.com

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION
OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Prepared for inclusion in the Abridged Prospectus)

Date: 07 JUL 2017

The Board of Directors
Straits Inter Logistics Berhad
(Formerly known as Raya International Berhad)
No: 149A, 149B, 151B
Persiaran Raja Muda Musa
42000 Port Klang
Selangor Darul Ehsan

Dear Sirs,

STRAITS INTER LOGISTICS BERHAD (FORMERLY KNOWN AS RAYA INTERNATIONAL BERHAD) ("STRAITS INTER LOGISTICS" OR THE "COMPANY")
REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of STRAITS INTER LOGISTICS and its subsidiaries (collectively referred to as "the Group") as at 31 December 2016, prepared by the Directors of STRAITS INTER LOGISTICS, as set out in the accompanying statements (which we have stamped for purpose of identification) prepared for inclusion in the Abridged Prospectus in connection with the Group's renounceable rights issue of up to 183,952,000 new ordinary shares in STRAITS INTER LOGISTICS ("Straits Inter Logistics Shares") ("Rights Shares") on the basis of one (1) Rights Share for every one (1) existing Straits Inter Logistics Share held, together with up to 183,952,000 free detachable new warrants ("Warrants") on the basis of one (1) warrant for every one (1) rights share subscribed by the entitled shareholders ("Rights Issue of Shares with Warrants").

The applicable criteria on the basis of which the Directors of STRAITS INTER LOGISTICS have compiled the pro forma consolidated statements of financial position are described in the notes to the pro forma consolidated statements of financial position.

The pro forma consolidated statements of financial position have been compiled by the Directors to illustrate the effects of the events or transactions set out in the notes to the pro forma consolidated statements of financial position on the audited consolidated statement of financial position as at 31 December 2016 had the events or transactions been effected on that date. As part of this process, information about the Group's financial position has been extracted by the Directors from the consolidated financial statements of STRAITS INTER LOGISTICS for the year ended 31 December 2016, on which an audit report has been issued.

The Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the pro forma consolidated statements of financial position on the basis of the applicable criteria as stated in the notes to the pro forma consolidated statements of financial position.

STYL Associates
AF 1929

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audit and Reviews of Financial Statements and Other Assurance and Related Services Engagements* and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the pro forma consolidated statements of financial position have been compiled, in all material respects, by the Directors of STRAITS INTER LOGISTICS on the basis of the applicable criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*", issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors of STRAITS INTER LOGISTICS have compiled, in all material respects, the pro forma consolidated statements of financial position on the basis of the applicable criteria.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issues.

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

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of STRAITS INTER LOGISTICS, the events or transactions in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

STYL Associates
AF 1929

Opinion

In our opinion, the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis stated.

Other Matters

This letter is used solely for the purpose of inclusion in the Abridged Prospectus of STRAITS INTER LOGISTICS in connection with the abovementioned Rights Issue with Warrants. As such, this letter should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any transaction other than the Rights Issue with Warrants.

Yours faithfully,

STYL ASSOCIATES
Firm No : AF 1929
Chartered Accountants

LEE KIM WAH
No: 03166/07/2019 J
Chartered Accountant

STYL Associates
AF 1929

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF STRAITS INTER LOGISTICS AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

STRAITS INTER LOGISTICS BERHAD
(Formerly known as RAYA INTERNATIONAL BERHAD)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF STRAITS INTER LOGISTICS AS AT 31 DECEMBER 2016

The pro forma consolidated statements of financial position as set out below have been prepared for illustrative purposes only, based on the audited financial statements of STRAITS INTER LOGISTICS and its subsidiaries as at 31 December 2016, to show the effects on the consolidated statement of financial position of STRAITS INTER LOGISTICS had the Corporate Exercises as described in Note 1 been effected on that date, and should be read in conjuction with the notes accompanying to the pro forma consolidated statements of financial position of the Group.

MINIMUM SCENARIO

	Note	Audited as at 31 December 2016 RM	Pro Forma I After taking into account subsequent events up to LPD RM	Pro Forma II After Pro Forma I and the Rights Issue of Shares with Warrants RM	Pro Forma III After Pro Forma II and Acquisition of Straits 1 RM	Pro Forma IV After Pro Forma III and assuming full exercise of Warrants RM
ASSETS						
Non-current Assets						
Property, plant and equipment	4.1	543,956	3,743,956	3,743,956	6,543,956	6,543,956
Total Non-current Assets		543,956	3,743,956	3,743,956	6,543,956	6,543,956
Current Assets						
Inventories		184,089	184,089	184,089	184,089	184,089
Trade receivables		6,267,984	6,267,984	6,267,984	6,267,984	6,267,984
Other receivables, deposits and prepaid expenses		3,891,471	3,891,471	3,891,471	3,891,471	3,891,471
Amount owing by associate		5,910	5,910	5,910	5,910	5,910
Tax recoverable		7,871	7,871	7,871	7,871	7,871
Cash and cash equivalents	5.1	1,158,866	1,158,866	4,398,866	1,598,866	6,638,865
Total Current Assets		11,516,191	11,516,191	14,756,191	11,956,191	16,996,190
TOTAL ASSETS		12,060,147	15,260,147	18,500,147	18,500,147	23,540,146

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STAMP FOR THE PURPOSE OF IDENTIFICATION ONLY
STYL ASSOCIATES CHARTERED ACCOUNTANTS (AF 1929)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF STRAITS INTER LOGISTICS AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

			Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
		Audited as at 31 December 2016 RM	After taking into account subsequent events up to LPD RM	After Pro Forma I and the Rights Issue of Shares with Warrants RM	After Pro Forma II and Acquisition of Straits 1 RM	After Pro Forma III and assuming full exercise of Warrants RM
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	6.1	16,395,238	21,491,998	24,731,998	24,731,998	29,771,997
Share premium	7.1	10,425,293 *	-	-	-	-
Warrant reserve	8.1	-	-	3,506,088	3,506,088	-
Other reserve	9.1	-	-	(3,506,088)	(3,506,088)	-
Accumulated loss	10.1	(15,587,364)	(7,058,831)	(7,058,831)	(7,058,831)	(7,058,831)
Equity Attributable to Owners of the Company		11,233,167	14,433,167	17,673,167	17,673,167	22,713,166
Non-controlling interests		206,594	206,594	206,594	206,594	206,594
Total Equity		11,439,761	14,639,761	17,879,761	17,879,761	22,919,760
Non-current Liabilities						
Deferred tax liabilities		7,055	7,055	7,055	7,055	7,055
Total Non-current Liabilities		7,055	7,055	7,055	7,055	7,055
Current Liabilities						
Other payables and accrued expenses		582,387	582,387	582,387	582,387	582,387
Tax liabilities		30,944	30,944	30,944	30,944	30,944
Total Current Liabilities		613,331	613,331	613,331	613,331	613,331
Total Liabilities		620,386	620,386	620,386	620,386	620,386
TOTAL EQUITY AND LIABILITIES		12,060,147	15,260,147	18,500,147	18,500,147	23,540,146

STAMP FOR THE PURPOSE OF IDENTICATION ONLY STYL ASSOCIATES CHARTERED ACCOUNTANTS (AF 1929)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF STRAITS INTER LOGISTICS AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

		Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
	Audited as at 31 December 2016 RM	After taking into account subsequent events up to LPD RM	After Pro Forma I and the Rights Issue of Shares with Warrants RM	After Pro Forma II and Acquisition of Straits 1 RM	After Pro Forma III and assuming full exercise of Warrants RM
Net assets (NA) **	11,233,167	14,433,167	17,673,167	17,673,167	22,713,166
No. of ordinary shares	163,952,380	183,952,380	227,778,480	227,778,480	271,604,580
NA per share (RM)	0.07	0.08	0.08	0.08	0.08
Total borrowings	-	-	-	-	-
Gearing (times)	-	-	-	-	-

* In accordance with Section 618 (2) of the CA 2016, upon commencement of the "no par value" regime under Section 74 of the CA 2016, any amount standing to the credit of a company's share premium account and capital redemption reserve shall become part of the company's share capital.

** Net assets is defined as equity attributable to owners of the Company.

Note: The date on which the Companies Act, 2016 comes into operation except for Section 241 and Division 8 of Part III is 31 January 2017 and hence, the Act shall be complied with for the preparation of financial statements and the directors' report and the auditors' report thereon commencing from the financial year/period ended 31 January 2017. In this respect, the amount standing to the credit of the Company's share premium account shall become part of the Company's share capital on that date and will be reflected in the Group's financial statements for the financial year ending 31 December 2017.

STAMP FOR THE PURPOSE OF IDENTIFICATION ONLY ★ STYL ASSOCIATES CHARTERED ACCOUNTANTS (AF 1929)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF STRAITS INTER LOGISTICS AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

MAXIMUM SCENARIO

	Note	Audited as at 31 December 2016 RM	Pro Forma I After taking into account subsequent events up to LPD RM	Pro Forma II After Pro Forma I and the Rights Issue of Shares with Warrants RM	Pro Forma III After Pro Forma II and Acquisition of Straits 1 RM	Pro Forma IV After Pro Forma III and assuming full exercise of Warrants RM
ASSETS						
Non-current Assets						
Property, plant and equipment	4.2	543,956	3,743,956	3,743,956	6,543,956	6,543,956
Total Non-current Assets		543,956	3,743,956	3,743,956	6,543,956	6,543,956
Current Assets						
Inventories		184,089	184,089	184,089	184,089	184,089
Trade receivables		6,267,984	6,267,984	6,267,984	6,267,984	6,267,984
Other receivables, deposits and prepaid expenses		3,891,471	3,891,471	3,891,471	3,891,471	3,891,471
Amount owing by associate		5,910	5,910	5,910	5,910	5,910
Tax recoverable		7,871	7,871	7,871	7,871	7,871
Cash and cash equivalents	5.2	1,158,866	1,158,866	20,513,346	17,713,346	38,867,826
Total Current Assets		11,516,191	11,516,191	30,870,671	28,070,671	49,225,151
TOTAL ASSETS		12,060,147	15,260,147	34,614,627	34,614,627	55,769,107

STAMP FOR THE PURPOSE OF IDENTIFICATION ONLY
STYL ASSOCIATES CHARTERED ACCOUNTANTS (AF 1929)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF STRAITS INTER LOGISTICS AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

			Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
		Audited as at 31 December 2016 RM	After taking into account subsequent events up to LPD RM	After Pro Forma I and the Rights Issue of Shares with Warrants RM	After Pro Forma II and Acquisition of Straits 1 RM	After Pro Forma III and assuming full exercise of Warrants RM
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	6.2	16,395,238	21,491,998	40,846,478	40,846,478	62,000,958
Share premium	7.2	10,425,293 *	-	-	-	-
Warrant reserve	8.2	-	-	14,716,160	14,716,160	-
Other reserve	9.2	-	-	(14,716,160)	(14,716,160)	-
Accumulated loss	10.2	(15,587,364)	(7,058,831)	(7,058,831)	(7,058,831)	(7,058,831)
Equity Attributable to Owners of the Company		11,233,167	14,433,167	33,787,647	33,787,647	54,942,127
Non-controlling interests		206,594	206,594	206,594	206,594	206,594
Total Equity		11,439,761	14,639,761	33,994,241	33,994,241	55,148,721
Non-current Liabilities						
Deferred tax liabilities		7,055	7,055	7,055	7,055	7,055
Total Non-current Liabilities		7,055	7,055	7,055	7,055	7,055
Current Liabilities						
Other payables and accrued expenses		582,387	582,387	582,387	582,387	582,387
Tax liabilities		30,944	30,944	30,944	30,944	30,944
Total Current Liabilities		613,331	613,331	613,331	613,331	613,331
Total Liabilities		620,386	620,386	620,386	620,386	620,386
TOTAL EQUITY AND LIABILITIES		12,060,147	15,260,147	34,614,627	34,614,627	55,769,107

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF STRAITS INTER LOGISTICS AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

		Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
	Audited as at 31 December 2016 RM	After taking into account subsequent events up to LPD RM	After Pro Forma I and the Rights Issue of Shares with Warrants RM	After Pro Forma II and Acquisition of Straits 1 RM	After Pro Forma III and assuming full exercise of Warrants RM
Net assets (NA) **	11,233,167	14,433,167	33,787,647	33,787,647	54,942,127
No. of ordinary shares	163,952,380	183,952,380	367,904,380	367,904,380	551,856,380
NA per share (RM)	0.07	0.08	0.09	0.09	0.10
Total borrowings	-	-	-	-	-
Gearing (times)	-	-	-	-	-

* In accordance with Section 618 (2) of the CA 2016, upon commencement of the "no par value" regime under Section 74 of the CA 2016, any amount standing to the credit of a company's share premium account and capital redemption reserve shall become part of the company's share capital.

** Net assets is defined as equity attributable to owners of the Company.

Note: The date on which the Companies Act, 2016 comes into operation except for Section 241 and Division 8 of Part III is 31 January 2017 and hence, the Act shall be complied with for the preparation of financial statements and the directors' report and the auditors' report thereon commencing from the financial year/period ended 31 January 2017. In this respect, the amount standing to the credit of the Company's share premium account shall become part of the Company's share capital on that date and will be reflected in the Group's financial statements for the financial year ending 31 December 2017.

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STYL ASSOCIATES CHARTERED ACCOUNTANTS (AF 1929)

STRAITS INTER LOGISTICS BERHAD
(Formerly known as RAYA INTERNATIONAL BERHAD)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

1 Basis of Preparation

The pro forma consolidated statements of financial position of STRAITS INTER LOGISTICS, for which the Directors of STRAITS INTER LOGISTICS are solely responsible, have been prepared for illustrative purposes only in connection with the renounceable rights issue of up to 183,952,000 new ordinary shares of STRAITS INTER LOGISTICS ("Straits Inter Logistics Shares") ("Rights Shares") on the basis of one (1) Rights Share for every one (1) existing Straits Inter Logistics Share held on 19 July 2017 ("Entitlement Date"), together with up to 183,952,000 free detachable new warrants ("Warrants") on the basis of one (1) Warrant for every one (1) Rights Share subscribed by the entitled shareholders ("Rights Issue of Shares with Warrants").

The pro forma consolidated statements of financial position together with the notes thereto have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of STRAITS INTER LOGISTICS as at 31 December 2016, had the following transactions been effected on that date:

(a) *Subsequent Events*

The pro forma consolidated statements of financial position have incorporated the following subsequent events up to 28 June 2017, being the latest practicable date of the Abridged Prospectus ("LPD"):

(i) Share Capital Reduction

Subsequent to 31 December 2016, the Company has undertaken a share capital reduction exercise which entails the reduction of RM8,528,533 of its share capital account by cancelling RM8,528,533 pursuant to Section 116 of the CA 2016 and such credit was utilised to set-off against the accumulated loss of the Company (herein referred to as "Share Capital Reduction"). The Share Capital Reduction was completed on 7 June 2017.

(ii) Acquisition of One Vessel known as "Sturgeon"

Subsequent to 31 December 2016, the Group acquired one (1) vessel known as "Sturgeon" for a purchase consideration of RM3,200,000 which was satisfied via the issuance of 20,000,000 new ordinary shares in the Company at an issue price of RM0.16 per share. The acquisition was approved by the shareholders at the Extraordinary General Meeting held on 19 May 2017 and was completed on 20 June 2017 ("Acquisition of Sturgeon").

(b) *Rights Issue of Shares with Warrants*

The renounceable rights issue of up to 183,952,000 new STRAITS INTER LOGISTICS Shares on the basis of one (1) Rights Share for every one (1) existing Straits Inter Logistics Share held on the Entitlement Date, together with up to 183,952,000 free detachable new warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed by the entitled shareholders.

(c) Acquisition of One Vessel known as "Straits 1"

Acquisition of one (1) vessel known as "Straits 1" by the Group for a purchase consideration of RM2,800,000 to be satisfied via cash proceeds from the Rights Issue of Shares with Warrants.

(Collectively referred to as "Corporate Exercises")

The pro forma consolidated statements of financial position of STRAITS INTER LOGISTICS have been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted by STRAITS INTER LOGISTICS in the preparation of its audited consolidated financial statements for the financial year ended 31 December 2016, which have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, except for the convergence to the Companies Act, 2016 and the adoption of the following new accounting policy:

Warrants Reserve

The allocated fair values of free warrants are recognised on the date of issuance in the financial statements as warrant reserve, which is non-distributable. The attributable amount of warrant reserve is transferred to other reserve upon the exercise of warrants, while the remaining amount of warrant reserve in relation to the unexercised warrants upon the expiry of exercise period is transferred directly to retained earnings.

The audited financial statements of STRAITS INTER LOGISTICS for the financial year ended 31 December 2016 were reported by us without any modification, to the members of STRAITS INTER LOGISTICS on 25 April 2017.

2 Utilisation of Proceeds from the Rights Issue of Shares with Warrants

Based on the issue price of RM0.115 per Rights Share, the Rights Issue of Shares with Warrants is expected to raise gross proceeds which will be utilised in the following manner based on the scenarios as illustrated below:

Minimum Scenario: Based on a minimum level of subscription via the issuance of 43,826,100 Rights Shares together with 43,826,100 Warrants ("Minimum Subscription Level").

