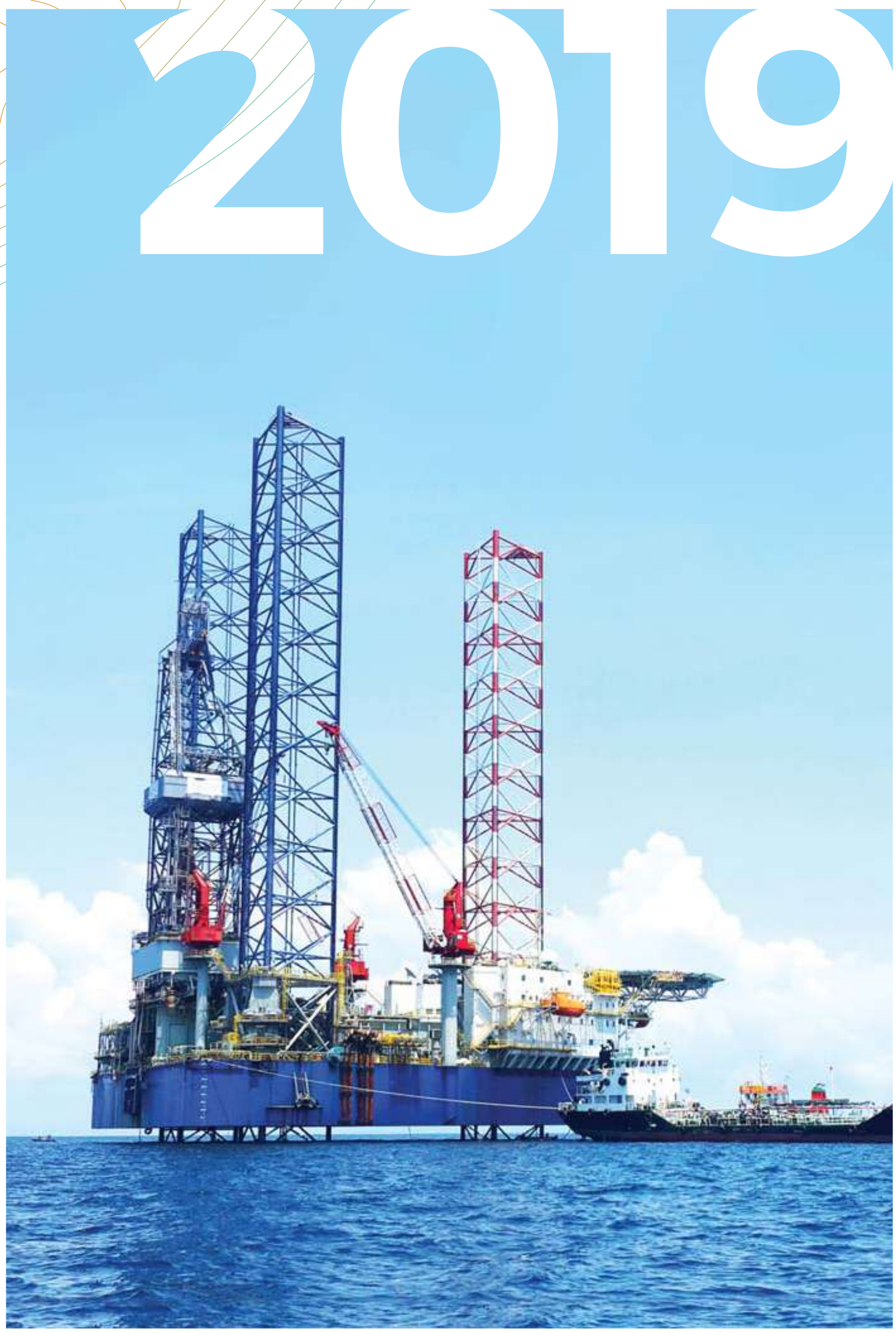
STRAITS INTER LOGISTICS BERHAD
199601040053 (412406-T)

# ANNUAL REPORT 2019



NAVIGATING POSSIBILITIES

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# OUR VISION, MISSION AND CORE VALUES

## OUR VISION

To drive, to excel, and to participate in all industry-related businesses with passion, focus and professionalism.

## OUR MISSION

Dedicated to deliver uncompromising products and services par excellence in every endeavour and task with the utmost integrity and full accountability.

## OUR CORE VALUES

| | |
|---|---|
| **SUSTAINABILITY** | Every action undertaken should be environmentally, economically and socially sustainable so as to ensure the continuity and preservation of our Group, our integrated community, business partners and stakeholders. |
| **TRANSPARENCY** | We strive to up keep the levels of professionalism and the principals of transparency in all matters pertaining to our professional conduct and business activities. |
| **ACCOUNTABILITY** | Our Group shall be accountable in every way towards our many endeavours in all aspects of our professional conduct in the marketplace especially towards the setting, executing and achieving of our goals and objectives. |
| **RESPONSIVENESS** | Upon the trust granted us by our stakeholders, shareholders, clients, customers and colleagues, we strive to uphold the practice of responding and reacting in a timely and prompt manner in every endeavour we undertake. |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**YAM DATO' SERI TENGKU BAHARUDDIN IBNI SULTAN MAHMUD**
*Non-Independent & Non-Executive Chairman*