Maximum Scenario: Assuming that all entitled shareholders subscribed for their entitlement pursuant to the Rights Issue of Shares with Warrants.

	Minimum Scenario RM'000	Maximum Scenario RM'000	Expected time frame for utilisation of proceeds (from the date of listing of the Rights Shares)
Acquisition of Straits 1	2,800	2,800	Within 12 months
Working capital	440	16,554	Within 12 months
Defray estimated expenses in relation to the Corporate Exercises	1,800	1,800	Within 1 month
	5,040	21,154	

3 Pro Forma Consolidated Statements of Financial Position

3.1 Minimum Scenario

3.1.1 Pro Forma I

Pro Forma I incorporates the following subsequent events up to the LPD:

(i) Share Capital Reduction

The Share Capital Reduction has the following impact on the pro forma consolidated statements of financial position:

	Increase/(Decrease) Effects on Total Assets RM	Increase/(Decrease) Effects on Total Equity RM
Share capital	-	(8,528,533)
Accumulated loss	-	8,528,533
	-	-

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(ii) Acquisition of Sturgeon

The Acquisition of Sturgeon has the following impact on the pro forma consolidated statements of financial position:

	Increase/(Decrease) Effects on Total Assets RM	Effects on Total Equity RM
Property, plant and equipment	3,200,000	-
Share capital	-	3,200,000 *
	3,200,000	3,200,000

*Pursuant to Section 74 of the CA 2016, all shares issued will have no par value.

3.1.2 Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I, the Rights Issue of Shares with Warrants and the payment to defray estimated expenses in relation to the Corporate Exercises.

The fair value of each Warrant is estimated to be RM0.08 as at 28 June 2017 and accordingly, the fair value of the Warrants is RM3,506,088. The fair value is estimated using the Trinomial Option Pricing Model based on the following assumptions:

Theoretical ex-rights price (RM)	0.171
Indicative exercise price (RM)	0.115
Tenure of Warrants	5 years
Volatility	20.84%
Dividend	-
Risk- free interest rate	3.74%

The Rights Issue of Shares with Warrants has the following impact on the pro forma consolidated statements of financial position:

	Increase/(Decrease) Effects on Total Assets RM	Effects on Total Equity RM
Cash and bank balances	3,240,000	-
Share capital	-	3,240,000
Warrant reserve	-	3,506,088
Other reserve	-	(3,506,088)
	3,240,000	3,240,000

3.1.3 Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and the Acquisition of Straits 1.

The Acquisition of Straits 1 has the following impact on the pro forma consolidated statements of financial position:

	Increase/(Decrease) Effects on Total Assets RM	Effects on Total Equity RM
Property, plant and equipment	2,800,000	-
Cash and bank balances	(2,800,000)	-
	-	-

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3.1.4 Pro Forma IV

Pro Forma IV incorporates the cumulative effects of Pro Forma III and assuming full exercise of 43,826,100 Warrants at the exercise price of RM0.115 per Warrant.

The full exercise of the Warrants will have the following impact on the pro forma consolidated statements of financial position:

	Increase/(Decrease) Effects on Total Assets RM	Effects on Total Equity RM
Cash and bank balances	5,040,000	-
Share capital	-	5,040,000
Warrant reserve	-	(3,506,088)
Other reserve	-	3,506,088
	5,040,000	5,040,000

3.2 Maximum Scenario

3.2.1 Pro Forma I

Pro Forma I incorporates the following subsequent events up to the LPD:

(i) Share Capital Reduction

The Share Capital Reduction has the following impact on the pro forma consolidated statements of financial position:

	Increase/(Decrease) Effects on Total Assets RM	Effects on Total Equity RM
Share capital	-	(8,528,533)
Accumulated loss	-	8,528,533
	-	-

(ii) Acquisition of Sturgeon

The Acquisition of Sturgeon has the following impact on the pro forma consolidated statements of financial position:

	Increase/(Decrease) Effects on Total Assets RM	Effects on Total Equity RM
Property, plant and equipment	3,200,000	-
Share capital	-	3,200,000 *
	3,200,000	3,200,000

*Pursuant to Section 74 of the CA 2016, all shares issued will have no par value.

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3.2.2 Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I, the Rights Issue of Shares with Warrants and the payment to defray estimated expenses in relation to the Corporate Exercises.

The fair value of each Warrant is estimated to be RM0.08 as at 28 June 2017 and accordingly, the fair value of the Warrants is RM14,716,160. The fair value is estimated using the Trinomial Option Pricing Model based on the following assumptions:

Theoretical ex-rights price (RM)	0.171
Indicative exercise price (RM)	0.115
Tenure of Warrants	5 years
Volatility	20.84%
Dividend	-
Interest rate	3.74%

The Rights Issue of Shares with Warrants has the following impact on the pro forma consolidated statements of financial position:

	Increase/(Decrease) Effects on Total Assets RM	Effects on Total Equity RM
Cash and bank balances	19,354,480	-
Share capital	-	19,354,480
Warrant reserve	-	14,716,160
Other reserve	-	(14,716,160)
	19,354,480	19,354,480

3.2.3 Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and the Acquisition of Straits 1.

The Acquisition of Straits 1 has the following impact on the pro forma consolidated statements of financial position:

	Increase/(Decrease) Effects on Total Assets RM	Effects on Total Equity RM
Property, plant and equipment	2,800,000	-
Cash and bank balances	(2,800,000)	-
	-	-

3.2.4 Pro Forma IV

Pro Forma IV incorporates the cumulative effects of Pro Forma III and assuming full exercise of 183,952,000 Warrants at the exercise price of RM0.115 per Warrant.

The full exercise of the Warrants will have the following impact on the pro forma consolidated statements of financial position:

	Increase/(Decrease)	
	Effects on Total Assets RM	**Effects on Total Equity RM**
Cash and bank balances	21,154,480	-
Share capital	-	21,154,480
Warrant reserve	-	(14,716,160)
Other reserve	-	14,716,160
	21,154,480	21,154,480

4 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment are as follows:

4.1 Minimum Scenario

	RM
As at 31 December 2016	543,956
Add: Acquisition of Sturgeon	3,200,000
As per Pro Forma I and II	3,743,956
Add: Acquisition of Straits 1	2,800,000
As per Pro Forma III and IV	6,543,956

4.2 Maximum Scenario

	RM
As at 31 December 2016	543,956
Add: Acquisition of Sturgeon	3,200,000
As per Pro Forma I and II	3,743,956
Add: Acquisition of Straits 1	2,800,000
As per Pro Forma III and IV	6,543,956

5 CASH AND CASH EQUIVALENTS

The movements in cash and cash equivalents are as follows:

5.1 Minimum Scenario

	RM
As at 31 December 2016 / As per Pro Forma I	1,158,866
Add: Rights Issue of Shares with Warrants	5,040,000
Less: Estimated expenses in relation to the Corporate Exercises	(1,800,000)
As per Pro Forma II	4,398,866
Less: Acquisition of Straits 1	(2,800,000)
As per Pro Forma III	1,598,866
Add: Full exercise of Warrants	5,040,000
As per Proforma IV	6,638,865

5.2 Maximum Scenario

	RM
As at 31 December 2016 / As per Pro Forma I	1,158,866
Add: Rights Issue of Shares with Warrants	21,154,480
Less: Estimated expenses in relation to the Corporate Exercises	(1,800,000)
As per Pro Forma II	20,513,346
Less: Acquisition of Straits 1	(2,800,000)
As per Pro Forma III	17,713,346
Add: Full exercise of Warrants	21,154,480
As per Proforma IV	38,867,826

6 SHARE CAPITAL

The movements in the contributed share capital of STRAITS INTER LOGISTICS are as follow:

6.1 Minimum Scenario

	No. of ordinary shares	Amount RM
As at 31 December 2016	163,952,380	16,395,238
Add: Transfer from share premium pursuant to Section 618(2) of CA 2016	-	10,425,293
Less: Share Capital Reduction	-	(8,528,533)
Add: Acquisition of Sturgeon	20,000,000	3,200,000
As per Pro Forma I	183,952,380	21,491,998
Add: Rights Issue of Shares with Warrants	43,826,100	5,040,000
Less: Estimated expenses in relation to the Corporate Exercises	-	(1,800,000)
As per Pro Forma II and III	227,778,480	24,731,998
Add: Full exercise of the Warrants	43,826,100	5,040,000
As per Proforma IV	271,604,580	29,771,997

6.2 Maximum Scenario

	No. of ordinary shares	Amount RM
As at 31 December 2016	163,952,380	16,395,238
Add: Transfer from share premium pursuant to Section 618(2) of CA 2016	-	10,425,293
Less: Share Capital Reduction	-	(8,528,533)
Add: Acquisition of Sturgeon	20,000,000	3,200,000
As per Pro Forma I	183,952,380	21,491,998
Add: Rights Issue of Shares with Warrants	183,952,000	21,154,480
Less: Estimated expenses in relation to the Corporate Exercises	-	(1,800,000)
As per Pro Forma II and III	367,904,380	40,846,478
Add: Full exercise of the Warrants	183,952,000	21,154,480
As per Proforma IV	551,856,380	62,000,958

7 SHARE PREMIUM

The movements in the share premium of STRAITS INTER LOGISTICS are as follow:

7.1 Minimum Scenario

	RM
As at 31 December 2016	10,425,293
Less: Transfer to contributed share capital pursuant to Section 618(2) of CA 2016	(10,425,293)
As per Pro Forma I, II, III and IV	-

7.2 Maximum Scenario

	RM
As at 31 December 2016	10,425,293
Less: Transfer to contributed share capital pursuant to Section 618(2) of CA 2016	(10,425,293)
As per Pro Forma I, II, III and IV	-

8 WARRANT RESERVE

The movements in the warrant reserve of STRAITS INTER LOGISTICS are as follow:

8.1 Minimum Scenario

	RM
As at 31 December 2016 / As per Pro Forma I	-
Add: Rights Issue of Shares with Warrants	3,506,088
As per Pro Forma II and III	3,506,088
Less: Transfer to other reserve upon full exercise of the Warrants	(3,506,088)
As per Pro Forma IV	-

8.2 Maximum Scenario

	RM
As at 31 December 2016 / As per Pro Forma I	-
Add: Rights Issue of Shares with Warrants	14,716,160
As per Pro Forma II and III	14,716,160
Less: Transfer to other reserve upon full exercise of the Warrants	(14,716,160)
As per Pro Forma IV	-

9 OTHER RESERVE

The movements in the other reserve of STRAITS INTER LOGISTICS are as follow:

9.1 Minimum Scenario

	RM
As at 31 December 2016 / As per Pro Forma I	-
Add: Rights Issue of Shares with Warrants	(3,506,088)
As per Pro Forma II and III	(3,506,088)
Less: Full exercise of the Warrants	3,506,088
As per Pro Forma IV	-

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9.2 Maximum Scenario

	RM
As at 31 December 2016 / As per Pro Forma I	-
Add: Rights Issue of Shares with Warrants	(14,716,160)
As per Pro Forma II and III	(14,716,160)
Less: Full exercise of the Warrants	14,716,160
As per Pro Forma IV	-

10 ACCUMULATED LOSS

The movements in the accumulated loss of STRAITS INTER LOGISTICS are as follow:

10.1 Minimum Scenario

	RM
As at 31 December 2016	(15,587,364)
Add: Share Capital Reduction	8,528,533
As per Pro Forma I, II, III and IV	(7,058,831)

10.2 Maximum Scenario

	RM
As at 31 December 2016	(15,587,364)
Add: Share Capital Reduction	8,528,533
As per Pro Forma I, II, III and IV	(7,058,831)

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LEE KIM WAH
APPROVAL NUMBER: 3166/07/17
CHARTERED ACCOUNTANT

RAYA INTERNATIONAL BERHAD
(Company No: 412406-T)
(Incorporated in Malaysia)

REPORTS OF THE DIRECTORS
AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2016
(In Ringgit Malaysia)

STYL ASSOCIATES
Chartered Accountants

RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

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RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities and the provision of management services. The principal activities of the subsidiaries are as disclosed in Note 14 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	GROUP RM	COMPANY RM
Profit/(Loss) for the year	100,043	(653,278)
Attributable to:		
Owners of the Company	48,596	(653,278)
Non-controlling interests	51,447	-
	100,043	(653,278)

In the opinion of the directors, the results of 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 also do not recommend the payment of 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

As approved by the shareholders at the Extraordinary General Meeting held on 3 June 2016, the issued and paid-up share capital of the Company was increased from RM14,345,238 to RM16,395,238 during the financial year by way of a special bumiputera issue of 20,500,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.16 per new ordinary share for cash.

The resultant share premium arising from the shares issued during the financial year of RM1,230,000 has been credited to the share premium account. All the new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any options 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.

DIRECTORS

The names of the directors in office since the date of the last report and as at the date of this report are:

Dato' Tan Seng Hu	
Tony Tan Han (Chen Han)	
Leong Fook Heng	
Ho Fook Meng	
Tan Sri Mohd Bakri Bin Mohd Zinin	(appointed on 3 June 2016)
YAM Tengku Baharuddin Ibni Sultan Mahmud	(appointed on 5 August 2016)
Dato' Sri Ho Kam Choy	(appointed on 5 August 2016)
Dato' Sri Ahmad Said Bin Hamdan	(appointed on 3 June 2016; resigned on 4 August 2016)
Dato' Abdul Latif Bin Abdul Rahim	(resigned on 26 October 2016)
Mohd Fikry Bin Rahman	(resigned on 6 October 2016)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefits (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as at 1.1.2016/ date of appointment	Bought	Sold	Balance as at 31.12.2016
Shares in the Company				
Direct interest				
Dato' Tan Seng Hu	5,860,000	40,000	(3,340,000)	2,560,000
Ho Fook Meng	2,000,000	-	-	2,000,000
Dato' Sri Ho Kam Choy	12,723,300	3,300,000	(8,000,000)	8,023,300

By virtue of the above directors' interests in the shares of the Company, the abovementioned directors are also deemed to have an interest in the shares of the subsidiaries to the extent that the Company has interest.

None of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Company or its related companies during and at the end of the financial year.

OTHER STATUTORY INFORMATION

a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors 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 satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the financial statements of the Group and of the Company have been written down to an amount which they might be expected to realise.

b) At the date of this report, the directors are not aware of any circumstances:

   (i) which would render the amount written off as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

   (ii) which would render the values attributable to current assets in the financial statements of the Group and of the Company misleading; or

   (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

c) At the date of this report, there does not exist:

   (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability 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.

d) No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

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

f) In the opinion of the directors, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, STYL Associates, retire and are not seeking for re-appointment.

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

DATO' TAN SENG HU	**HO FOOK MENG**
Director	Director

Kuala Lumpur

Date: 25 APR 2017

RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, DATO' TAN SENG HU and HO FOOK MENG, being two of the directors of Raya International Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 31 to the Financial Statements has been prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

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

DATO' TAN SENG HU
Director

HO FOOK MENG
Director

Kuala Lumpur

Date: 2 5 APR 2017

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

I, DATO' TAN SENG HU, being the director primarily responsible for the financial management of Raya International Berhad, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, 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.

DATO' TAN SENG HU

Subscribed and solemnly declared by the abovenamed DATO' TAN SENG HU, at Petaling Jaya in the state of Selangor Darul Ehsan, on 2 5 APR 2017

Before me:

PESURUHJAYA SUMPAH
NO. B 508
WONG CHOY YIN

STYL Associates *(AF1929)*
No: 902 9th Floor, Block A, Damansara Intan, No: 1, Jalan SS20/27, 47400 Petaling Jaya
Tel: 03 -7724 2128/2130/2136 Fax: 03 -7733 2125 Email: stylassociates@yahoo.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Raya International Berhad, which comprise the statements of financial position as at 31 December 2016 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 of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 55.

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 at 31 December 2016, 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, 1965 in Malaysia.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	*How our audit addressed the key audit matter*
Impairment of trade receivables (Refer to Notes 3, 5 and 18 to the Financial Statements). The Group has significant trade receivables as disclosed in Note 18 to the Financial Statements which is subject to major credit risk exposures. The impairment of trade receivables is a key audit matter as significant judgement and estimation uncertainty is involved in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc. Management makes an assessment of the recoverability of individual debt and determine the appropriate impairment amount. The assessment includes a review of the movement during 2017 of balances that were outstanding as at 31 December 2016.	We developed an understanding of: • the Group's control over credit control and receivable recovery in particular how the Group identifies and assesses the impairment of receivables and makes the accounting estimates for impairment. We assessed the adequacy of the following audit procedures performed by the component auditors: • Reviewing the ageing analysis of receivables and testing the reliability of the analysis, testing the adequacy and reasonableness of the allowance for impairment against the trade receivable balances by taking into account the ageing of receivables at year end and collections received after year end. • Reviewing subsequent collections for major receivables and overdue amounts. • Making inquiries of management regarding the action plans to recover overdue amounts. • Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. • Examining other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc. • Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures. Based on the above procedures performed, we noted the results of management's impairment assessment to be consistent with the outcome of our evaluation of the Group's provision for impairment.

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 information included in the annual 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.

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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.

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, 1965 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 ability of the Group and of the Company 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 have 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- 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.

- 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 internal control of the Group and of the Company.

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

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- Conclude on the appropriateness of the director's 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 ability of the Group or of the Company 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.

- 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 gives a true and fair view.

- 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and others records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of Act.

b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification or any adverse comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 31 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the 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. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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.

Styl Associates

STYL ASSOCIATES	**LEE KIM WAH**
No. AF 1929	No: 3166/07/17(J)
Chartered Accountants	Chartered Accountant

Date: 25 APR 2017

Petaling Jaya, Selangor Darul Ehsan

RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

		GROUP		COMPANY	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Revenue	6	68,525,521	14,473,509	-	-
Other operating income	7	158,775	586,416	61,068	160,654
Raw materials and consumables used		(49,422)	(66,454)	-	-
Changes in inventories of finished goods		(169,341)	(275,934)	-	-
Purchases and other direct costs		(67,396,491)	(13,465,885)	-	-
Employee benefits expenses	8	(148,033)	(98,516)	(129,595)	(98,516)
Depreciation of property, plant and equipment		(37,858)	(112,595)	(33,932)	(28,408)
Directors' remuneration	9	(101,050)	-	(101,050)	-
Other operating expenses	7	(638,329)	(1,081,243)	(449,234)	(223,888)
Profit/(Loss) from operations		143,772	(40,702)	(652,743)	(190,158)
Finance costs	10	-	(244,186)	-	-
Share of loss of associate		(490)	-	-	-
Profit/(Loss) before tax		143,282	(284,888)	(652,743)	(190,158)
Income tax expense	11	(43,239)	(194,029)	(535)	(329)
Profit/(Loss) for the year representing total comprehensive income/(loss) for the year		100,043	(478,917)	(653,278)	(190,487)
Profit/(Loss) attributable to:					
Owners of the Company		48,596	(484,182)	(653,278)	(190,487)
Non-controlling interests		51,447	5,265	-	-
		100,043	(478,917)	(653,278)	(190,487)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		48,596	(484,182)	(653,278)	(190,487)
Non-controlling interests		51,447	5,265	-	-
		100,043	(478,917)	(653,278)	(190,487)
Earnings/(Loss) per share attributable to owners of the Company:					
Basic (sen)	12	0.03	(0.37)		
Diluted (sen)	12	0.03	(0.37)		

The accompanying Notes form an integral part of the Financial Statements.

RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		GROUP		COMPANY	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
ASSETS					
Non-current Assets					
Property, plant and equipment	13	543,956	226,339	208,304	234,440
Investment in subsidiaries	14	-	-	719,769	752,800
Investment in associate	15	-	-	490	-
Goodwill on consolidation	16	-	-	-	-
Total Non-current Assets		543,956	226,339	928,563	987,240
Current Assets					
Inventories	17	184,089	402,852	-	-
Trade receivables	18	6,267,984	3,437,846	-	-
Other receivables, deposits and prepaid expenses	19	3,891,471	407,719	584,219	30,597
Amount owing by subsidiaries	14	-	-	16,351,928	12,216,549
Amount owing by associate	15	5,910	-	2,910	-
Tax recoverable		7,871	124,871	-	-
Cash and cash equivalents	20	1,158,866	4,122,287	208,963	2,126,769
		11,516,191	8,495,575	17,148,020	14,373,915
Asset held for sale	21	-	-	-	-
Total Current Assets		11,516,191	8,495,575	17,148,020	14,373,915
Total Assets		12,060,147	8,721,914	18,076,583	15,361,155
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	22	16,395,238	14,345,238	16,395,238	14,345,238
Reserves	23	(5,162,071)	(6,233,323)	1,243,482	874,104
Equity Attributable to Owners of the Company		11,233,167	8,111,915	17,638,720	15,219,342
Non-controlling interests		206,594	155,147	-	-
Total Equity		11,439,761	8,267,062	17,638,720	15,219,342
Non-current Liabilities					
Deferred tax liabilities	24	7,055	-	-	-
Total Non-current Liabilities		7,055	-	-	-
Current Liabilities					
Trade payables	25	-	97,137	-	-
Other payables and accrued expenses	26	582,387	354,120	399,143	128,243
Amount owing to subsidiaries	14	-	-	36,308	11,365
Tax liabilities		30,944	3,595	2,412	2,205
Total Current Liabilities		613,331	454,852	437,863	141,813
Total Liabilities		620,386	454,852	437,863	141,813
Total Equity and Liabilities		12,060,147	8,721,914	18,076,583	15,361,155

The accompanying Notes form an integral part of the Financial Statements.

RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	<-----Attributable to Owners of the Company				----->		
			<----Non Distributable	---->			
	Share capital RM	Accumulated loss RM	Share premium RM	Revaluation reserve RM	Total RM	Non-controlling interests RM	Total equity RM
GROUP							
Balance as at 1 January 2015	13,041,138	(17,879,465)	8,825,988	2,727,687	6,715,348	2,882	6,718,230
Profit/(Loss) for the year representing total comprehensive income/(loss) for the financial year	-	(484,182)	-	-	(484,182)	5,265	(478,917)
Transfer due to realisation of revaluation reserve	-	2,727,687	-	(2,727,687)	-	-	-
Transaction with owners of the Company:							
Issuance of new shares via private placement	1,304,100	-	652,050	-	1,956,150	-	1,956,150
Share issuance expenses	-	-	(75,401)	-	(75,401)	-	(75,401)
Non-controlling interests arising on business combination	-	-	-	-	-	147,000	147,000
Total transactions with owners of the Company	1,304,100	-	576,649	-	1,880,749	147,000	2,027,749
Balance as at 31 December 2015	14,345,238	(15,635,960)	9,402,637	-	8,111,915	155,147	8,267,062
Profit for the year representing total comprehensive income for the financial year	-	48,596	-	-	48,596	51,447	100,043
Transaction with owners of the Company:							
Issuance of new shares via special bumiputera issue	2,050,000	-	1,230,000	-	3,280,000	-	3,280,000
Share issuance expenses	-	-	(207,344)	-	(207,344)	-	(207,344)
Total transactions with owners of the Company	2,050,000	-	1,022,656	-	3,072,656	-	3,072,656
Balance as at 31 December 2016	16,395,238	(15,587,364)	10,425,293	-	11,233,167	206,594	11,439,761

The accompanying Notes form an integral part of the Financial Statements.

RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	<----------Attributable to Owners of the Company--------->			
	Share capital RM	Accumulated loss RM	Non Distributable - Share premium RM	Total equity RM
COMPANY				
Balance as at 1 January 2015	13,041,138	(8,338,046)	8,825,988	13,529,080
Loss for the year representing total comprehensive loss for the year	-	(190,487)	-	(190,487)
Transactions with owners of the Company:				
Issuance of new shares via private placement	1,304,100	-	652,050	1,956,150
Share issuance expenses	-	-	(75,401)	(75,401)
Total transactions with owners of the Company	1,304,100	-	576,649	1,880,749
Balance as at 31 December 2015	14,345,238	(8,528,533)	9,402,637	15,219,342
Loss for the year representing total comprehensive loss for the year	-	(653,278)	-	(653,278)
Transactions with owners of the Company:				
Issuance of new shares via special bumiputera issue	2,050,000	-	1,230,000	3,280,000
Share issuance expenses	-	-	(207,344)	(207,344)
Total transactions with owners of the Company	2,050,000	-	1,022,656	3,072,656
Balance as at 31 December 2016	16,395,238	(9,181,811)	10,425,293	17,638,720

The accompanying Notes form an integral part of the Financial Statements.

RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	143,282	(284,888)	(652,743)	(190,158)
Adjustments for:				
Bad debts written off	32,206	-	-	-
Depreciation of property, plant and equipment	37,858	112,595	33,932	28,408
Finance costs	-	244,186	-	-
Impairment of goodwill	-	95,527	-	-
Impairment loss on trade receivables	33,009	-	-	-
Impairment loss on investment in a subsidiary	-	-	92,004	-
Inventories written down	78,042	14,986	-	-
Inventories written off	127,312	275,118	-	-
Property, plant and equipment written off	-	5	-	-
Share of loss of associate	490	-	-	-
Waiver of shareholder's advance	-	(447,085)	-	(159,340)
Gain on disposal of property, plant and equipment	-	(138,016)	-	-
Interest income	(11,767)	(1,314)	(2,227)	(1,314)
Reversal of impairment loss on investment in subsidiaries	-	-	(58,841)	-
Waiver of interest expense on bank overdraft	(22,153)	-	-	-
Unrealised gain on foreign exchange	(124,786)	-	-	-
Operating Profit/(Loss) Before Working Capital Changes	293,493	(128,886)	(587,875)	(322,404)
Changes in working capital:				
Decrease in inventories	13,409	52,284	-	-
(Increase)/Decrease in trade receivables	(2,770,567)	962,179	-	-
Increase in other receivables, deposits and prepaid expenses	(3,483,752)	(341,399)	(553,622)	(29,957)
(Increase)/Decrease in amount owing by subsidiaries	-	-	(4,135,379)	254,760
Increase in amount owing by associate	(5,910)	-	(2,910)	-
Decrease in trade payables	(97,137)	(2,454,371)	-	-
Increase/(Decrease) in other payables and accrued expenses	250,420	(38,941)	270,900	(120,450)
Increase in amount owing to directors	-	447,085	-	159,340
Increase/(Decrease) in amount owing to subsidiaries	-	-	24,943	(10,501)
Cash Used In Operations	(5,800,044)	(1,502,049)	(4,983,943)	(69,212)
Tax paid	(3,518)	(251,224)	(328)	-
Tax refunded	111,683	-	-	-
Net Cash Used In Operating Activities	(5,691,879)	(1,753,273)	(4,984,271)	(69,212)

(Forward)

RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(355,475)	(132,278)	(7,796)	(132,278)
Purchase of investment in associate	(490)	-	(490)	-
Proceeds from disposal of property, plant and equipment	-	8,335,000	-	-
Acquisition of investment in subsidiaries (Note 14)	-	147,000	(132)	(153,000)
Interest received	11,767	1,314	2,227	1,314
Net Cash From/(Used In) Investing Activities	(344,198)	8,351,036	(6,191)	(283,964)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of term loans	-	(4,031,726)	-	-
Proceeds from issuance of shares	3,280,000	1,956,150	3,280,000	1,956,150
Expenses incurred for issuance of shares	(207,344)	(75,401)	(207,344)	(75,401)
Finance costs paid	-	(244,186)	-	-
Net Cash From/(Used In) Financing Activities	3,072,656	(2,395,163)	3,072,656	1,880,749
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,963,421)	4,202,600	(1,917,806)	1,527,573
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	4,122,287	(80,313)	2,126,769	599,196
CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 20)	1,158,866	4,122,287	208,963	2,126,769

The accompanying Notes form an integral part of the Financial Statements.

RAYA INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1) GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The Company is principally engaged in investment holding activities and the provision of management services. The principal activities of the subsidiaries are as disclosed in Note 14 to the Financial Statements. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The registered office of the Company is located at No: 149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan.

The principal place of business of the Company is located at No: 66, 3rd Floor, Jalan Kampung Attap, 50460 Kuala Lumpur.

The financial statements are presented in Ringgit Malaysia (RM).

The financial statements have been authorised by the Board of Directors for issuance on 25 April 2017.

2) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1965 in Malaysia.

Adoption of Standards, Amendments to MFRSs and Annual Improvements to Standards

The following Standards, Amendments to MFRSs and Annual Improvements to Standards became effective for the financial year under review:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Annual improvements to MFRSs 2012 - 2014 Cycle	

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

Standards Issued but not yet Effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Annual Improvements have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and the Company:

		Effective for annual period beginning on or after
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual improvements to MFRSs 2014 - 2016 Cycle		1 January 2017
- Amendments to MFRS 12 Disclosure of Interests in Other Entities		
MFRS 9	Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15 Revenue Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Annual improvements to MFRSs 2014 - 2016 Cycle		1 January 2018
- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards		
- Amendments to MFRS 128 Investments in Associates and Joint Ventures		
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
MFRS 16	Leases	1 January 2019

The Group and the Company will adopt the above pronouncements where applicable when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group and of the Company upon their initial application other than the standards described below, for which the effects of adoption of the above pronouncements are still being assessed by the directors:

(a) MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers was issued in September 2014 and established a five-step model that will apply to revenue recognition arising from contracts with customers as follows:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies the performance obligations

Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

(b) MFRS 9 Financial Instruments

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. This Standard makes changes to the requirements for classification and measurement, impairment and hedge accounting. There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about any entity's risk management activities have also been introduced.

(c) MFRS 16 Leases

MFRS 16 Leases supersedes MFRS 117 Leases and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position, assets and liabilities arising from the finance leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

The right-of-use asset is depreciated in accordance with the principles in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest expenses recognised in profit or loss. For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including market risk (foreign currency risk and interest rate risk), credit risk, and liquidity risk. The Group has adopted a financial risk management framework with the principal objective of effectively managing these risks and minimising any potential adverse effects on the financial performance of the Group.

Market risk

Foreign currency risk management

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

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Singapore Dollars ("SGD"). Foreign exchange exposures in transactional currencies other than functional currency of the operating entities are kept to an acceptable level.

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the SGD against the functional currency of the Group with all other variables held constant:

	GROUP	
	2016	2015
	RM	RM
SGD - strengthens by 5% against RM	55,112	N/A

An equivalent weakening of the foreign currency as shown above would have resulted in an equivalent, but opposite, impact.

Interest rate risk management

The Group's exposure to changes in interest rates relates primarily to the Group's short-term deposits. It has no significant interest-bearing financial assets or liabilities other than the short-term deposits. The short-term deposits are placed with reputable banks. The Group does not use derivative financial instruments to hedge its risk.

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of reporting period.

Credit risk

Credit risk is the risk of a financial loss to the Group 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 its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiary.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group determines concentration of credit risk by monitoring the segment profits of its trade receivables on an ongoing basis. As at 31 December 2016, the Group has a receivable balance owing by a single customer. The Group monitors closely collections from this customer and as at the end of the reporting period, there was no indication that the receivable would default on repayment. As at the end of the reporting period, the maximum exposure to credit risk arising from receivables and amount owing by subsidiaries is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances are not considered overdue and are repayable on demand. Impairment losses are provided when there is an indication that the advances given to the subsidiaries are not recoverable.

The ageing analysis of trade receivables as at the end of the reporting period are as follows:

	GROUP	
	2016	2015
	RM	RM
Neither past due nor impaired	2,924,398	2,277,797
Past due 31 - 120 days not impaired	1,550,752	318,186
Past due more than 120 days not impaired	1,792,834	841,863
	3,343,586	1,160,049
Impaired	119,712	86,703
	6,387,696	3,524,549

i) *Receivables that are neither past due nor impaired*

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

ii) *Receivables that are past due but not impaired*

The Group did not impair the past due trade receivables which are unsecured in nature. The Group monitors these receivables closely and is confident of their eventual recovery.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

iii) *Receivables that are impaired*

The Group's trade receivables and the movement of the allowance accounts used to record the impairment is as follow:

	GROUP	
	2016	2015
	RM	RM
Trade receivables - Nominal amount	119,712	86,703
Allowance for impairment	(119,712)	(86,703)
	-	-

The movements in the allowance for impairment losses of receivables during the financial year were:

	GROUP	
	2016	2015
	RM	RM
As at beginning of year	86,703	2,796,565
Bad debts written off	-	(2,709,862)
Additional impairment	33,009	-
As at end of year	119,712	86,703

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The allowance account in respect of receivable is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient funds for contingent funding requirement of working capital.

The maturity profile of the Group's and the Company's liabilities are repayable on demand or within one year.

Capital Risk Management

The primary objective of the Group's capital management is to 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 Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirements.

4) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements are prepared under the historical cost convention unless otherwise indicated in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

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

b) Subsidiaries and Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Disposal of Subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Transactions with Non-controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statement of financial position, separately from the parent shareholder's equity. Transactions with non-controlling interest are accounted for using the entity concept method, whereby, transactions with non-controlling interest are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

c) Business Combinations

Acquisition of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair values, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with MFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 139 or MFRS 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2011.

d) Investment in Subsidiaries

In the Company's separate financial statements, investment in subsidiaries is stated at cost less accumulated impairment losses. On disposal of such investment, the difference between the net disposal proceed and its carrying amount is recognised in profit or loss.

e) Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

f) Associates

Associates are all entities in which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividend received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associate includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in profit or loss.

Profit and losses resulting from upstream and downstream transactions of the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

g) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable, net of returns, allowances and trade discounts.

Revenue from goods sold is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customers. Revenue from services is recognised when services are rendered. Gross dividend income from investment is recognised when the right to received payment is established. Management fee, administrative charges, rental income and interest income are recognised on accrual basis, taking into account the effective yield on asset.

h) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contributions Plans

The Group and its eligible employees are required by law to make monthly contributions to Employees Provident Fund ("EPF"), a statutory defined contribution plan, at certain prescribed rates based on the employees' salaries. The Group's and the Company's contributions to EPF are charged to profit or loss. Once the contributions have been paid, there are no further payment obligations.

Other than as disclosed above, the Group and the Company do not make contributions to other employee retirement plans.

i) Foreign Currency Conversion

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

j) Income Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the financial year end.