**DATO' SRI HO KAM CHOY**
*Group Managing Director*

**CAPT TONY TAN HAN (CHEN HAN)**
*Executive Director*

**TAN SRI MOHD BAKRI BIN MOHD ZININ**
*Non-Independent & Non-Executive Director*

**LEONG FOOK HENG**
*Independent & Non-Executive Director*

**HARISON BINTI YUSOFF**
*Non-Independent & Non-Executive Director*

**HO FOOK MENG**
*Independent & Non-Executive Director*

**HO HUNG MING**
*Alternate Director to Tan Sri Mohd Bakri Bin Mohd Zinin*

## AUDIT COMMITTEE

**LEONG FOOK HENG**
***Chairman***
*Independent & Non-Executive Director*

**TAN SRI MOHD BAKRI BIN MOHD ZININ**
***Member***
*Non-Independent & Non-Executive Director*

**HO FOOK MENG**
***Member***
*Independent & Non-Executive Director*

## NOMINATION & REMUNERATION COMMITTEE

**HO FOOK MENG**
***Chairman***
*Independent & Non-Executive Director*

**LEONG FOOK HENG**
***Member***
*Independent & Non-Executive Director*

**TAN SRI MOHD BAKRI BIN MOHD ZININ**
***Member***
*Non-Independent & Non-Executive Director*

## BOARD RISK & COMPLIANCE COMMITTEE

**TAN SRI MOHD BAKRI BIN MOHD ZININ**
***Chairman***
*Non-Independent & Non-Executive Director*

**HO FOOK MENG**
**Member**
*Independent & Non-Executive Director*

**LEONG FOOK HENG**
**Member**
*Independent & Non-Executive Director*

## COMPANY SECRETARIES

**Wan Haslinda Wan Yusoff**
*MAICSA 7055478*
*SSM PC No : 202008002798*

**Sangar Nallappan**
*MACS 01413*
*SSM PC No : 202008002985*

## REGISTERED ADDRESS

No: 149A, 149B, 151B,
Persiaran Raja Muda Musa,
42000 Port Klang, Selangor.
Tel : 603-3167 3830
Fax : 603-3168 3830

## CORPORATE OFFICE

B-07-06, Plaza Mont' Kiara,
2, Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur.
Tel : 603-6419 1266
Fax : 603-6419 1267

## OPERATION OFFICE

No: 47-01, Jalan Molek 2/1
Taman Molek,
81100 Johor Bahru, Johor.
Tel : 607-358 4661
Fax : 607-351 9660

## AUDITORS

Moore Stephens Associates PLT
Unit 3.3A, 3rd Floor,
Surian Tower,
No: 1, Jalan PJU 7/3,
Mutiara Damansara,
47810 Petaling Jaya,
Selangor.
Tel : 603-7724 1033
Fax : 603-7733 1033

## 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
Tel : 603-2783 9299
Fax : 603-2783 9222
Email : is.enquiry@my.tricorglobal.com

## PRINCIPAL BANKERS

CIMB Bank Berhad
MBSB Bank Berhad

## WEBSITE & EMAIL

http://www.straits-interlogistics.com
admin-kl@straits-interlogistics.com

## STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

## STOCK NAME

STRAITS
STRAITS-WA

## STOCK CODE

0080
0080WA

# CORPORATE STRUCTURE

STRAITS INTER LOGISTICS BERHAD
199601040053 (412406-T)

**100%**

* Quest Equipment & Services Sdn. Bhd.
* Quest System & Engineering Sdn. Bhd.
* Quest Technology Sdn. Bhd.
* Raya Consumable Sdn. Bhd.
* Straits Port Management Sdn. Bhd. ("SPM")
  - Megah Port Management Sdn. Bhd. (51% owned by SPM)

***Incorporated in Labuan***

* Pan Management Services Ltd. (formerly known as Pan Logistics Ltd.)
* TMD Straits Ltd.
* TMD Sturgeon Ltd.

**70%**

* Straits Alliance Transport Sdn. Bhd. ("SAT")
  - Straits Alliance Tech Sdn. Bhd. (formerly known as Envair Energy Sdn. Bhd.) (100% owned by SAT)

**67%**

* Straits Marine Fuels & Energy Sdn. Bhd. ("SMF")

***Incorporated in Labuan***

(100% owned by SMF)
- SMF Begonia Ltd.
- SMF Ixora Ltd.
- SMF Omura Ltd.

**55%**

* Tumpuan Megah Development Sdn. Bhd. ("TMD")

***Incorporated in Labuan***

(100% owned by TMD)
- Beluga Asia Ltd.
- Cavalla Asia Ltd.
- Dolphin Asia Ltd.
- Escolar Asia Ltd.
- Oscar Asia Ltd.
- Phoenix Asia Ltd. (formerly known as Omura Asia Ltd.)
- S3 Asia Ltd.

**51%**

* Selatan Bunker (M) Sdn. Bhd.

***Incorporated in Singapore***

* Straits Marine Services Pte. Ltd.

## ASSOCIATE COMPANIES

**49%**

* Fajar Maritime and Logistics Sdn. Bhd.

**38%**

***Incorporated in Hong Kong***

* Banle Energy International Limited ("Banle")
  - Reliance (China) Limited (100% owned by Banle)

# CHAIRMAN'S STATEMENT

**Dear Valued Shareholders,**

**Assalamualaikum w.b.t. and Salam Sejahtera.**

**On behalf of the Boards of Directors , I am honoured to present to you the Annual Report 2019 of Straits Inter Logistics Berhad ("Straits" or the "Group"), which provides a review of the Group's performance for the financial year ended 31 December 2019.**

**2019 has been another remarkable year for Straits as it continued to chalk up encouraging growth in revenue and profitability despite the prevailing challenging environment in the global markets. The Group has put in place and implementing many strategies to enhance the values of its business in terms of its branding, market network and customers base and its conscientious and persistent efforts is paying off.**

## BUSINESS PERFORMANCE AND OVERVIEW

The Group achieved another remarkable milestone for financial year ended 2019, posting a significantly higher revenue of RM663.2 million as compared to RM255.8 million for financial year ended 31 December 2018, representing an increase of 159.3%. The profit attributable to equity holders jumped to RM7.1 million which is an increase of 73.2% from RM4.1 million recorded in financial year ended 2018.

The commendable performance of the Group is mainly attributable to its right strategy to expand its products line to bunker Marine Fuel Oil in addition to the Marine Gas Oil and the acquisition of two additional vessels named MT Begonia and MT Ixora to cater for the expanded market.

The acquisition of 55% equity interest in Tumpuan Megah Development Sdn Bhd in September 2018 and 38% equity interest in Banle Energy International Limited in February 2019 has widened the Group's geographical reach and enlarged its vessels capacity to cater for its expanded bunkering and trading market space. The expansion of the Group's business into inland transportation and logistics commenced via its 70% owned subsidiary Straits Alliance Transport Sdn Bhd in February 2019.

The Group further secured a notable achievement when Straits signed an Operation and Facility Management Agreement with Labuan Port Authority in March 2020 to undertake Port Management Services at Labuan Liberty Port. This marked the diversification of Straits into the Port Operation and Facility Management business in addition to its current mainstay business of fuel bunkering.

# CHAIRMAN'S STATEMENT
*cont'd*

## BUSINESS OUTLOOK

The global economy is envisaged to be significantly impacted by the Covid-19 Pandemic disrupting value and supply chain worldwide. The Group is cognisant of the challenges ahead and amidst these headwinds, the Group has taken numerous measures to mitigate all possible risks arising from this fallout. Despite the expected slowdown in the shipping industry arising from this pandemic, the outlook for bunkering business for Straits remains stable as the Group is in the defensive industry of bunkering and logistics and the size of the bunkering industry in this country is still large enough to be tapped by Straits.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to our Management and Staff at Straits Group for their utmost dedication, hard work and contribution. My deepest appreciation also goes to our other stakeholders including our valued shareholders, customers, business partners, bankers and suppliers for your kind support. We look forward to Straits growing from strength to strength with your continuous support.

This year, we are pleased to welcome Puan Harison Yusoff as the Non-Independent & Non-Executive Director of Straits and with her appointment, Straits is proud to have embraced gender diversity.

Finally, I would like to extend my heartfelt appreciation to my fellow Board members for your dedication, valuable advice and services to the Board. I trust that the stewardship of our Board will steer Straits towards greater heights.

Thank you.

**YAM DATO' SERI TENGKU BAHARUDDIN**
**IBNI SULTAN MAHMUD**
*Chairman, Non-Independent & Non-Executive*
5 May 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

**Dear Shareholders,**

**The objective of the Management Discussion and Analysis ("MDA") is to provide shareholders with an overview of the business operations of Straits Inter Logistics Berhad and its subsidiaries ("Straits" or "the Group"), the financial review of 2019 and the Group's business outlook going into 2020.**

## OVERVIEW OF THE GROUP'S BUSINESS AND STRATEGY

### Our Business

The Group is principally engaged in oil trading and oil bunkering services and also investment holding activities. Oil bunkering services involves the provision of refueling marine fuels to ocean faring vessels such as containers ships, oil tankers, cargo vessels, cruise ships as well as vessels and rigs deployed in the oil and gas ("O&G") industry such as offshore support vessels, floating production storage and offloading ("FPSO") vessels and submersible and semi-submersible oil rigs.

Straits is one of the largest licensed bunker operators in Malaysia and is currently operating from 14 ports in both Peninsula and East Malaysia servicing its numerous customers in both the maritime transportation and O&G industries. Over the last few years as the Group strategically expanded its business footprint, there was a need to enlarge its vessels fleet to cater for the jump in cargoes demand and wider market logistics coverage. It was for these reasons that Straits acquired two Japanese made vessels named Begonia and Ixora of 5,227 DWT and 5,643 DWT respectively in 2019, representing Straits two largest vessels in their enlarged fleet of 11 vessels of total 22 million litres capacity. Both Begonia and Ixora will spearhead Straits' drive into the huge Marine Fuel Oil ("MFO") market which was undertaken in 2019 in addition to their traditional Marine Gas Oil ("MGO") business.

In 2019, as a strategy to diversify its revenue stream, the Group expanded its bunkering products line to provide MFO in addition to its mainstay business of MGO. The foray into the MFO market which is essentially to bunker for international container ships of the maritime transportation sector has allowed Straits to be less dependent on vessels in the O&G industry. As a natural extension of its synergistic services, Straits has also entered into collaboration agreements with both Bintulu Port and Lumut Port to provide bunkering to vessels docking at these two Ports.

Straits scored another major milestone when it was awarded the contract by Labuan Port Authority to operate and manage the port facilities of Labuan Liberty Port in early 2020. This project is undertaken by the Group's 51% owned subsidiary Megah Port Management Sdn Bhd and the entry of Straits in the port management space through this venture is the crystalisation of a sound business direction strategy. We are excited on this new business opportunities as it also complements the Group's current business and believes that this new platform will contribute positively to the Group in the long run.