Current taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is recognised using the liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unutilised tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation entity and the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

k) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to the initial recognition, costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment, other than capital work-in-progress which is not depreciated as this asset is not available for use, is calculated to write off the cost of the property, plant and equipment on a straight-line basis over the expected useful lives of the property, plant and equipment concerned. The annual depreciation rates used are as follows:

	%
Furniture, fittings and office equipment	15
Tools and equipment	15
Motor vehicles	20
Computers	10 - 15
Renovation	10

The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable. The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceed and the carrying amount of the asset, and is recognised in profit or loss.

l) Inventories

Inventories are valued at the lower of cost (determined principally on the first-in, first-out method) and net realisable value. Cost consists of purchases and other direct costs incurred in bringing the inventories to its present condition and location.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

m) Financial Instruments

i) Initial recognition and measurement

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instruments.

Where the purchase or sale of financial assets is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income or expense is recognised on an effective interest basis for debt instruments other than those financial instruments classified as at fair value through profit or loss.

ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

The Group and the Company classify its financial assets in the following categories: at fair value through profit or loss (FVTPL), held-to-maturity investments, loans and receivables and available-for-sale (AFS) financial assets. The classification depends on the nature and purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

a) *Financial assets at FVTPL*

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other income or other losses.

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company do not have any financial assets at FVTPL at the current and previous financial year ends.

b) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group and the Company have the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the held-to-maturity investments are impaired or derecognised. Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the financial year end which are classified as current.

The Group and the Company have not designated any financial assets as held-to-maturity investments at the current and previous financial year ends.

c) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

d) *AFS financial assets*

AFS financial assets are non-derivatives that are either designated in this category or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on AFS equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

AFS financial assets which are not expected to be realised within 12 months after the financial year end are classified as non-current assets.

The Group and the Company do not have any AFS financial assets at the current and previous financial year ends.

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group and the Company.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

a) *Financial liabilities at FVTPL*

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

A financial liability is classified as held for trading if:

a) it has been acquired principally for the purpose of repurchasing it in the near term; or

b) on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or

c) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as financial liability at FVTPL upon initial recognition if:

a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

c) it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of profit or loss and other comprehensive income.

b) *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

iii) Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

n) Impairment of Non-financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. 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 risk specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

o) Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only if the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and ordinary. Non-current assets held for sale are measured at the lower of the previous carrying amount and fair value less cost to sell.

p) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each financial year end and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get them ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as finance costs in profit or loss in the financial year in which they are incurred.

r) 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 with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

s) Equity Instruments

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

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

t) Operating Leases

An operating lease is a lease other than a finance lease. Lease payments under operating lease are recognised as an expense in the profit or loss on a straight line basis over the lease period.

u) Contingencies

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

Contingent liabilities and assets are not recognised in the statements of financial position in the current and previous financial years.

v) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date.

Critical Judgements in Applying the Group's and the Company's Accounting Policies

In the process of applying the Group's and the Company's accounting policies, the directors are of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

Key Sources of Estimation Uncertainty

The directors believe that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

(i) *Impairment of Receivables*

The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Where the explanation is different from the original estimate, such difference will impact the carrying value of the receivables in the period in which such estimate has been changed.

(ii) *Recoverability of Investment in Subsidiaries*

The Group assesses at each reporting date whether there is any objective evidence that the investment in subsidiaries are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the subsidiaries.

6) REVENUE

	GROUP 2016 RM	GROUP 2015 RM
Air filtration system, fast moving consumer product, ancillary support services and general trading	17,645	13,293,217
Oil trading and bunkering services	68,492,876	1,005,292
Consultancy services	15,000	170,000
Technology	-	5,000
	68,525,521	14,473,509

7) OTHER OPERATING EXPENSES/(INCOME)

Included in other operating expenses/(income) are the following charges/(credits):

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
Statutory audit:				
- Auditors of the Company				
- current year	38,800	25,000	35,800	25,000
- underprovision in prior year	-	3,000	-	3,000
- Other auditors				
- current year	35,000	17,900	-	-
- underprovision in prior year	2,000	4,000	-	-
Non-audit services:				
- Auditors of the Company				
- current year	-	3,000	-	3,000
- underprovision in prior year	6,000	-	6,000	-
- Other auditors				
- current year	6,200	-	6,200	-
- underprovision in prior year	3,000	-	3,000	-
Bad debts written off	32,206	-	-	-
Impairment of goodwill	-	95,527	-	-
Impairment loss on trade receivables	33,009	-	-	-
Impairment loss on investment in a subsidiary	-	-	92,004	-
Inventories written down	78,042	14,986	-	-
Inventories written off	127,312	275,118	-	-
Property, plant and equipment written off	-	5	-	-
Rental of premises	45,300	11,750	-	1,800
Reversal of impairment loss on investment in subsidiaries	-	-	(58,841)	-
Settlement of legal case	-	138,075	-	-
Gain on disposal of property, plant and equipment	-	(138,016)	-	-
Waiver of interest expense on bank overdraft	(22,153)	-	-	-
Waiver of shareholder's advance	-	(447,085)	-	(159,340)
Unrealised gain on foreign exchange	(124,786)	-	-	-
Interest income from short-term deposits	(11,767)	(1,314)	(2,227)	(1,314)

8) EMPLOYEE BENEFITS EXPENSES

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Salaries and allowance	129,752	85,962	112,552	85,962
Defined contribution plan - EPF	16,976	11,179	15,959	11,179
Social security contributions	992	1,204	771	1,204
Other staff related expenses	313	171	313	171
	148,033	98,516	129,595	98,516

9) DIRECTORS' REMUNERATION

	GROUP AND COMPANY	
	2016	2015
	RM	RM
Executive director:		
Fees	12,000	-
Other emoluments	1,200	-
	13,200	-
Non-executive directors:		
Fees	78,000	-
Other emoluments	9,850	-
	87,850	-
	101,050	-

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2016	2015
Executive director:		
RM50,000 and below	1	-
Non-executive directors:		
RM50,000 and below	6	-

There is no other key management personnel other than the directors and past directors of which their remuneration has been disclosed above.

10) FINANCE COSTS

	GROUP	
	2016	2015
	RM	RM
Interest on:		
Bank overdraft	-	54,029
Term loans	-	190,157
	-	244,186

11) INCOME TAX EXPENSE

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Current tax expense:				
Current year	34,384	1,719	535	329
Underprovision in prior year	1,800	202	-	-
Real property gain tax (RPGT)	-	139,117	-	-
	36,184	141,038	535	329
Deferred tax in respect of:				
Tax assets (Note 24)	-	52,991	-	-
Tax liabilities (Note 24)	7,055	-	-	-
	7,055	52,991	-	-
	43,239	194,029	535	329

A numerical reconciliation between the income tax expense and the product of accounting profit/(loss) multiplied by the applicable statutory income tax rate, is as follows:

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Accounting profit/(loss) before tax	143,282	(284,888)	(652,743)	(190,158)
Tax at the applicable statutory income tax rate of 24% (2015: 25%)	34,388	(71,222)	(156,658)	(47,540)
Tax effects in respect of:				
Expenses that are not deductible for tax purposes	163,671	294,604	152,972	83,725
Difference between corporate tax rate of 25% and RPGT rate of 5% on gain on disposal of freehold land and building	-	(20,603)	-	-
Underprovision of income tax in prior year	1,800	202	-	-
Notional allowance	-	2,444	-	2,444
Real property gain tax	-	139,117	-	-
Reversal of deferred tax assets	-	52,991	-	-
Recognition of previously unrecognised deferred tax assets	-	(184,994)	-	-
Income not subject to tax	-	(91,168)	-	(39,835)
Net deferred tax assets not recognised	7,423	72,658	4,221	1,535
Utilisation of previously unrecognised deferred tax assets	(164,043)	-	-	-
Income tax expense	43,239	194,029	535	329

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit/(loss) for the year.

12) EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	GROUP	
	2016	2015
Profit/(Loss) attributable to owners of the Company (RM)	48,596	(484,182)
Weighted average number of ordinary shares in issue	146,986,627	130,554,295
Basic earnings/(loss) per share (sen)	0.03	(0.37)

Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is the same with basic earnings/(loss) per share as there are no dilutive potential ordinary shares.

13) PROPERTY, PLANT AND EQUIPMENT

GROUP

	Furniture, fittings and office equipment RM	Tools and equipment RM	Motor vehicles RM	Renovation RM	Capital work-in-progress RM	Total RM
2016						
Cost						
As at 1 January 2016	725,604	19,232	-	166,467	-	911,303
Additions	7,795	-	-	-	347,680	355,475
Written off	(34,440)	-	-	-	-	(34,440)
As at 31 December 2016	698,959	19,232	-	166,467	347,680	1,232,338
Accumulated depreciation						
As at 1 January 2016	655,146	17,330	-	12,488	-	684,964
Charge for the year	19,309	1,902	-	16,647	-	37,858
Written off	(34,440)	-	-	-	-	(34,440)
As at 31 December 2016	640,015	19,232	-	29,135	-	688,382
Net carrying amount as at 31 December 2016	58,944	-	-	137,332	347,680	543,956
2015						
Cost						
As at 1 January 2015	2,617,894	146,780	182,120	119,670	108,984	3,175,448
Additions	74,795	-	-	57,483	-	132,278
Reclassification	-	-	-	108,984	(108,984)	-
Disposals	-	-	(180,000)	-	-	(180,000)
Written off	(1,967,085)	(127,548)	(2,120)	(119,670)	-	(2,216,423)
As at 31 December 2015	725,604	19,232	-	166,467	-	911,303
Accumulated depreciation						
As at 1 January 2015	2,525,005	141,992	182,120	119,670	-	2,968,787
Charge for the year	97,222	2,885	-	12,488	-	112,595
Disposals	-	-	(180,000)	-	-	(180,000)
Written off	(1,967,081)	(127,547)	(2,120)	(119,670)	-	(2,216,418)
As at 31 December 2015	655,146	17,330	-	12,488	-	684,964
Net carrying amount as at 31 December 2015	70,458	1,902	-	153,979	-	226,339

13) PROPERTY, PLANT AND EQUIPMENT

COMPANY

	Computers RM	Furniture, fittings and office equipment RM	Renovation RM	Capital work-in-progress RM	Total RM
2016					
Cost					
As at 1 January 2016	45,829	110,040	166,467	-	322,336
Additions	7,796	-	-	-	7,796
As at 31 December 2016	53,625	110,040	166,467	-	330,132
Accumulated depreciation					
As at 1 January 2016	44,130	31,278	12,488	-	87,896
Charge for the year	780	16,506	16,646	-	33,932
As at 31 December 2016	44,910	47,784	29,134	-	121,828
Net carrying amount as at 31 December 2016	8,715	62,256	137,333	-	208,304
2015					
Cost					
As at 1 January 2015	45,829	35,245	-	108,984	190,058
Additions	-	74,795	57,483	-	132,278
Reclassification	-	-	108,984	(108,984)	-
As at 31 December 2015	45,829	110,040	166,467	-	322,336
Accumulated depreciation					
As at 1 January 2015	43,958	15,530	-	-	59,488
Charge for the year	172	15,748	12,488	-	28,408
As at 31 December 2015	44,130	31,278	12,488	-	87,896
Net carrying amount as at 31 December 2015	1,699	78,762	153,979	-	234,440

Included in property, plant and equipment of the Group and of the Company are fully depreciated assets which are still in use, costing RM660,958 (2015: RM585,330) and RM84,564 (2015: RM48,218) respectively.

14) INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2016 RM	2015 RM
Unquoted shares - At cost	1,643,132	1,643,000
Less: Accumulated Impairment loss	(923,363)	(890,200)
Net	719,769	752,800

The details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of Company	Proportion of Ownership Interest/ Voting Rights held by the Company 2016 %	2015 %	Principal Activities
Envair Energy Sdn. Bhd. #	100	100	Distribution and manufacturing of air filters. Also involved in the provision of consultancy services and trading of carbon filter cartridges.
Quest Equipment & Services Sdn. Bhd. #	100	100	Principally involved in installation of cleanroom systems, sale of air filters and cleanroom equipment and trading of carbon filter cartridges.
Quest Technology Sdn. Bhd. #	100	100	Trading in air filters, cleanroom equipment and vinyl flooring and installation of cleanroom systems. Also, principally engaged in general trading. During the financial year, the company is also engaged in the provision of oil trading and bunkering services for marine fuel and petroleum based products.
Raya Consumable Sdn. Bhd. #	100	100	Manufacturing and trading of water filters, beauty products and healthcare products. During the financial year, the company is also engaged in the provision of oil trading and bunkering services for marine fuel and petroleum based products.

Name of Company	Proportion of Ownership Interest/ Voting Rights held by the Company 2016 %	2015 %	Principal Activities
Quest System & Engineering Sdn. Bhd. #	100	100	Selling, installation, maintenance and servicing of water treatment equipment, sale of cleanroom filters and equipment. Also principally involved in the provision of other ancillary services. However, the company has been temporarily inactive during the financial year.
Youbicom Malaysia Sdn. Bhd. #	70	70	Distribution of wireless energy saving products and the provision of website development services. However, the company has been temporarily inactive during the financial year.
Selatan Bunker (M) Sdn. Bhd. #	51	51	Provision of oil trading and bunkering services for marine fuel and petroluem based products.
Pan Logistics Ltd *	100	-	The company has not commenced business operations. Its intended principal activity is to engage in offshore trading and investment holding activities.
TMD Sturgeon Ltd *	100	-	The company has not commenced business operations. Its intended principal activity is to engage in offshore trading and investment holding activities.
TMD Straits Ltd *	100	-	The company has not commenced business operations. Its intended principal activity is to engage in offshore trading and investment holding activities.

The financial statements of these subsidiaries were examined by another firm of auditors.
* Incorporated in the Federal Territory of Labuan, Malaysia.

The amount owing by/(to) subsidiaries, which arose mainly from expenses paid on behalf and advances given, is unsecured, interest-free and repayable on demand.

During the financial year, the Group acquired 100% equity interest in Pan Logistics Ltd, TMD Sturgeon Ltd and TMD Straits Ltd, all incorporated in Federal Territory of Labuan, for a total cash consideration of RM132. In 2015, the Group acquired 51% equity interest in Selatan Bunker (M) Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM153,000.

The fair value of net assets acquired and cash flow arising from the acquisition is as follows:

	GROUP 2016 RM	GROUP 2015 RM
Cash and bank balances	132	300,000
Non-controlling interests measured at proportionate share of net assets	-	(147,000)
Total cash consideration	132	153,000
Less: Cash and cash equivalents of subsidiaries acquired	(132)	(300,000)
Cash flow on acquisition, net of cash and cash equivalents acquired	-	(147,000)

The summarised financial information of Selatan Bunker (M) Sdn. Bhd. ("SBSB") and Youbicom Malaysia Sdn. Bhd. ("YMSB") that have non-controlling interests, is as follows:

a) Summarised statements of financial position

	SBSB		YMSB	
	2016 RM	2015 RM	2016 RM	2015 RM
Assets				
Non-current assets	347,680	-	-	-
Current assets	4,960,075	1,308,277	13,697	24,289
Total assets	5,307,755	1,308,277	13,697	24,289
Equity attributable to owners of the Company	414,626	303,855	11,423	22,083
Liabilities				
Non-current liabilities	7,055	-	-	-
Current liabilities	4,886,074	1,004,422	2,274	2,206
Total liabilities	4,893,129	1,004,422	2,274	2,206
Total equity and liabilities	5,307,755	1,308,277	13,697	24,289
Net assets attributable to non-controlling interests at the end of the financial year	203,167	148,889	3,427	6,625

b) Summarised statements of profit or loss and other comprehensive income

	SBSB		YMSB	
	2016	2015	2016	2015
	RM	RM	RM	RM
Revenue	17,520,469	1,005,292	-	5,000
Profit/(Loss) before tax	147,108	4,140	(10,660)	13,033
Income tax expense	(35,587)	(1,035)	-	(557)
Total comprehensive income/(loss) for the financial year/period	111,521	3,105	(10,660)	12,476
Profit/(Loss) for the year/period representing total comprehensive income/(loss) allocated to non-controlling interests	54,645	1,522	(3,198)	3,743

c) Summarised statements of cash flows

	SBSB		YMSB	
	2016	2015	2016	2015
	RM	RM	RM	RM
Net cash from/(used in) operating activities	235,618	2,985	-	(66)
Net cash used in investing activities	(347,680)	-	-	-
Net cash from financing activities	-	300,000	-	-
Net changes in cash and cash equivalents	(112,062)	302,985	-	(66)
Cash and cash equivalents at the beginning of year/date of acquisition	302,985	-	7,924	7,990
Cash and cash equivalents at the end of year	190,923	302,985	7,924	7,924

The summarised financial information represents the amount before inter-company eliminations.

15) INVESTMENT IN ASSOCIATE

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Unquoted shares, at cost	490	-	490	-
Share of post-acquisition reserves	(490)	-	-	-
	-	-	490	-

During the financial year, Fajar Maritime and Logistics Sdn. Bhd., was incorporated in Malaysia in which the Company holds 49% equity interest. The associate is currently inactive during the financial year and its intended principal activity is in provision of oil trading and bunkering services for marine fuel, petroleum, and petroleum based products, traders and suppliers of oil fuel and related products and services. The Group has not recognised loss related to this associate amounting to RM936 since the Group has no obligation in respect of this loss.

The summarised financial information represents the amounts in the financial statements of the associate and not the Group's share of those amounts.

(a) Summarised statements of comprehensive income:

	2016 RM
Revenue	-
Loss for the financial period	(2,910)
Total comprehensive loss	(2,910)

(b) Summarised statements of financial position:

	2016 RM
Total assets	4,000
Total liabilities	(5,910)
Net liabilities	(1,910)

The amount owing by associate arose mainly from expenses paid on behalf. The balance is unsecured, interest-free and repayable on demand.

16) GOODWILL ON CONSOLIDATION

	GROUP	
	2016 RM	2015 RM
Balance as at beginning of the year	95,527	95,527
Accumulated impairment loss	(95,527)	(95,527)
Balance as at end of the year	-	-

Key Assumptions Used in Value-In-Use Calculations

Goodwill in respect of acquisition of the subsidiary by the Group has been allocated to its cash-generating unit (CGU) where the recoverable amount of CGU has been based on value-in-use calculations using five year financial projections. No revenue and expenses growth were projected from sixth year to perpetuity.

A pre-tax rate of 3.4% was applied in determining the recoverable amount of the respective CGU. The discount rate was based on the average inflation rate. Based on this review, an impairment loss was recognised in the previous financial year to write down the entire carrying amount of goodwill on the basis that the carrying amount of the goodwill exceeded its recoverable amount.

17) INVENTORIES

	GROUP	
	2016 RM	2015 RM
At cost:		
Raw materials	18,225	85,424
Finished goods	38,772	267,414
	56,997	352,838
At net realisable value:		
Raw materials	17,777	-
Finished goods	109,315	50,014
	127,092	50,014
	184,089	402,852

18) TRADE RECEIVABLES

	GROUP	
	2016	2015
	RM	RM
Trade receivables	6,387,696	3,524,549
Less: Allowance for impairment	(119,712)	(86,703)
Net	6,267,984	3,437,846

Trade receivables comprise amounts receivable from the sale of goods. The credit period granted to their customers are assessed and approved on a case by case basis.

The currency profile of trade receivables is as follows:

	GROUP	
	2016	2015
	RM	RM
Singapore Dollar	4,475,149	1,005,291
Ringgit Malaysia	1,792,835	2,432,555
	6,267,984	3,437,846

19) OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Other receivables, deposits and prepaid expenses consist of:

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other receivables	52,475	50,209	38,588	8,957
Less: Allowance for impairment	(12,756)	-	-	-
Net	39,719	50,209	38,588	8,957
Fixed deposit interest receivable	2,851	-	-	-
Advance payment for purchase of marine oil	3,200,000	-	-	-
Refundable deposits	104,910	337,510	1,640	1,640
Deferred expenditure	543,991	-	543,991	-
Prepaid expenses	-	20,000	-	20,000
	3,891,471	407,719	584,219	30,597

The other receivables are all denominated in Ringgit Malaysia.

Advance payment comprises upfront cash payment to designated supplier of marine oil. The purchases were made subsequent to year end.

Deferred expenditure of the Group and of the Company represents professional charges and expenses incurred in connection with the corporate exercise of the Company as mentioned in Note 29. The deferred expenditure is written off against share premium upon the successful completion of the said exercise.

20) CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deposits with licensed banks	486,689	-	-	-
Cash on hand and at bank	672,177	4,122,287	208,963	2,126,769
	1,158,866	4,122,287	208,963	2,126,769

The weighted average effective interest rates at the end of the reporting period for deposits are as follow:

	GROUP	
	2016	2015
	%	%
Licensed banks and other financial institutions	2.95	N/A

The average maturities of deposits as at end of the reporting period are as follows:

	GROUP	
	2016	2015
	days	days
Licensed banks	30	N/A

The Group's deposits, cash and bank balances are all demoninated in Ringgit Malaysia.

21) ASSET HELD FOR SALE

	GROUP	
	2016	2015
	RM	RM
Freehold land and building held for sale:		
As at beginning of year	-	8,196,984
Disposal	-	(8,196,984)
As at end of year	-	-

As at 31 December 2014, the Group intended to dispose of a freehold land and building, comprising one parcel of freehold land together with corner three storey office block annexed to a one and a half storey warehouse building, held by Raya Consumable Sdn. Bhd., a subsidiary. No impairment loss was recognised on reclassification of the property as held for sale as the directors expected the fair value (estimated based on offer letter received) less costs to sell to be higher than the carrying amount.

In 2015, the Group completed the disposal of the said property for a cash consideration equivalent to approximately RM8,300,000 and recorded a gain on disposal of RM103,016.

22) SHARE CAPITAL

	GROUP AND COMPANY	
	2016	2015
	RM	RM
Authorised		
250,000,000 ordinary shares of RM0.10 each	25,000,000	25,000,000

	GROUP AND COMPANY No. of ordinary shares of RM0.10 each		GROUP AND COMPANY Amount	
	2016	2015	2016 RM	2015 RM
Issued and fully paid				
Balance as at beginning of year	143,452,380	130,411,380	14,345,238	13,041,138
Issued during the year	20,500,000	13,041,000	2,050,000	1,304,100
Balance as at end of year	163,952,380	143,452,380	16,395,238	14,345,238

As approved by the shareholders at the Extraordinary General Meeting held on 3 June 2016, the issued and paid-up share capital of the Company was increased from RM14,345,238 to RM16,395,238 during the financial year by way of a special bumiputera issue of 20,500,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.16 per new ordinary share for cash.

As approved by the shareholders at the Annual General Meeting held on 25 June 2015, the issued and paid-up share capital of the Company was increased from RM13,041,138 to RM14,345,238 in 2015 by the allotment and issuance of 13,041,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.15 per ordinary share for cash by way of private placement.

The resultant share premium arising from the shares issued during the financial year of RM1,230,000 (2015: RM652,050) has been credited to the share premium account. All the new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

Subsequent to the end of the financial year, the Companies Act, 2016 ("CA 2016") was enacted to replace the Companies Act, 1965. The CA 2016 which was gazetted on 15 September 2016 became effective on 31 January 2017, except for Section 241 and Division 8 of Part III of the CA 2016.

Under the CA 2016:

(i) A company is no longer required to state its authorised share capital. Instead, a company is required to notify the Companies Commission of Malaysia its issued and paid-up share capital and the related changes through the return of allotments.

(ii) Any newly issued shares will no longer be tied with the nominal value when the company was incorporated. A company may issue shares at a price depending on the factors affecting the current circumstances and needs of the company. Hence, upon commencement of the CA 2016, any amount standing to the credit of a company's share premium account shall become part of the company's share capital. However, companies have a transitional period of 24 months to utilise the existing balances credited in the share premium account in a manner specified by the CA 2016.

The adoption of the CA 2016 is not expected to have any financial impact on the Group and on the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

23) RESERVES

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Non-Distributable reserves:				
Share premium	10,425,293	9,402,637	10,425,293	9,402,637
Revaluation reserve	-	-	-	-
	10,425,293	9,402,637	10,425,293	9,402,637
Accumulated loss	(15,587,364)	(15,635,960)	(9,181,811)	(8,528,533)
	(5,162,071)	(6,233,323)	1,243,482	874,104

Share premium reserve

	GROUP AND COMPANY	
	2016	2015
	RM	RM
Balance as at beginning of year	9,402,637	8,825,988
Issuance of new shares via private placement	-	652,050
Issuance of new shares pursuant to a special bumiputra issue	1,230,000	-
Share issuance expenses	(207,344)	(75,401)
Balance as at end of year	10,425,293	9,402,637

The reserve comprises the premium paid on subscription of shares in the Company over and above the par value of the shares net of share issuance expenses.

Revaluation reserve

	GROUP	
	2016	2015
	RM	RM
Balance as at beginning of year	-	2,727,687
Transfer due to realisation of revaluation reserve	-	(2,727,687)
Balance as at end of year	-	-

24) DEFERRED TAXATION

	GROUP	
	2016	2015
	RM	RM
Deferred tax assets		
Balance as at beginning of the year	-	52,991
Recognised in profit or loss (Note 11)	-	(52,991)
Balance as at end of the year	-	-
Deferred tax liabilities		
Balance as at beginning of the year	-	-
Recognised in profit or loss (Note 11)	7,055	-
Balance as at end of the year	7,055	-
Net - Deferred tax liabilities	7,055	-

The deferred tax liabilities are in respect of unrealised gain on foreign exchange.

Details of unutilised tax losses and unabsorbed capital allowances which have not been recognised in the financial statements due to uncertainty of realisation are as follows:

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Unutilised tax losses	7,545,283	8,176,604	1,226,164	1,226,164
Unabsorbed capital allowances	1,536,415	1,455,318	71,218	4,593
Other temporary differences	(24,594)	-	-	-
	9,057,104	9,631,922	1,297,382	1,230,757

The unutilised tax losses and unabsorbed capital allowances are available for offset against future taxable profits.

25) TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The normal credit terms granted to the Group and the Company for trade purchases range from 30 to 60 days and certain credit terms granted by the suppliers were based on negotiation.

The trade payables in 2015 are all denominated in Ringgit Malaysia.

26) OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses comprise:

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other payables	462,787	137,504	330,243	68,821
Accrued expenses	119,600	216,616	68,900	59,422
	582,387	354,120	399,143	128,243

The other payables are all denominated in Ringgit Malaysia.

27) SEGMENTAL INFORMATION

Primary reporting- Business segments

2016	Investment holding RM	Air filtration system, fast moving consumer product, ancillary support services and general trading RM	Oil trading and bunkering services RM	Consultancy services RM	Others RM	Eliminations RM	Consolidated RM
REVENUE							
External sales	-	17,645	68,492,876	15,000	-		68,525,521
RESULTS							
Profit/(Loss) from operations	(652,743)	(275,552)	1,082,526	8,066	(54,968)	36,443	143,772
Share of loss of associate							(490)
Income tax expense							(43,239)
Profit for the year							100,043
OTHER INFORMATION							
Segment assets	18,076,583	1,501,507	13,464,346	1,302,974	285,227	(22,570,490)	12,060,147
Segment liabilities	437,863	284,496	20,713,470	753,307	262,396	(21,838,201)	613,331
Depreciation	33,932	-	7,206	-	-	(3,280)	37,858
Inventories written off	-	127,312	-	-	-		127,312
Inventories written down	-	78,042	-	-	-		78,042
Capital expenditure	8,285	-	347,680	-	-		355,965
Other non-cash expenses (Forward)	-	65,215	-	-	-		65,215

27) SEGMENTAL INFORMATION

Primary reporting- Business segments

2015	Investment holding RM	Air filtration system, fast moving consumer product, ancillary support services and general trading RM	Oil trading and bunkering services RM	Consultancy services RM	Technology RM	Eliminations RM	Consolidated RM
REVENUE							
External sales	-	13,293,217	1,005,292	170,000	5,000		14,473,509
RESULTS							
Profit/(Loss) from operations	(190,158)	58,981	4,140	165,549	13,033	(92,247)	(40,702)
Finance costs	-	(244,186)	-	-	-		(244,186)
Income tax expense	(329)	(192,108)	(1,035)	-	(557)		(194,029)
Profit/(Loss) for the year	(190,487)	(377,313)	3,105	165,549	12,476		(478,917)
OTHER INFORMATION							
Segment assets	15,361,155	8,199,783	1,308,277	1,519,355	24,289	(17,690,945)	8,721,914
Segment liabilities	141,813	15,348,124	1,005,172	880,376	2,206	(16,922,839)	454,852
Depreciation	28,408	87,467	-	-	-	(3,280)	112,595
Inventories wirtten off	-	275,118	-	-	-	-	275,118
Other non-cash expenses	-	14,991	-	-	-	95,527	110,518

27) SEGMENTAL INFORMATION

Secondary Reporting - Geographical Segments

The Group's operations are entirely located in Malaysia. Therefore, information on geographical segments is not presented.

Major Customers

The following are the major customers individually accounting for 10% or more of group revenue for current and prior years:

		Revenue 2016 RM	Revenue 2015 RM
Customer A	- Provision of oil trading and bunkering services for marine fuel and petroleum based products	68,492,876	-
Customer B	- Air filtration system, fast moving consumer product, ancillary support services and general trading segment	-	12,588,960

28) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Information:

i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade receivables	18
Other receivables and refundable deposits	19
Amount owing by subsidiaries	14
Amount owing by associate	15
Trade payables	25
Other payables	26
Amount owing to subsidiaries	14

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their relatively short-term nature.

ii) Unquoted equity instruments

It is not practical to estimate the fair value of the Company's investment in unquoted shares because of the lack of quoted market prices and the variability to estimate fair value. However, the management believes that the carrying amount represents the recoverable value.

iii) Classification of financial instruments

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Financial assets				
Loans and receivables:				
Trade receivables	6,267,984	3,437,846	-	-
Other receivables and refundable deposits	144,629	387,719	40,228	10,597
Amount owing by subsidiaries	-	-	16,351,928	12,216,549
Amount owing by associate	5,910	-	2,910	-
Deposits, cash and bank balances	1,158,866	4,122,287	208,963	2,126,769
	7,577,389	7,947,852	16,604,029	14,353,915
Financial liabilities at amortised costs				
Trade payables	-	97,137	-	-
Other payables	462,787	137,504	330,243	68,821
Amount owing to subsidiaries	-	-	36,308	11,365
	462,787	234,641	366,551	80,186

iv) Fair value hierarchy

As at 31 December 2016, there were no financial instruments carried at fair value.

29) CORPORATE PROPOSALS

The Company is currently undertaking the following proposals:

(i) Proposed reduction of the share capital of the Company pursuant to Section 116 of the Companies Act, 2016 and such credit will be utilised to set-off against the accumulated loss of the Company;

(ii) Proposed acquisition of one (1) vessel known as "Sturgeon" for a consideration of RM3,200,000 to be satisfied via the issuance of new ordinary shares in the Company ("Raya Shares");

(iii) Proposed acquisition of one (1) vessel known as "Straits 1" for a consideration of RM2,800,000 to be satisfied via cash from the proceeds raised from the Proposed Rights Issue of Shares with Warrants (as defined herein); and

(iv) Proposed renounceable rights issue of up to 183,952,000 new Raya Shares ("Rights Shares") on the basis of one (1) Rights Share for every one (1) existing Raya Share held on an entitlement date to be determined later, together with up 183,952,000 free detachable new warrants ("Warrants") on the basis of one (1) Warrant for every one (1) Rights Share subscribed by the entitled shareholders ("Proposed Rights Issue of Shares With Warrants") {Each warrant will entitle its holder to subscribe for one (1) Raya Share at the exercise price to be determined later}.

Bursa Securities had, vide its letter dated 18 April 2017 approved the following, subject to fulfilment of certain conditions:

(a) Admission to the Official List and the initial listing and quotation of up to 183,952,000 warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants; and

(b) Listing of:

(i) 20,000,000 new Raya Shares to be issued pursuant to the proposed acquisition of Sturgeon;

(ii) up to 183,952,000 new Raya Shares to be issued pursuant to the Proposed Rights Issue of Shares with Warrants; and

(iii) up to 183,952,000 new Raya Shares to be issued pursuant to the exercise of the warrants.

The above proposals are subject to the approval of the shareholders and also relevant authorities.

30) OPERATING LEASE COMMITMENTS

As at 31 December 2016, the operating lease commitments in respect of rental of premises are as follows:

	GROUP	
	2016	2015
	RM	RM
Not later than one year	45,600	-
Later than one year and not later than five years	85,500	-
	131,100	-

31) SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the accumulated loss of the Group and of the Company as at 31 December 2016 into realised and unrealised loss is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2011 and prepared 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.