As part of the Group's continuous efforts to look beyond the maritime sector for good business opportunities, it expanded into land transportation and logistic business through its 70% owned subsidiary named Straits Alliance Transport Sdn Bhd in the first quarter of 2019. The Group also established a new 51% owned subsidiary i.e. Straits Marine Services Pte Ltd to provide ship management services and to ensure the Group's vessels are well maintained and ship management costs is kept at a very competitive level.

On 1 January 2020, the International Maritime Organization ("IMO") implemented a sulphur cap for fuel used on all vessels, effectively banning ships from using fuels with sulphur content exceeding 0.5%. This move has augured well for the Group as there is escalation of demand for clean marine gas oil that Straits is already supplying.

Overall, 2019 and moving into early 2020, Straits has notched many corporate and business milestones and has put in place competent manpower and effective measures to realize the Group's aspirations.

# MANAGEMENT DISCUSSION AND ANALYSIS
*cont'd*

## FINANCIAL REVIEW

For financial year ended 31 December 2019, the Group recorded a commendable revenue of RM663.2 million as compared to RM255.8 million recorded in the financial year ended 31 December 2018, a jump of RM407.4 million or 159.3%. The substantial increase in revenue was mainly contributed by the increase in demand for high sulphur fuel oil ("HSFO") and the commencement of bunkering into very low sulphur fuel oil ("VLSFO") in conjunction with implementation by IMO on consumption of VLSFO by all vessels. The diversification into inland transportation & logistics services in February 2019 through Straits Alliance Transport Sdn Bhd had also contributed to the increase of the revenue of the Group.

The profit attributable to equity holders for financial year ended 2019 rose to RM7.1 million, representing a significant increment of 73.2% as compared to RM4.1 million in the financial year ended 2018. The marked improvement arose from the substantial jump in revenue and the consolidation of a full year financials of 55% owned Tumpuan Megah Development Sdn Bhd and recognition of profit from Banle Energy International Ltd, a 38% associate company of Straits.

The Group's total assets as at financial year ended 2019 shot up by 99.2% to RM294.8 million from RM148.0 million in financial year ended 2018, arising from the acquisition of two new vessels by its 67% owned subsidiary named Straits Marine Fuels & Energy Sdn Bhd and the consolidation of its 70% owned subsidiary i.e. Straits Alliance Transport Sdn Bhd in first quarter of financial year ended 2019.

The Group is in a healthy financial position with cash and cash equivalents of RM8.3 million as at financial year ended 2019, an increase of 27.7% from RM6.5 million as of the previous financial year. The Group's borrowings are mainly bank facilities of banker acceptance for working capital purposes and gearing ratio is low at 0.29 times.

No dividend has been recommended or declared for financial year ended 2019. At present, the Group intends to reinvest its earnings into its operations to further strengthen its position to build a longer term sustainable growth.

## OPERATION AND FINANCIAL RISKS

Straits is resolute in its commitment to sustain safety, security, health and environmental performance through operational excellence and control. Identifying and managing these risks are crucial to the business and the Group accomplishes this through a capable and committed workforce rigorously following established safe practices and designs, and also efficiently implementing environmentally responsible operations.

The Group is also exposed to operational risks and challenges associated with land transportation and logistics business such as the shortage of resources of drivers and trucks and the adverse weather condition that may affect its timely delivery of products to their customers. In view of that, the Group has adopted prudent procedures by continuously reviewing the work procedures and performance to enhance sustainable productivity and efficiency.

There is also exposure to foreign currency risk on bunkering transactions that are denominated in currencies other than Ringgit Malaysia ("MYR") and the currencies giving rise to this risk are primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis by implementing hedging procedures to ensure that the net exposure is at an acceptable level.

The Group's business was previously relying on supplying MGO to vessels in Malaysia's O&G industry but it has since expanded its products line to also supply MFO to international container ships which is in the marine transportation sector. By this way, it has expanded its customer base to include organisations from other industry thus diversifying its customers' industry risks. The Group also has come up with strict environmental safety rules and regulations to mitigate the impact of weather and natural hazards that may cause damage to refueling vessels and disruptions in the Group's business operations.

# MANAGEMENT DISCUSSION AND ANALYSIS
*cont'd*

## OUTLOOK AND PROSPECTS

The Group's strategy to expand its product line beyond its bunkering of MGO which is mainly for vessels in the O&G sector, into the MFO market has opened up a new customer base of international container ships in the maritime transportation industry. It has opened up tremendous business opportunity and widening the market base as the size of the MFO market is generally much larger than the MGO market. The Group will continue to expand its oil trading and bunkering business by increasing its deliverable tonnage capacities through increasing its vessels base by way of acquisitions of new vessels or chartering third parties' vessels as well as broadening its geographical coverage.

The signing of Bunkering Services Agreement with Lumut Maritime Terminal Sdn. Bhd., and Bintulu Port Sdn. Bhd has enabled the Group to establish its base in bunkering business in Lumut and Bintulu and subsequently further enlarged its bunkering market reach in Malaysia.

The signing of Operation and Facility Management Agreement with Labuan Port Authority for Labuan Liberty Port has enabled the Group to embark on its foray into the port operation and management services sector. With this new undertaking, the Group is seeking to diversify its business into port management services and it is expected that the said venture will enhance the Group's future revenue and earnings.