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM	RM	RM	RM
Accumulated loss carried forward are analysed as follows:				
- Realised	(16,268,831)	(16,549,587)	(9,181,811)	(8,528,533)
- Unrealised	(124,786)	-	-	-
	(16,393,617)	(16,549,587)	(9,181,811)	(8,528,533)
Add: Consolidation adjustments	806,253	913,627	-	-
Total accumulated loss	(15,587,364)	(15,635,960)	(9,181,811)	(8,528,533)

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF STRAITS INTER LOGISTICS FOR THE THREE (3) MONTHS FPE 31 MARCH 2017

RAYA INTERNATIONAL BERHAD

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

On consolidated results for the first quarter ended 31 March 2017

SUMMARY OF KEY FINANCIAL INFORMATION

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31 March 2017 RM'000	Quarter Ended 31 March 2016 RM'000	Quarter Ended 31 March 2017 RM'000	Quarter Ended 31 March 2016 RM'OOO
Revenue	23,097	9,852	23,097	9,852
Profit/(Loss) before tax	718	5	718	5
Income tax expense	(60)	-	(60)	-
Profit/(Loss) for the period	658	5	658	5
Profit/(Loss) attributable to :				
Owners of the Company	548	(1)	548	(1)
Non-controlling interest	110	6	110	6
	658	5	658	5
Basic earnings/(loss) per share (sen)	0.33	0.00*	0.33	0.00*
Proposed/Declared Dividend per share (sen)	N/A	N/A	N/A	N/A

- Amount is negligible

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Dato' Sri Ho Kam Choy
Director

STRAITS INTER LOGISTICS BERHAD (412406-T)
(formerly known as RAYA INTERNATIONAL BERHAD)

RAYA INTERNATIONAL BERHAD

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

On consolidated results for the first quarter ended 31 March 2017

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31 March 2017 RM'000	Quarter Ended 31 March 2016 RM'000	Quarter Ended 31 March 2017 RM'000	Quarter Ended 31 March 2016 RM'OOO
Revenue	23,097	9,852	23,097	9,852
Operating expenses	(22,454)	(9,855)	(22.454)	(9,855)
Other operating income	93	22	93	22
Depreciation	(18)	(14)	(18)	(14)
Finance costs	-	-	-	-
Profit/(Loss) before tax	**718**	**5**	**718**	**5**
Income tax expense	(60)	-	(60)	-
Profit after taxation	**658**	**5**	**658**	**5**
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	**658**	**5**	**658**	**5**
Profit/(Loss) attributable to :				
Owners of the Company	548	(1)	548	(1)
Non-controlling interest	110	6	110	6
	658	5	658	5
Total comprehensive income/(loss) attributable to :				
Owners of the Company	548	(1)	548	(1)
Non-controlling interest	110	6	110	6
	658	5	658	5
Earnings/(loss) per share (sen)				
(a) Basic	0.33	0.00	0.33	0.00
(b) Diluted	0.33	0.00	0.33	0.00

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. Certified True Copy

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Dato' Sri Ho Kam Choy
Director

STRAITS INTER LOGISTICS BERHAD (412406-T)
(formerly known as RAYA INTERNATIONAL BERHAD)

RAYA INTERNATIONAL BERHAD

(Company No.: 412406-T)
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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As At 31 March 2017 RM'000	Audited As At 31 December 2016 RM'000
ASSETS		
Non-Current Asset		
Property, plant & equipment	526	544
Total Non-Current Asset	**526**	**544**
Current Assets		
Inventories	184	184
Trade receivables	6,299	6,268
Other receivables, deposits & prepaid expenses	4,168	3,891
Tax recoverable	8	8
Amount owing from associate	6	6
Cash & bank balances	1,343	1,159
Total Current Assets	**12,008**	**11,516**
TOTAL ASSETS	**12,534**	**12,060**
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	16,395	16,395
Share premium	10,425	10,425
Accumulated loss	(15,039)	(15,587)
Equity Attributable to Owners of the Company	11,781	11,233
Non-controlling interests	317	207
Total Equity	**12,098**	**11,440**
Non-Current Liabilities		
Deferred tax liabilities	7	7
Total Non-Current Liabilities	7	7
Current Liabilities		
Trade payables	-	-
Other payables and accruals	338	582
Tax liabilities	91	31
Total Current Liabilities	**429**	**613**
Total Liabilities	**436**	**620**
TOTAL EQUITY AND LIABILITIES	**12,534**	**12,060**
Net asset per share attributable to owners of the Company (sen)	7.19	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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Director

STRAITS INTER LOGISTICS BERHAD (412406-T)
(formerly known as RAYA INTERNATIONAL BERHAD)

RAYA INTERNATIONAL BERHAD

(Company No.: 412406-T)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(These figures have not been audited)

	<------ Attributable to Owners of the Company ------>					
	Share Capital	**Share Premium**	**Accumulated Loss**	**Total**	**Non-Controlling Interest**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Quarter ended 31 March 2017						
At 1 January 2017	16,395	10,425	(15,587)	11,233	207	11,440
Profit/(Loss) for the period	-	-	548	548	110	658
At 31 March 2017	16,395	10,425	(15,039)	11,781	317	12,098
Quarter ended 31 March 2016						
At 1 January 2016	14,345	9,403	(15,636)	8,112	155	8,267
Profit/(Loss) for the period	-	-	(1)	(1)	6	5
At 31 March 2016	14,345	9,403	(15,637)	8,111	161	8,272

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.

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Director

RAYA INTERNATIONAL BERHAD

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS

(These figures have not been audited)

	Quarter Ended	
	31 March 2017	**31 March 2016**
	RM'000	**RM'000**
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	718	5
Adjustments for :		
Depreciation of property, plant and equipment	18	14
Interest expense	2	-
Operating profit/(loss) before workings capital changes	738	19
Net change in current assets	(308)	(2,408)
Net change in current liabilities	(244)	(170)
Cash used in operations	186	(2,559)
Tax refund	-	110
Net cash used in operating activities	186	(2,449)
Cash Flows From Financing Activities		
Interest expense	(2)	-
Net cash from/(used in) financing activities	**(2)**	-
Net increase/(decrease) in cash and cash equivalent	**184**	**(2,449)**
Cash and cash equivalents at beginning of year	**1,159**	**4,122**
Cash and equivalents at end of year	**1,343**	**1,673**
Cash and cash equivalents at end of period comprise :		
Cash and bank balances	1,343	1,673

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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Director

RAYA INTERNATIONAL BERHAD

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANICIAL 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 cyclicality

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

A5 Unusual items

During the current quarter under review, there were no items or events that arose, which affected 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 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.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF STRAITS INTER LOGISTICS FOR THE THREE (3) MONTHS FPE 31 MARCH 2017 *(CONT'D)*

A9 Segment information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
BUSINESS SEGMENTS	Quarter Ended 31 March 2017 RM'000	Quarter Ended 31 March 2016 RM'000	Quarter Ended 31 March 2017 RM'000	Quarter Ended 31 March 2016 RM'OOO
Segment Revenue				
Air Filtration System, Fast Moving Consumer Product & Ancillary Support Services, General Trading	-	7	-	7
Consultancy Services	-	15	-	15
Oil Trading Services	23,097	9,830	23,097	9,830
	23,097	9,852	23,097	9,852
Segment Profit/(Loss) Before Tax				
Investment Holding	(113)	(97)	(113)	(97)
Air Filtration System, Fast Moving Consumer Product & Ancillary Support Services, General Trading	-	(1)	-	(1)
Consultancy Services	-	13	-	13
Oil Trading Services	831	90	831	90
	718	5	718	5

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

The Group does not have any capital commitment as at 31 March 2017.

A15 Significant related party transactions

There were no significant related party transactions during the quarter under review.

A16 Profit before taxation

	INDIVIDUAL QUARTER	
	Quarter Ended 31 March 2017 RM'000	Quarter Ended 31 March 2016 RM'OOO
Profit before tax is arrived at after charging/(crediting) the following items :		
(a) Depreciation & amortisation	18	14
(b) Foreign exchange (gain)/loss	(95)	27

RAYA INTERNATIONAL BERHAD

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 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 revenue for the first quarter of 2017 substantially by RM13.24 million to RM23.10 million as compared to RM9.83 million recorded in the corresponding quarter of 2016.

Over the same quarter, the Group has achieved a significantly higher profit before tax of RM718K in 2017, as compared to RM5K in 2016. This increased profit before tax was also contributed by an unrealised forex gain of RM95K.

B2 Variation of results against preceding quarter

	Current Quarter 31 March 2017 RM'000	Preceding Quarter 31 December 2016 RM'000
Revenue	23,097	18,272
Profit before tax	718	77

Revenue for the first quarter of 2017 has increased by RM4.83 million to RM23.10 million from RM18.27m achieved in the preceding quarter.

Apart from this, which contributed to a substantially higher profit before tax in the first quarter of 2017, there were no similar bad debts and inventories written off in the first quarter of 2017, which amounted to RM33K and RM201K respectively in the fourth quarter of 2016.

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 2nd half of 2017 after the completion of the Proposed Acquisitions of two vessels, namely Sturgeon and Straits I in the forthcoming EGM.

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 8.36% 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 31st March 2017. There were no purchases or disposals of quoted securities for the current quarter.

B8 Status of corporate proposals

The Company is currently undertaking following corporate proposals, collectively referred to as "the Proposals" :

(a) Proposed reduction of the share capital of the Company pursuant to Section 116 of the Companies Act, 2016 and such credit will be utilised to set-off against the accumulated loss of the Company
(b) Proposed 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 Raya ("Raya Shares" or "Shares") ("Proposed Acquisition of Sturgeon);
(c) Proposed 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 Proposed Rights Issue of Shares with Warrants ("Proposed Acquisition of Straits I"); (the "Proposed Acquisition of Sturgeon" and the "Proposed Acquisition of Straits I" shall collectively be referred to as "Proposed Acquisitions");
(d) Proposed renounceable rights issue of up to 183,952,000 new Raya Shares ("Rights Share") on the basis of one (1) Rights Shares for every one (1) existing Raya Share held on an entitlement date to be determined later ("Rights Entitlement Date"), together with up to 183,952,000 free detachable new warrants ("Warrants") on the basis of one (1) Warrant for every one (1) Rights Share subscribed by the entitled shareholders ("Proposed Rights Issue of shares with Warrants"). Each warrant will entitle its holder to subscribe for one (1) Raya Shares at the exercise price to be determined later);

Bursa Malaysia Securities Berhad had, vide its letter dated 18 April 2017 approved the following, subject to fulfilment of certain conditions:

(a) Admission to the Official List and the initial listing and quotation of up to 183,952,000 warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants; and
(b) Listing of :
    (i) 20,000,000 new Raya Shares to be issued pursuant to the Proposed Acquisitions;
    (ii) Up to 183,952,000 new Raya Shares to be issued pursuant to the Proposed Rights Issue of Shares with Warrants; and
    (iii) Up to 183,952,000 new Raya Shares to be issued pursuant to the exercise of the Warrants.

On 19 May 2017, the shareholders had approved the abovementioned Proposals in an Extraordinary General Meeting, and are subject to approval from relevant authorities.

B9 Group borrowings and debt securities

As at 31 March 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 31 March 2017	Quarter Ended 31 March 2016	Quarter Ended 31 March 2017	Quarter Ended 31 March 2016
Profit/(Loss) for the period (RM'000)	548	5	548	5
Weighted Average Number of Ordinary Shares in Issue ('000)	163,952	143,452	163,952	143,52
Basic earnings/(Loss) Per Share (sen)	0.33	0.00	0.33	0.00

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 31 March 2017 RM'000	As At 31 March 2016 RM'000
Total accumulated profits/(accumulated losses) of the Company and its subsidiaries :		
- Realised	(15,641)	(16,551)
- Unrealised	(95)	
	(15,736)	(16,551)
Add : Consolidation adjustments	697	914
Total group accumulated losses as per consolidation accounts	(15,039)	(15,637)

By Order of the Board

Dato' Tan Seng Hu
Managing Director
Kuala Lumpur

Date : 19 May 2017

STRAITS INTER LOGISTICS BERHAD
(formerly known as Raya International Berhad)
B-10-06 Plaza Mont Kiara, Jalan Kiara 2, Mont Kiara, 50480 Kuala Lumpur.
Tel: (603) 6419 1266 Fax: (603) 6419 1267

Registered Office:

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

10 JUL 2017

To: Shareholders of Straits Inter Logistics Berhad *(formerly known as Raya International Berhad)* ("Straits Inter Logistics" or "Company")

Dear Sir/Madam,

On behalf of the Board of Directors of Straits Inter Logistics ("Board"), I wish to report that after making due enquiries in relation to our Company and subsidiary companies ("Group") during the period between 31 December 2016 (being the date on which the latest audited consolidated financial statements have been made up) to the date thereof, being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus that:

(i) in the opinion of the Board, the business of our Group has been satisfactorily maintained;

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

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

(iv) save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;

(v) since the last audited consolidated financial statements of our Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and

(vi) save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the results of our Group since the last audited consolidated financial statements of our Group.

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

DATO TAN SENG HU
Managing Director

ADDITIONAL INFORMATION

1. SHARE CAPITAL

1.1 Save for the Rights Shares, Warrants, as well as new Shares to be issued pursuant to the exercise of the Warrants, no securities in our Company will be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issue of this AP.

1.2 As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares, all of which rank *pari passu* with one another.

1.3 As at the LPD, no person has been or is entitled to be granted an option to subscribe for any of our securities save for the Entitled Shareholders who will be allotted the Provisional Rights Shares with Warrants under the Rights Issue of Shares with Warrants.

2. REMUNERATION OF DIRECTORS

The provisions in our Articles of Association in respect of the arrangements for the remuneration of Directors are as follows:

(a) The fees payable to the Directors shall from time to time be determined by the Company in General Meeting.. The fees payable to the Directors shall not be increased except pursuant to resolution passed at the General Meeting, where notice of the proposed increase has been given in the notice convening the meeting. The fees payable to non-executive Directors shall be by way of a fixed sum and not by way of a commission on or percentage of profits or turnover. Salaries payable to Executive Directors may not include a commission on or percentage of turnover Any fee paid to an Alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration. Any Director holding office for a part of a year shall be entitled to a proportionate part of such remuneration;

(b) The Directors shall be paid by the Company such reasonable travelling, hotel and other expenses as they may incur in attending meetings of the Company or of Directors or of Committees of Directors or which they may otherwise incur in or about the Company's business; and

(c) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors of the Company, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors;

3. MATERIAL CONTRACTS

Save as disclosed below, neither we nor our subsidiaries have entered into any other material contract (not being contracts entered into in the ordinary course of business) within the two (2) years immediately preceding the date of this AP:

(i) Deed Poll executed by our Company;

(ii) Collaboration Agreement dated 29 December 2015 and letter dated 6 March 2017 between Selatan Bunker and Tumpuan Megah to jointly carry out the provision of bunkering services for marine fuel, petroleum and petroleum-based products in Pasir Gudang Port, Kemaman Port, Kuantan Port, Labuan Port and any other area as may be mutually agreed between the parties comprising the operations as well as marketing and sales of bunkering services and to work on mutually agreed projects in this area, upon the terms and conditions stipulated therein. The consideration and mode of consideration is not stipulated in the agreement;

(iii) Shareholders Agreement dated 22 March 2016 between Selatan Bunker, Puan Harison Binti Yusoff and our Company to regulate the rights, obligations and liabilities of Puan Harison Binti Yusoff and Straits Inter Logistics as shareholders of Selatan Bunker for the purpose of developing and carrying out Selatan Bunker's business;

(iv) Memorandum of Agreement 1 and letter dated 19 January 2017 issued by Straits Inter Logistic notifying Seller 1 that the Bill of Sale of Sturgeon is to be issued in favour of TMD Sturgeon; and

(v) Memorandum of Agreement 2 and letter dated 19 January 2017 issued by Straits Inter Logistic notifying Seller 2 that the Bill of Sale of Straits 1 is to be issued in favour of TMD Straits.

4. MATERIAL LITIGATION

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

5. GENERAL

5.1 There is no existing or proposed service contract entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.

5.2 Save as disclosed in this AP and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:

(i) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

(ii) material commitments for capital expenditure of our Group;

(iii) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;

(iv) known trends or uncertainties that have had or that our Group reasonably expects will have, a material favourable or unfavourable impact on our Group's revenue or operating income;

(v) substantial increase in revenues; and

(vi) material information, including special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

6. CONSENTS

The Adviser, Company Secretaries, Principal Bankers, Share Registrar, Solicitors, IMR for the Rights Issue of Shares with Warrants and Bloomberg Finance LP have given and have not subsequently withdrawn their written consents to the inclusion in this AP of their names and all references thereto in the form and context in which they appear in this AP.

The written consent of our Reporting Accountants and Auditors to the inclusion in this AP of their names and letter relating to the pro forma consolidated statements of financial position of our Company as at 31 December 2016, the audited consolidated financial statements of our Company for the FYE 31 December 2016, and all references thereto in the form and context in which they appear have been given before the issuance of this AP and have not subsequently been withdrawn.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office at No. 149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan during normal business hours from 9.00 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for the period of twelve (12) months from the date of this AP:

(i) our Memorandum and Articles of Association;

(ii) the audited financial statements of our Group for the FYE 31 December 2015 and FYE 31 December 2016;

(iii) the latest unaudited consolidated financial results of our Group for the three (3) months FPE 31 March 2017 as set out in **Appendix V** of this AP;

(iv) the proforma consolidated statements of financial position of our Company as at 31 December 2016 together with the Reporting Accountants' letter thereon as set out in **Appendix III** of this AP;

(v) the Undertaking as referred to in Section 2.5 of this AP;

(vi) the Directors' Report referred to in **Appendix VI** of this AP;

(vii) the Deed Poll dated 4 July 2017;

(viii) the letters of consent referred to in Section 6 above;

(ix) the material contracts referred to in Section 3 above;

(x) the IMR Report on the oil bunkering industry in Malaysia; and

(xi) the valuation report and valuation certificate, both dated 7 November 2016 and the supplemental valuation letter dated 11 January 2017.

8. RESPONSIBILITY STATEMENT

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of Shares with Warrants.

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SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
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1 Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur, Malaysia.
T +603 6211 2121
www.smith-zander.com

SMITH ZANDER

0 7 JUL 2017

The Board of Directors
STRAITS INTER LOGISTICS BERHAD
(formerly known as Raya International Berhad)
3rd Floor, No. 66
Jalan Kampung Attap
50460 Kuala Lumpur
Malaysia

Dear Sirs,

Independent Market Research Report on the Oil Bunkering Industry in Malaysia in relation to the Share Capital Reduction, Acquisitions and Rights Issue of Shares with Warrants of STRAITS INTER LOGISTICS BERHAD

This Independent Market Research Report on the Oil Bunkering Industry in Malaysia is prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Abridged Prospectus of STRAITS INTER LOGISTICS BERHAD

For and on behalf of SMITH ZANDER:

DENNIS TAN
MANAGING PARTNER

1 DEFINITION AND SEGMENTATION

Bunkering Services

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

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

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

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

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

Marine Fuel Oils

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

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

- **Fuels**

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

- **Finished non-fuel products**

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

- **Chemical industry feedstocks**

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

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

Oil bunkering industry – types of marine fuel oils

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

Source: United States Environmental Protection Agency

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

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

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

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

Socio-economic Developments in Johor

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

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

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

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

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

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

- **Flagship B: Nusajaya**

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

- **Flagship C: Western Gate Development**

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

- **Flagship D: Eastern Gate Development**

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

- **Flagship E: Senai – Skudai**

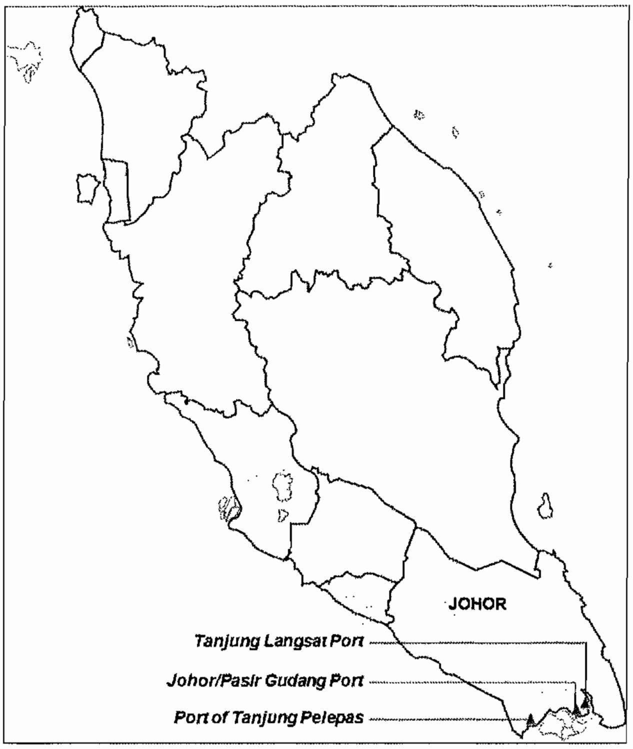
  Senai – Skudai is a major township that connects Iskandar Malaysia to the world. This township houses key economic activities such as logistics, manufacturing (especially in high technology and aerospace-related sectors), tourism (luxury shopping destination) and Cybercity. Senai – Skudai's potential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

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

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

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

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



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

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

- **Port of Tanjung Pelepas**

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

- **Tanjung Langsat Port**

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

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2 Oil Bunkering Industry in Malaysia, with a Focus on Bunkering Activities in the State of Johor

Industry Performance, Outlook and Prospects

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

The consumption of residual fuel oil for bunkering doubled from 420 barrels daily in 2010 to 985 barrels daily in 2012, and subsequently to an estimated 1,600 barrels daily in 2016, registering a compound annual growth rate ("CAGR") of 25.0% between 2010 and 2016. SMITH ZANDER anticipates that the consumption of residual fuel oil for bunkering will reach an estimated 1,800 barrels daily in 2017.

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

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

Year	Consumption of residual fuel oil for bunkering ('000 barrels daily)
2010	0.420
2012	0.985
2014*e*	1.260
2015*e*	1.500
2016*e*	1.600
CAGR	**25.0%**

e SMITH ZANDER estimates

Source: United States Energy Information Agency, SMITH ZANDER

Key Market Drivers, Trends and Development

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

Malaysia's external trade, comprising total imports and total exports, increased from RM1.2 trillion in 2010 to RM1.5 trillion in 2016, at a CAGR of 4.1%. Malaysia's exports in 2016 grew despite the challenging economic environment. In 2016, 15 of Malaysia's export markets registered export values exceeding RM10 billion, namely Singapore, People's Republic of China, United States, Japan, Thailand, Hong Kong, India, Indonesia, Australia, Vietnam, Republic of Korea, Germany, Netherlands, Taiwan and the Philippines. Collectively, these countries accounted for 82.7% of Malaysia's total exports in 2016.

Oil bunkering industry in Malaysia – external trade value

Year	External trade value (RM million)
2010	1,167,651
2011	1,271,488
2012	1,309,318
2013	1,368,687
2014	1,448,354
2015	1,463,134
2016	1,484,597
CAGR	**4.1%**

Source: Department of Statistics Malaysia

The growth in Malaysia's external trade is similarly reflected in the nation's cargo throughput growth. Over the period of 2010 and 2016, Malaysia's cargo throughput comprising dry cargo, liquid cargo, general cargo and container cargo increased from 448.6 million freightweight tonnes ("FWT") to 567.0 million FWT at a CAGR of 4.0%. During the same period, cargo throughput in Johor increased from 125.8 million FWT to 155.3 million FWT at a CAGR of 3.6%, where growth was driven by cargo movement in the Port of Tanjung Pelepas. The Port of Tanjung Pelepas is a dedicated container terminal port and handles a significant amount of container cargo annually. Between 2010 and 2016, container cargo throughput in Malaysia increased from 18.2 million twenty-foot equivalent units ("TEUs") in 2010 to 24.6 million TEUs in 2016 at a CAGR of 4.0% while container cargo throughput in the Port of Tanjung Pelepas increased from 6.3 million TEUs to 8.0 million TEUs at a higher CAGR of 4.5%.

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

Year	Malaysia	Johor		
		Johor Port	Port of Tanjung Pelepas	Total
	'000 FWT			
2010	448,605	28,129	97,656	125,785
2011	495,024	32,674	112,788	145,462
2012	497,843	25,909	116,256	142,165
2013	508,197	26,979	120,048	147,027
2014	539,233	27,303	131,529	158,832
2015	568,214	28,652	136,279	164,931
2016	567,015	28,122	127,201	155,323
CAGR	**4.0%**	**0.0%**	**4.5%**	**3.6%**

Source: Ministry of Transport Malaysia

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

Year	Malaysia	Johor		
		Johor Port	Port of Tanjung Pelepas	Total
	TEU			
2010	18,173,794	876,268	6,298,733	7,175,001
2011	19,978,706	830,340	7,302,460	8,132,800
2012	20,556,725	801,058	7,493,805	8,294,863
2013	20,876,318	757,023	7,416,518	8,173,541
2014	22,373,309	792,501	8,232,113	9,024,613
2015	23,876,312	800,524	8,798,747	9,599,271
2016	24,596,106	827,013	8,028,983	8,855,996
CAGR	**4.0%**	**0.0%**	**4.5%**	**3.6%**

Source: Ministry of Transport Malaysia

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

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

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

Source: Economic Planning Unit Malaysia

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

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

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

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

The tourism industry in Malaysia has witnessed a rise in tourist arrivals and receipts between the period 2010 and 2015. Over the period, tourist arrivals increased from 24.6 million in 2010 to 25.7 million in 2015 at a CAGR of 0.9%, whereas tourist receipts increased from RM56.5 billion to RM69.1 billion, recording a CAGR of 4.1%. Tourist arrivals for the period of January to June 2016 were recorded at 13.0 million, an improvement in comparison to the 12.6 million tourist arrivals for the period of January to June 2015.

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

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

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

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

Source: Iskandar Malaysia

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

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

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

The oil and gas industry is a significant contributor to Malaysia's GDP. Between 2010 and 2015, the oil and gas industry in Malaysia contributed between 8.0% and 11.0% of the country's total GDP, signifying its importance to overall economic development.

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

Year	National GDP (RM billion)	Crude oil and condensate and natural gas industry GDP (RM billion)	Crude oil and condensate and natural gas industry contribution to national GDP (%)
2010	821.4	86.1	10.5
2011	864.9	81.5	9.4
2012	912.3	82.2	9.0
2013	955.1	82.8	8.7
2014	1,012.5	85.4*e*	8.4
2015	1,062.8	88.9*p*	8.4

[a] *Latest available as at 30 June 2017*

Source: Department of Statistics Malaysia

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

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

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

[a] *Latest available as at 30 June 2017*

Source: Department of Statistics Malaysia

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

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

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

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

Year	Reserves volume					
	Malaysia		World		Malaysia as a percentage of the world	
	Crude oil and condensates (billion barrels)	Natural gas (trillion standard ft^3)	Crude oil and condensates (billion barrels)	Natural gas (trillion standard ft^3)	Crude oil and condensates (%)	Natural gas (%)
2010	5.8	88.6	1,357.4	6,638.2	0.4	1.3
2011	5.9	90.0	1,475.7	6,708.2	0.4	1.3
2012	6.0	92.1	1,528.4	6,809.3	0.4	1.4
2013	5.9	98.3	1,648.9	6,845.2	0.4	1.4
2014	5.8	100.7	1,655.6	6,972.5	0.4	1.4
2015	Not available	Not available	1,620.3	6.628.4	Not applicable	Not applicable

[a] *Latest available as at 30 June 2017*

Source: Energy Commission of Malaysia, United States Energy Information Administration

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

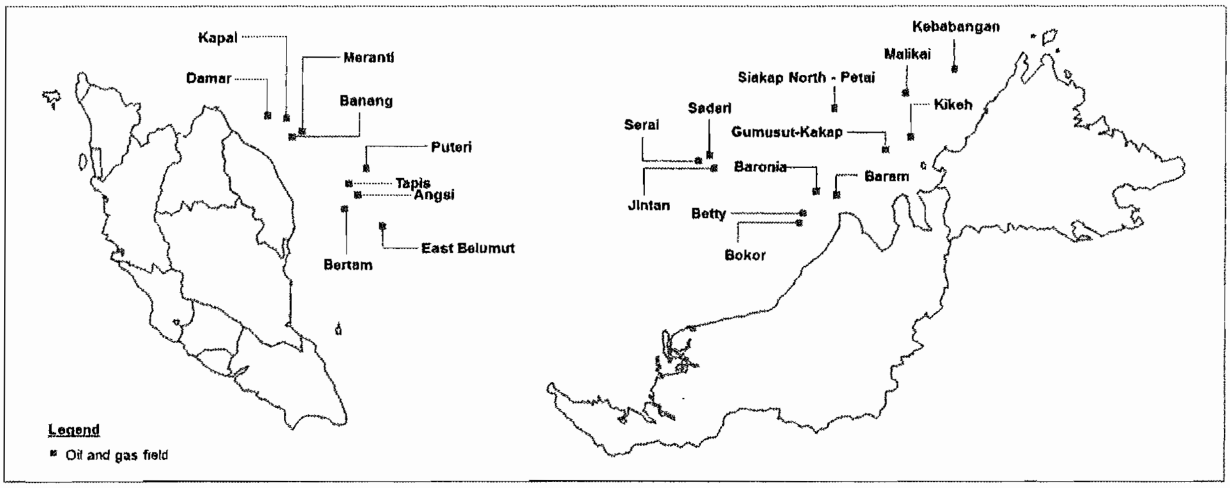
Year	Production volume					
	Malaysia		World		Malaysia as a percentage of the world	
	Crude oil and condensates ('000 barrels)	Natural gas (ktoe)	Crude oil and condensates ('000 barrels)	Natural gas (ktoe)	Crude oil and condensates (%)	Natural gas (%)
2010	232,981	71,543	30,398,295	2,893,949	0.8	2.5
2011	207,974	69,849	30,695,242	2,976,055	0.7	2.3
2012	213,445	62,581	31,469,470	3,033,998	0.7	2.1
2013	210,022	64,406	31,605,538	3,079,189	0.7	2.1
2014	220,045	63,091	32,424,481	3,130,248	0.7	2.0
2015	Not available	Not available	33,459,660	3,199,543	Not applicable	Not applicable
CAGR 2010 – 2014	**-1.4%**	**-3.1%**	**1.6%**	**2.0%**	**Not applicable**	**Not applicable**

[a] *Latest available as at 30 June 2017*

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

Source: Economic Planning Unit Malaysia

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

Naval military activities signify growth opportunities for the oil bunkering industry

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

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

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

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

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

Source: Economic Planning Unit Malaysia

In October 2016, the Budget 2017 was tabled in Parliament, where a sum of RM15.1 billion was allocated for the Ministry of Defence, of which RM1.8 billion is provided for defence asset maintenance such as aircrafts, patrol vessels, communication equipment, buildings and weaponry. The Malaysian Armed Forces will be equipped with patrol vessels and armoured vehicles under Budget 2017. Further, the Government also announced the intention to create sea basing at the East Coast of Sabah waters. Sea basing refers to naval capabilities that allow for selected functions and tasks to be conducted at sea, without reliance on land infrastructure. At the East Coast of Sabah waters, sea basing relates to the deployment of military assets in the middle of the ocean to facilitate operations in Sabah waters in a timely manner. This includes the creation of mobile, permanent and forward operational bases for defence forces involved in operations

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

to strengthen national maritime security especially in the Eastem Sabah Security Command (ESSCom) areas and strengthen border control operations.

Industry Risks and Challenges

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

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

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

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

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

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

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

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

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

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

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

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

Competitive Landscape

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

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

As at 30 June 2017, 16 oil bunkering service providers are licensed to operate from Johor Port and 12 oil bunkering service providers are licensed to operate from the Port of Tanjung Pelepas.

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

Industry player	Principal activities based on filings with the Companies Commission of Malaysia	Latest available FYE	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
Alamgala Resources Sdn Bhd	Supply of marine gas oil and bunkering services	31 October 2015	1,049,141	29,663	6,663
Berjaya Waterfront Sdn Bhd	Property and investment holdings and management of ferry terminal	30 June 2016	72,662,198	5,663,180	4,737,383
Beyond Sea Sdn Bhd	Bunkering and marine services	31 December 2015	24,229,782	518,120	230,283
Dickson Marine Co. Sdn Bhd	Trading of petroleum products and providing marine related services	31 December 2010	71,248,763	1,075,137	772,613
EA Marine Services Sdn Bhd	Bunkering forwarding, marine logistics, supplies, shipping and marine services	31 March 2015	60,468,196	-298,718	-236,311
Eastgate Ventures Sdn Bhd	To carry on business in relating to oil and gas trading and services, to carry on business as general traders	30 June 2015	1,387,701	299,170	238,552
Jupiter Marine Sdn Bhd	Involved in letting out on a charter a Malaysian ship	31 December 2015	1,989,900	-163,262	-163,262
KA Petra Sdn Bhd	Distributor of marine lubricants and provider of shipping and oil and gas related services	31 December 2015	26,146,938	2,162,858	1,493,526
Marin Selatan Sdn Bhd	Shipping agent, bunkers, suppliers and other business in transportation	31 March 2016	38,391,813	-2,546,649	-1,673,081
Panoil Petroleum Sdn Bhd	Chartering of vessels, ship bunkering and petroleum trading	31 December 2015	561,967,573	537,632	442,428
PSP Marine (M) Sdn Bhd	Trading in petrol, diesel, lubricants and other related petroleum products	30 June 2016	68,314,172	2,696,879	1,998,212
Rat Auto Service Sdn Bhd	Trading of petrol, diesel and lubricants	31 December 2015	7,899,766	-345,032	-345,032
Rata Sempuma Sdn Bhd	Transportation of goods, agent for gas	31 December 2008	4,709,818	-117,719	-117,719

Industry player	Principal activities based on filings with the Companies Commission of Malaysia	Latest available FYE	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
	oil and trading in petroleum products				
Sapphire Engineering and Services Sdn Bhd	Engineering works	30 June 2014	79,178	-12,939	-12,939
Sino Marine (M) Sdn Bhd	Dealers in oil and gas, petroleum and related products	31 August 2014	242,706	-52,840	-52,840
Tumpuan Megah Development Sdn Bhd	Business bunkering ship, lorry tanker, pipeline, stores, supplies equipment, maintenance, transportation, clearing and forwarding agent, services petroleum, manufacturing, constructors, selling accessories machinery, business software designing, development, property, investment, general traders and dealers	31 December 2015	154,885,226	1,487,457	1,213,378

[a] *Latest available as at 30 June 2017*

Source: Companies Commission of Malaysia

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

Industry player	Principal activities based on filings with the Companies Commission of Malaysia	Latest available FYE	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
Alamgala Resources Sdn Bhd	Supply of marine gas oil and bunkering services	31 October 2015	1,049,141	29,663	6,663
Beyond Sea Sdn Bhd	Bunkering and marine services	31 December 2015	24,229,782	518,120	230,283
Dickson Marine Co. Sdn Bhd	Trading of petroleum products and providing marine related services	31 December 2010	71,248,763	1,075,137	772,613
Eastgate Ventures Sdn Bhd	To carry on business in relating to oil and	30 June 2015	1,387,701	299,170	238,552

Industry player	Principal activities based on filings with the Companies Commission of Malaysia	Latest available FYE	Revenue (RM)	Profit before tax (RM)	Profit after tax (RM)
	gas trading and services, to carry on business as general traders				
Jupiter Marine Sdn Bhd	Involved in letting out on a charter a Malaysian ship	31 December 2015	1,989,900	-163,262	-163,262
KA Petra Sdn Bhd	Distributor of marine lubricants and provider of shipping and oil and gas related services	31 December 2015	26,146,938	2,162,858	1,493,526
Marin Selatan Sdn Bhd	Shipping agent, bunkers, suppliers and other business in transportation	31 March 2016	38,391,813	-2,546,649	-1,673,081
Melabakti Sdn Bhd	Shipping and forwarding	31 December 2015	2,199,102	22,749	75,039
PJ Export Trading Sdn Bhd	General contractor and trading	31 July 2010	1,885,984	-25,589	-23,466
Panoil Petroleum Sdn Bhd	Chartering of vessels, ship bunkering and petroleum trading	31 December 2015	561,967,573	537,632	442,428
PSP Marine (M) Sdn Bhd	Trading in petrol, diesel, lubricants and other related petroleum products	30 June 2016	68,314,172	2,696,879	1,998,212
Tumpuan Megah Development Sdn Bhd	Dealing in oil and petroleum products, providing oil bunkering and related services	31 December 2015	154,885,226	1,487,457	1,213,378

[a] *Latest available as at 30 June 2017*

Source: Companies Commission of Malaysia

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Our Ref: VPCPJ16/40902/PHILIP / R25046/PM1609P/5302

Date: 7 November 2016

Board of Directors,
Raya International Berhad (the "Company"),
3rd Floor, No. 66 Jalan Kampung Attap,
50460 Kuala Lumpur,
Malaysia.