Notwithstanding the many positive developments that have taken place, Straits is cognizant of the business headwinds moving into 2020 arising from the negative economic impact of the Covid-19 Pandemic. This pandemic has created a major disruption in the world's value and supply chain and slowed down the movement of ships globally. With this in mind, the Group has put in place numerous measures to ensure its business is being carried out on competitive level and effective costs controls being implemented. As the Group's business is mainly in the defensive maritime transportation industry, we maintain a stable and cautious outlook for the Group's businesses for 2020.

Thank you.

**DATO' SRI HO KAM CHOY**
*Group Managing Director*
5 May 2020

# BOARD OF DIRECTORS' PROFILE

## YAM DATO' SERI TENGKU BAHARUDDIN IBNI SULTAN MAHMUD

*Non-Independent & Non-Executive Chairman*

***Date of Appointment:***
*1 December 2019*

Malaysian Male, aged 44
On 5 August 2016, YAM Dato' Seri Tengku Baharuddin was appointed as the Non-Independent & Non-Executive Director and subsequently re-designated as Non-Independent & Non-Executive Chairman on 3 March 2017. However, on 28 June 2019, he resigned as the Director of the Company due to health reason and was re-appointed as Non-Independent & Non-Executive Chairman on 1 December 2019.

### Qualifications & Working Experience and Occupation

He obtained a Hotel Management Certificate from Singapore Hotel and Tourism Education Centre (SHATEC) in 1994. In 2008, he was appointed as Director of Haisan Resources Berhad until his resignation in April 2016.

Currently, he is a Director of some of the Subsidiaries of the Group and also sits in the Board of other Private Companies.

### Board Committees

He is not a member of any Board Committee of the Company.

### Family relationship with any director and/or major shareholder of the Company

He has no family relationship with other Directors or major Shareholders of the Company.

### Conflict of Interest with the Company and its Subsidiaries

He has no conflict of interest with the Company or its subsidiary companies.

### Directorship of Public Companies (if any)

He does not hold any directorships in other public companies and listed issuers.

### Conviction of offences

Save for a penalties imposed by the Companies Commission of Malaysia which he had fully settled, he has no other convictions for any offences within the past five years and no public sanctions and/or penalties imposed on him by any regulatory bodies during the financial year ended 31 December 2019.

### No. of Board Meetings Attended from 1 January 2019 to 31 December 2019

From January to May 2019, YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud had attended two (2) out of five (5) meetings of the Board. He has then resigned as Chairman and Director of Straits on 28 June 2019 and was reappointed on 1 December 2019.

He attended one (1) out of one (1) Board meeting held since his re-appointment.

### Shareholdings in the Company

He does not hold any shares in the Company.

# BOARD OF DIRECTORS' PROFILE
*cont'd*

## DATO' SRI HO KAM CHOY
*Group Managing Director*

***Date of Appointment:***
*5 August 2016*

Malaysian Male, aged 57, was appointed as Non-Independent and Non-Executive Director on 5 August 2016 and subsequently re-designated as Executive Director on 12 January 2017. He was then appointed as the Group Managing Director on 30 August 2017.

### Qualifications & Working Experience and Occupation

He obtained his GCE "A" Level from Christ Church Secondary School, Singapore in 1983. Dato' Sri Ho Kam Choy has approximately 31 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 vessels. Subsequently, from 1989 to 1991, Dato' Sri Ho Kam Choy joined a Hong Kong trading and shipping company, Kelway Enterprise Ltd as a Manager and was in charge for the commercial management of the company owned fleet of 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.

### Board Committees

He is not a member of any Board Committee of the Company.

### Family relationship with any director and/or major shareholder of the Company

Mr. Ho Hung Ming, an Alternate Director to Tan Sri Mohd Bakri Bin Mohd Zinin is his son.

### Conflict of Interest with the Company and its Subsidiaries

He has no conflict of interest with the Company or its subsidiary companies.

### Directorship of Public Companies (if any)

He does not hold any directorships in other public companies and listed issuers.

### Conviction of offences

Save for penalties imposed by the Companies Commission of Malaysia which he had fully settled, he has no other convictions for any offences within the past five years and no public sanctions and/or penalties imposed on him by any regulatory bodies during the financial year ended 31 December 2019.

### No. of Board Meetings Attended from 1 January 2019 to 31 December 2019

During the financial year, he attended all nine (9) meetings of the Board of Directors.

### Shareholdings in the Company

His shareholdings is disclosed at page 143 of the Annual Report.

# BOARD OF DIRECTORS' PROFILE
*cont'd*

## CAPTAIN TONY TAN HAN (CHEN HAN)
*Executive Director*

***Date of Appointment:***
*24 March 2015*

Singaporean Male, aged 44, is an Executive Director of the Company. He was appointed to the Board as an Independent & Non-Executive Director on 24 March 2015 and subsequently re-designated as Executive Director on 12 January 2017.

### Qualifications & Working Experience and Occupation

He obtained his Master of Science (Maritime Studies) from Nanyang Technological University Singapore in 2018 and Diploma in Nautical Studies from Singapore Polytechnics in 1999. In 2009, he obtained a Specialist Diploma in workplace Safety and Health from Ngee Ann Polytechnics. Captain Tony has a Certificate of Competency ("COC") Class 1 Master Mariner (foreign-going) issued by the Maritime and Port Authority of Singapore.