Dear Sirs,

CERTIFICATE OF VALUATION
TWO OIL TANKERS NAMED MT. STURGEON AND MT. STRAITS 1

We refer to the Company's instruction to carry out a formal valuation on the above-mentioned two oil tankers named MT. Sturgeon and MT. Straits 1 (the "Vessels"). MT. Sturgeon is held by Sturgeon Asia Ltd. (the "Sturgeon's Owner") and MT. Straits 1 is held by Straits Holdings Ltd. (the "Straits 1's Owner). BMI Appraisals Limited has been appointed jointly with VPC Alliance (PJ) Sdn. Bhd. in providing the Market Values of the Vessels as BMI Appraisals Limited has in-depth experience and expertise in the valuation of vessels. BMI Appraisals Limited is an international professional firm providing a wide spectrum of professional valuation and consultancy services to clients worldwide and has established track record for vessel valuations. The valuation is for the purpose of submission to Bursa Malaysia Securities Berhad and inclusion in the Circular to Shareholders of the Company and the Abridged Prospectus in relation to the proposed acquisition of the Vessels by the Company and / or its subsidiaries (the "Proposed Acquisition").

We have prepared and provided this Valuation Certificate which outlines key factors that have been considered in arriving at the opinion of Market Values on an "as is value" basis and reflects all information provided to or known by VPC Alliance (PJ) Sdn. Bhd., and BMI Appraisal Ltd., based on present market conditions. This Valuation Certificate summarizes the Valuation Report dated 11 October 2016 under reference number: VPCPJ16/40902/PHILIP / R25046/PM1609P/5302. For further information, reference should be made to the said report.

VPC Alliance (PJ) Sdn. Bhd., and BMI Appraisal Ltd., have conducted a physical inspection of the Vessels (MT. Straits 1 at the Kuantan Port Authority on 4 October 2016 and MT. Sturgeon at the Singapore Shipyard on 10 October 2016) where the Vessels were parked. The material date of valuation is taken as at 11 October 2016. No condition survey of the Vessels were done.

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This valuation and contents of this certificate have been prepared in accordance with the Securities Commission Malaysia Guidelines and Malaysian Valuation Standards.

The basis of the valuation is Market Value which is defined by the Malaysian Valuation Standard as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

TECHNICAL SPECIFICATIONS OF THE VESSELS

1) MT. Sturgeon (IMO Number: 9058933)

Name of Marine Vessel	MT Sturgeon
Flag	Malaysia
Year	1993
Type	Oil Tanker
Dead Weight Tonnage	545
Gross Tonnage	322
Length Over All (L.O.A.) (m)	44.15
Beam (m)	8.00
Draft (m)	3.45

2) MT. Straits 1 (IMO Number: 9003744)

Name of Marine Vessel	MT Straits 1
Flag	Malaysia
Year	1990
Type	Oil Tanker
Dead Weight Tonnage	770
Gross Tonnage	433
Length Over All (L.O.A.) (m)	48.0
Beam (m)	8.60
Draft (m)	3.80

VALUATION METHODOLOGY

For this valuation exercise, we have adopted the Market Comparison Approach to ascertain the Market Value of the Vessels as there are established second-hand market comparables with readily available evidence of sales transactions.

The Market Comparison Approach considers recent sales and recent prices for similar assets, with adjustments made to the indicated market prices to reflect the conditions and utilities of the appraised assets relative to their market comparables. The value of assets for which there are established second-hand market comparables may be appraised by this approach.

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VALUATION CONSIDERATIONS

For the purpose of this valuation and in arriving at the opinion of values, we have relied considerably on the information and documents provided by the representatives and/or senior management of the Company, Sturgeon's Owner and Straits 1's Owner to VPC Alliance (PJ) Sdn. Bhd and BMI Appraisals Limited, such as, technical specifications, photocopies of documents, for example, registration documents, certification documents and other documents. We shall not be responsible or liable to such information and documents provided and BMI Appraisals Limited has no reason to doubt the truth and accuracy of the information provided to them by the Company, Sturgeon's Owner and Straits 1's Owner. BMI Appraisals Limited has also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

EVIDENCE OF VALUES

In arriving at the market values, VPC Alliance (PJ) Sdn. Bhd., and BMI Appraisals Limited., have considered the following sales transactions as the comparables and relevant adjustment factors have been applied with justifications to derive at the market value of the Vessels:

1) MT. Sturgeon (IMO NUMBER: 9058933)

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Name of Vessel	Minitank Five	Minitank Six	Bao Zhou	Jiang Zhou
Type of Vessel	Oil Tanker	Oil Tanker	Oil Tanker	Oil Tanker
Year of Manufacture	2007	2007	2008	2008
DWT	8084	8102	4999	4999
Transacted Price (USD)	US$8,000,000	US$8,000,000	US$5,350,000	US$5,350,000
Exchange Rate	4.12045	4.12045	4.12045	4.12045
Transacted Price (RM)	RM 32,963,592	RM 32,963,592	RM 22,044,402	RM 22,044,402
Date of Transaction	**11 October 2016**	**11 October 2016**	**11 October 2016**	**11 October 2016**
Source	Eggar Forrester Vessel Sales History	Eggar Forrester Vessel Sales History	Eggar Forrester Vessel Sales History	Eggar Forrester Vessel Sales History
Adjustment on Age Factor	53%	53%	50%	50%
Adjustment on Capacity Factor	20%	20%	26%	26%
Adjustment Direction	Downward adjustment made on the age and capacity factors	Downward adjustment made on the age and capacity factors	Downward adjustment made on the age and capacity factors	Downward adjustment made on the age and capacity factors
Adjusted Value (RM)	RM 3,490,000	RM 3,480,000	RM 2,920,000	RM 2,920,000
Justification	Age factor adjustment and capacity factor adjustment are used to reflect the difference between market comparables and appraised assets.			
Market Value of MT. Sturgeon: RM 3,200,000				

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2) MT. Straits 1 (IMO NUMBER: 9003744)

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Name of Vessel	Minitank Five	Minitank Six	Bao Zhou	Jiang Zhou
Type of Vessel	Oil Tanker	Oil Tanker	Oil Tanker	Oil Tanker
Year of Manufacture	2007	2007	2008	2008
DWT	8084	8102	4999	4999
Transacted Price (USD)	US$8,000,000	US$8,000,000	US$5,350,000	US$5,350,000
Exchange Rate	4.12045	4.12045	4.12045	4.12045
Transacted Price (RM)	RM 32,963,592	RM 32,963,592	RM 22,044,402	RM 22,044,402
Date of Transaction	**11 October 2016**	**11 October 2016**	**11 October 2016**	**11 October 2016**
Source	Eggar Forrester Vessel Sales History	Eggar Forrester Vessel Sales History	Eggar Forrester Vessel Sales History	Eggar Forrester Vessel Sales History
Adjustment on Age Factor	43%	43%	40%	40%
Adjustment on Capacity Factor	24%	24%	33%	33%
Adjustment Direction	Downward adjustment made on the age and capacity factors	Downward adjustment made on the age and capacity factors	Downward adjustment made on the age and capacity factors	Downward adjustment made on the age and capacity factors
Adjusted Value (RM)	RM 3,480,000	RM 3,480,000	RM 2,870,000	RM 2,870,000
Justification	Age factor adjustment and capacity factor adjustment are used to reflect the difference between market comparables and appraised assets.			
Market Value of MT. Straits 1: RM3,170,000				

ASSUMPTIONS

AS WE HAVE ONLY CARRIED OUT A PHYSICAL INSPECTION OF THE VESSELS BUT NOT A CONDITION SURVEY OF THE VESSELS, WE HAVE ASSUMED FOR THE PURPOSE OF THIS VALUATION THAT THE VESSELS ARE IN GOOD, SOUND AND SEAWORTHY CONDITION, FULLY CLASSED TO THE REQUIREMENTS OF THEIR PRESENT CLASSIFICATION SOCIETY, FREE OF CLASS RECOMMENDATIONS, WITH CLEAN AND VALID TRADING CERTIFICATES AND FREE OF MARITIME LIENS AND ALL DEBTS WHATSOEVER. WE DO NOT MAKE ANY WARRANTIES OR GUARANTEES AS TO THE CONDITION OF THE VESSELS.

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OPINION OF VALUES

We are of the opinion that the total market value of the Vessels based on the aforesaid basis, assumptions and considerations, as at 11 October 2016, is in the sum of RM6,370,000.00 (Ringgit Malaysia SIX MILLION THREE HUNDRED AND SEVENTY THOUSAND ONLY) and the market values of the respective vessels are as follows:

	Name of Vessel	Market Value as at 11 October 2016 (RM)
(1)	MT. Sturgeon	3,200,000.00
(2)	MT. Straits 1	3,170,000.00
	TOTAL:	**6,370,000.00**

We hereby certify that we have neither present nor prospective interest in the Company, the Sturgeon Owner, the Straits 1 Owner or the Vessels appraised or the values reported.

Note: The afore-mentioned ownership details, information, data and documents are provided by the Company, MT. Sturgeon Owner and MT. Straits 1 Owner. VPC Alliance (PJ) Sdn. Bhd., and BMI Appraisals Limited., shall not be responsible or liable for the legal validity or as to the accuracy of these details, information, data and documents provided by the Company, MT. Sturgeon Owner and MT. Straits 1 Owner. The verification of ownership is not within the ambit or scope of our profession.

Yours faithfully,
For and on behalf of
VPC ALLIANCE (PJ) SDN. BHD.

Loo Boon Wei
Registered Valuer (V0988)

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED.

Dr. Tony Cheng
Managing Director

BMI APPRAISALS
中和邦盟評估有限公司

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Kuching : 082-419200

VPC
MALAYSIA

Our Ref: VPCPJ16/40902/PHILIP / R25046/PM17011P/5394(R1)

Date: 11 January 2017

The Board of Directors
Raya International Berhad (the "Company")
3rd Floor, No. 66 Jalan Kampung Attap
50460 Kuala Lumpur
Malaysia

Dear Sirs,

SUPPLEMENTAL VALUATIONS OF TWO OIL TANKERS NAMED MT. STURGEON AND MT. STRAITS 1 BY THE COST APPROACH

We refer to our certificate of valuation and valuation report both dated 7 November 2016 and reference number: VPCPJ16/40902/PHILIP / R25046/PM1609P/5302.

We also refer to the Company's instruction to value the **MT Sturgeon and MT Straits 1 (the "Vessels")** by the Cost Approach and at the Company's request, we hereby furnish herewith the market values of the Vessels based on the Cost Approach:

Description of Vessels		Market Value (RM)
MT Sturgeon		**4,060,000**
Type	: Oil Tanker	
DWT	: 545	
Year Built	: 1993	
Country of Manufacture	: Japan	
MT Straits 1		**2,860,000**
Type	: Oil Tanker	
DWT	: 770	
Year Built	: 1990	
Country of Manufacture	: Japan	

Malaysia
Petaling Jaya
Johor Bahru
Penang
Kuala Lumpur
Alor Setar
Pahang
Kota Kinabalu
Kuching

Affiliated Offices
Singapore
Jakarta
Surabaya
Bangkok

The detailed workings in assessing the above-mentioned market values are illustrated as per Appendix 1 attached.

The photocopies of the certificates of Malaysian Registry - Particulars of Ship, International Load Line Certificate, Cargo Ships Safety Construction (Non-Convention) Certificate , Cargo Ships Safety Equipment (Non-Convention) Certificate and International Oil Pollution Prevention Certificate of MT.Sturgeon and the photocopies of the certificates of Malaysian Registry - Particulars of Ship, Malaysian Local Freeboard Certificate, Cargo Ships Safety Construction (Non-Convention) Certificate, Cargo Ships Safety Equipment (Non-Convention) Certificate and International Oil Pollution Prevention Certificate of MT. Straits 1 have been sighted by the valuers.

We wish to stress again that the appropriate basis of valuation is the Market Comparison Approach for the Vessels mainly because there are readily available market data of sales transactions of similar type of vessels. This has been clearly explained in the valuation report.

The Cost Approach is not an appropriate basis for the valuation of the old Vessels but may be used solely as a cross-reference to the Market Comparison Approach. Since there is lack of historical first hand cost of the Vessels and lack of full set of building data, the Cost Approach adopted would rely on the transaction data of a new vessel. The Cost Approach estimates the value of an asset as the original or historical cost of an asset (provided the original cost was an arms-length transaction representing fair market value), adjusted to account for changes in values since purchase or installation. It is the method of valuation most frequently relied on when no reliable second-hand transaction data is available. Replacement Cost New, in the case of a new or nearly new vessel when considered along with normal depreciation, will be an indication of market value in the case of vessels that continue to be manufactured. As the vessels grow older, however, an estimate of depreciation is less predictable and the accuracy of this method diminishes. New large vessels or vessels built by little known manufacturers are capable to be valued by the Cost Approach.

In assessing the above-mentioned market values using the Cost Approach, we have relied on the ownership details, information, data and documents provided by the Company, MT. Sturgeon's Owner and MT. Straits 1's Owner. VPC Alliance (PJ) Sdn. Bhd., and BMI Appraisals Limited., shall not be responsible or liable for the legal validity or as to the accuracy of these details, information, data and documents provided by the Company, MT. Sturgeon's Owner and MT. Straits 1's Owner. The verification of ownership is not within the ambit or scope of our service.

VPC
MALAYSIA

The limiting conditions of this valuation exercise are as per Appendix 2 attached.

For and on behalf of
VPC Alliance (PJ) Sdn. Bhd.

Loo Boon Wei
Registered Valuer
(V-0988)

For and on behalf of
BMI Appraisals Limited.

Dr. Tony Cheng
Managing Director

BMI APPRAISALS
中和邦盟評估有限公司

APPENDIX 1

APPENDIX 1

Name of Vessel	MT. Sturgeon	MT. Straits 1
Type of Vessel	Oil Tanker	Oil Tanker
DWT	545	770
Year of Manufacture	1993	1990
DWT (New Vessel)	3500	
Date of Transaction	25/11/2016	
Transacted Price (New Vessel)	US$12,900,000	
Source	Golden Destiny	
Adjustment on Capacity Factor	33%	40%
Replacement Cost New (USD)	US$4,226,558	US$5,200,479
Exchange Rate	4.12045	4.12045
Replacement Cost New (MYR)	MYR 17,415,315	MYR 21,428,307
Depreciation Adjustment	23%	13%
Market Value by Cost Approach	MYR 4,060,000	MYR 2,860,000
Justification	Capacity Factor Adjustment and Depreciation Adjustment are used to reflect the difference between new vessel and appraised Vessels	

APPENDIX 2

APPENDIX 2

LIMITING CONDITIONS

1. VPC Alliance (PJ) Sdn. Bhd., and BMI Appraisals Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation, with reference to the project described herein, unless prior arrangements and fees have been made.

2. No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by valuers.

3. Our conclusions assume continuation of prudent management policies over whatever period of time is reasonable and necessary to maintain the character and integrity of the Vessels valued.

4. We assume that there are no hidden or unexpected conditions associated with the Vessels valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions which may require an adjustment in the valuation.

5. As we have only carried out a physical inspection of the Vessels, but not a condition survey, we have assumed for the purpose of this valuation that the Vessels are in good, sound and seaworthy condition, fully classed to the requirements of their present classification society, free of class recommendations, with clean and valid trading certificates and free of maritime liens and all debts whatsoever. We do not make any warranties or guarantees as to the condition of the Vessels.