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 Pte Ltd in Singapore in 2012 and was the Managing Director where he oversees the business and contractual obligation to the company's clients and implementation of safety standards. Captain Tony is well versed in the maritime industry and has over 20 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 is in charge of the Group's vessel management and maintenance business segment. He is also responsible for formulating strategies to secure oil related product supplies and building customer base.

The ship management services division via Straits Marine Services Pte Ltd is also currently under the direct supervision of Captain Tony where he is responsible to oversee and ensure the vessels owned by the Group are well maintained and the cost of maintenance and management is kept at a very competitive level.

### Board Committees

He is not a member of any Board Committee of the Company.

### Family relationship with any director and/or major shareholder of the Company

He has no family relationship with other Directors or major Shareholders of the Company.

### Conflict of Interest with the Company

He holds an indirect interest of 49% in Straits Marine Services Pte Ltd.

# BOARD OF DIRECTORS' PROFILE
*cont'd*

## CAPTAIN TONY TAN HAN (CHEN HAN) *(Cont'd)*

### Directorship of Public Companies (if any)

He does not hold any directorships in other public companies and listed issuers.

### Conviction of offences

He does not have any convictions for any offences within the past five years and no public sanctions and/or penalties imposed on him by any regulatory bodies during the financial year ended 31 December 2019.

### No. of Board Meetings Attended from 1 January 2019 to 31 December 2019

During the financial year, he attended all nine (9) meetings of the Board of Directors.

### Shareholdings in the Company

His shareholdings is disclosed at page 143 of the Annual Report.

# BOARD OF DIRECTORS' PROFILE

*cont'd*

## TAN SRI MOHD BAKRI BIN MOHD ZININ

*Non-Independent & Non-Executive Director*

***Date of Appointment:***
*3 June 2016*

Malaysian Male, aged 66, was appointed as Non-Independent & Non-Executive Director of the Company on 3 June 2016.

### Qualifications & Working Experience and Occupation

He obtained his Diploma in Police Science from Universiti Kebangsaan Malaysia in 1989. He started his career in the police force on 6 November 1975 as a probationary inspector. Tan Sri Mohd Bakri was appointed as Deputy Inspector General of the Royal Malaysia Police Force on 17 May 2013.

He served as Police Chief of Kudat, Sandakan, Police Chief and Deputy Police Chief of Kota Kinabalu, Seremban District Deputy Police Chief, Police Chief Lahad Datu District, Police Chief of Cheras and Dang Wangi District.

Tan Sri Mohd Bakri has also served as Assistant Director of the Criminal Intelligence Unit in the Bukit Aman Criminal Investigation Department before being appointed as Sabah CID Chief in 2003.

In 2005, he was appointed as the Deputy Police Commissioner. In 2006, he was appointed Deputy Director (Intelligence/Operations) CID Narcotics and became its Director a year later.

In 2008, he was appointed Director of the Criminal Investigation Department, Bukit Aman. Since June 2016, he is a member of Police Force Commission Board.

### Board Committees

He is the Chairman of Board Risk & Compliance Committee, and a member of both the Audit Committee and Nomination & Remuneration Committee.

### Family relationship with any director and/or major shareholder of the Company

He has no family relationship with other Directors or major shareholders of the Company.

### Conflict of Interest with the Company and its Subsidiaries

He has no conflict of interest with the Company or its subsidiary companies.

### Directorship of Public Companies (if any)

He does not hold any directorships in other public companies and listed issuers.

### Conviction of offences

Save for penalties imposed by the Companies Commission of Malaysia which he had fully settled, he has no other convictions for any offences within the past five years and no public sanctions and/or penalties imposed on him by any regulatory bodies during the financial year ended 31 December 2019.

### No. of Board Meetings Attended from 1 January 2019 to 31 December 2019

During the financial year, he attended all nine (9) meetings of the Board of Directors.

### Shareholdings in the Company

He does not hold any shares in the Company.

# BOARD OF DIRECTORS' PROFILE
*cont'd*

## LEONG FOOK HENG
*Independent & Non-Executive Director*

***Date of Appointment:***
*17 August 2015*

Malaysian Male, aged 61, is an Independent & Non-Executive Director of the Company. He was appointed to the Board on 17 August 2015.

### Qualifications & Working Experience and Occupation

He is an Associate Member of the Institute of Chartered Secretaries and Administrators (United Kingdom) and Associate Member of Chartered Institute of Management Accountants (United Kingdom). He is also a Member of the Malaysian Institute of Accountants.

Mr. Leong began his career as the Marketing Officer/Branch Manager at a Credit & Leasing Company from 1981 to 1987 and thereafter was appointed as Senior Manager, Head of Corporate Banking, Equipment Finance/SME at a Financial Institution from 1987 to 2001 (14 years).

From 2001 to 2003, he was appointed as Vice President and Head, Asset Based Finance of Citibank Berhad and Director of Citicorp Capital (Malaysia) Bhd. In 2003, he held a position as General Manager, Business Banking at a local Bank for 5 years.

Subsequently, he was appointed as Group Head, Risk Management overseeing the Bank that operate in 14 Countries and also appointed as Regional CEO (2012 till July 2013) of two (2) Banks among the countries that the Banking Group operate.

### Board Committees

He is the Chairman of Audit Committee and a member of both the Nomination & Remuneration Committee and Board Risk & Compliance Committee.

### Family relationship with any director and/or major shareholder of the Company

He has no family relationship with other Directors or major Shareholders of the Company.

### Conflict of Interest with the Company and its Subsidiaries

He has no conflict of interest with the Company or its subsidiary companies.

### Directorship of Public Companies

He does not hold any directorships in other public companies and listed issuer.

### Conviction of offences

He does not have any convictions for any offences within the past five years and no public sanctions and/or penalties imposed on him by any regulatory bodies during the financial year ended 31 December 2019.

### Shareholdings in the Company

He does not hold any shares in the Company.

### No. of Board Meetings Attended from 1 January 2019 to 31 December 2019

During the financial year, he attended all nine (9) meetings of the Board of Directors.

# BOARD OF DIRECTORS' PROFILE
*cont'd*

## HARISON BINTI YUSOFF
*Non-Independent & Non-Executive Director*

***Date of Appointment:***
*1 March 2020*

Malaysian Female, aged 63, was appointed as Non-Independent & Non-Executive Director of the Company on 1 March 2020.

### Qualifications & Working Experience and Occupation

Puan Harison obtained her Bachelor of Science with Education (Honours) Degree from University Malaya in 1983. In order to equip herself better in the corporate world, she obtained her Diploma in Public Relations in 1995 from International Correspondence Schools. In 2011, she completed her Master in Managerial Psychology from HELP University.

She started her career as a secondary school teacher in government schools before joining the private sector in 1993. Subsequently, for the next five (5) years, Puan Harison served in several companies, as a PR and Communications practitioner with Silicon Communications, Mahir Events and Yaohan Berhad.

In 1998, she joined Petrosains Discovery Centre, a subsidiary of PETRONAS, as Head of Public Relations. She helped develop standard processes and procedures for communication, issue management and crisis preparedness.

In 2006, Puan Harison was seconded to the PETRONAS Corporate Affairs Department to handle corporate social responsibility programmes (CSR) and stakeholder management. Appointed as a team leader for the flagship CSR programme called "Program Bakti Pendidikan PETRONAS", she was responsible for strategising and implementing the programme, groupwide. She succeeded in taking the programme to greater heights and managed to recruit and develop over 600 volunteers.

From 2008 to 2012, Puan Harison was assigned as Learning Manager with the PETRONAS Leadership Centre. During the four (4) year tenure in the Centre, she was involved in several high profile talent pipeline development programmes, like the Global Mindset for Leaders programme in collaboration with US-based Thunderbird School of Global Management and Building Leaders Programme (BLP). BLP uses an innovative approach in identifying critical skills for future leaders through EQ assessment and intervention to bridge the skill gaps and address competency issues.

### Board Committees

She is not a member of any Board Committee of the Company.

### Family relationship with any director and/or major shareholder of the Company

She has no family relationship with other Directors or major Shareholders of the Company.

### Conflict of Interest with the Company and its subsidiaries

Puan Harison is a Director of Selatan Bunker (M) Sdn Bhd, a 51% Subsidiary of Straits Inter Logistics Berhad. She holds 49% shares in Selatan Bunker (M) Sdn Bhd.

### Directorship of Public Companies (if any)

She does not hold any directorships in other Public Companies and listed issuers.

### Conviction of offences

Not Applicable as she was appointed on 1 March 2020.

### No. of Board Meetings Attended from 1 January 2019 to 31 December 2019

Not Applicable as she was appointed on 1 March 2020.

### Shareholdings in the Company

She does not hold any shares in the Company. However, she has a deemed interest by virtue of her spouse's direct shareholdings in Straits Inter Logistics Berhad.

# BOARD OF DIRECTORS' PROFILE
*cont'd*

## HO FOOK MENG
*Independent & Non-Executive Director*

***Date of Appointment:***
*24 March 2015*

Malaysian Male, aged 62, was appointed as an Independent & Non-Executive Director of the Company on 24 March 2015.

### Qualifications & Working Experience and Occupation

He graduated from the University of Malaya, Kuala Lumpur with a Bachelor of Economics (Honours) degree in 1981 and holds a Masters of Business Administration from Kent State University, Ohio, USA.

Mr Ho started his career in the banking and financial services industry in 1981 and has over 30 years experience in the said industry. He specialized in lending to SMEs and mid and large corporations. As a senior banker he is very often tapped for his expertise and wide ranging experience by his banking clients and investors in their growth and expansion strategies.

He has established a very wide business network that was built over the years as banker and advisor to a wide range of his banking customers.

### Board Committees

He is the Chairman of the Nomination & Remuneration Committee, and a member of both the Audit Committee and Board Risk & Compliance Committee.

### Family relationship with any director and/or major shareholder of the Company

He has no family relationship with other Directors or major shareholders of the Company.

### Conflict of Interest with the Company and it Subsidiaries

He has no conflict of interest with the Company or its subsidiary companies.

### Directorship of Public Companies

He does not hold any directorships in other public companies and listed issuers.

### Conviction of offences

He does not have any convictions for any offences within the past five years and no public sanctions and/or penalties imposed on him by any regulatory bodies during the financial year ended 31 December 2019.

### No. of Board Meetings Attended from 1 January 2019 to 31 December 2019

During the financial year, he attended all nine (9) meetings of the Board of Directors.

### Shareholdings in the Company

His shareholdings is disclosed at page 143 of the Annual Report.

# BOARD OF DIRECTORS' PROFILE

*cont'd*

## HO HUNG MING

*Alternate Director*

***Date of Appointment:***
*12 January 2017*

Malaysian Male, aged 28, was appointed as an Alternate Director to Tan Sri Mohd Bakri Bin Mohd Zinin on 12 January 2017

### Qualifications & Working Experience and Occupation

In July 2019, he was promoted from his current position as the General Manager of Selatan Bunker (M) Sdn. Bhd., a position he has held since December 2016, to be the Marketing Director of Tumpuan Megah Development Sdn. Bhd. ("TMD"), to oversee the development and expansion of the Group's oil bunkering services, product and its customer base. Mr 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, he joined TMD as a management trainee and was attached to various functions of the company's business operations, specifically in marketing division.

He was then promoted as a manager of TMD in-charge specifically for sales and marketing and management. TMD is involved in the business of supplying bunkering services, oil trading and barging to customers in the shipping industry of Marine Gas Oil ("MGO").

### Board Committees

He is not a member of any Board Committee of the Company.

### Family relationship with any director and/or major shareholder of the Company

He is the son of Dato' Sri Ho Kam Choy.

### Conflict of Interest with the Company and its Subsidiaries

He has no conflict of interest with the Company or its Subsidiaries.

### Directorship of Public Companies (if any)

He does not hold any directorships in other public companies and listed issuers.

### Conviction of offences

He does not have any convictions for any offences within the past five years and no public sanctions by any regulatory bodies during the financial year ended 31 December 2019.

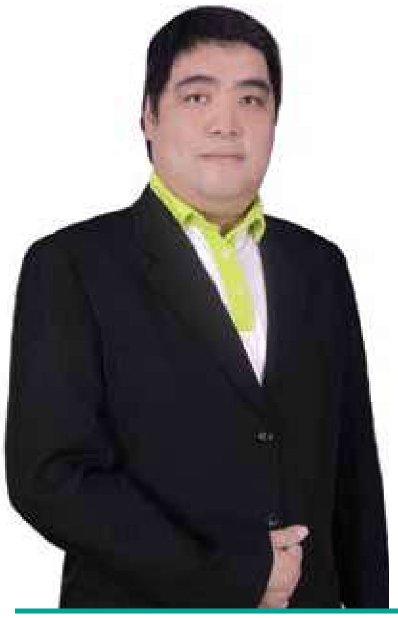
### No. of Board Meetings Attended from 1 January 2019 to 31 December 2019

N/A

### Shareholdings in the Company

He does not hold any shares in the Company.

# KEY SENIOR MANAGEMENT'S PROFILE



**CHAI YIING JEN**
*Managing Director*
Straits Alliance Transport Sdn Bhd
41 years old, Malaysian Male

## Qualifications

He graduated from Ferris State University, USA, with an Associate Degree majoring in Automotive Service Technology in 2000.

## Working Experience

He began his career as a Coordination Engineer with General Motors, USA in 2001 which he was mainly responsible for the research and development of motor vehicles and trucks, apart from monitoring and providing training to its technicians on new automotive technology, as well as to develop new system to monitor recruitment and performance of its employees. He left General Motors in 2002.

In 2004, he joined Kee Fatt Motor Works Distributors Sdn Bhd ("Kee Fatt") as its executive director, where he was responsible for overseeing the overall daily operational matters and formulating the business development plans and activities of Kee Fatt. He was also taking charge of the logistics related matters which include, amongst others, the coordination of drivers on duty, the arrangement of truck maintenance, as well as to monitor and implement the safety requirements and transportation issued so as to be in compliance with the requirements set by the company's clients.

In 2014, he founded Am Alliances Sdn Bhd ("Am Alliances"), a transportation service provider, and as an executive director, he was mainly involved in the provision of land transportation services for his customers who are mainly construction players. In 2015, he had left Kee Fatt and fully devoted his time in Am Alliances.

He had since left Am Alliances in 2018, to fully devote his time in Straits Alliances Transport Sdn Bhd ("SAT") from February 2019 onwards.

## Additional Notes on Key Senior Management

- Joined the Group as director of SAT on 19 February 2019.
- No family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.
- No convictions for any offences within the past five years and no public sanctions by any regulatory bodies during the financial year ended 31 December 2019.
- He does not hold any directorship in other public companies and listed issuers.

# KEY SENIOR MANAGEMENT'S PROFILE

*cont'd*

**HOH CHEE MUN**
*Financial Controller*
55 years old, Malaysian Male

## Qualifications

He is a Chartered Accountant. He completed his Malaysian Institute of Certified Public Accountant Professional ("MICPA") Examination in 1993 (formerly known as Malaysian Association of Certified Public Accountant), and was admitted as a Member of MICPA on 29 January 1994, and subsequently admitted into the Malaysian Institute of Accountants ("MIA") as a Chartered Accountant on 24 October 1994.

## Working Experience

He commenced his accountancy career in 1985, with a 4-year articleship with BDO Binder as an Article Clerk before furthering his career in 1990 with Ernst & Young as an Audit Assistant, where he had completed his MICPA examination.

Thereafter, he left Ernst & Young in 1995 as an Audit Senior and joined OSK Research Sdn. Bhd. in 1995 as a Research Analyst before becoming the Group Accountant of the Fella Group, a regional furniture manufacturer cum retailer, in 1996.

He was appointed as the Group Financial Controller in January 2004 and left in August 2004 while serving as its Group Financial Controller to set up his corporate secretarial practice, and had left the practice in 2019.

Between 2005 until 2012, he was the Finance Director in VHQ Post (M) Sdn. Bhd., a regional post production house, headquartered in Singapore.

## Additional Notes on Key Senior Management

- Joined the Group on 1 April 2017.
- No family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.
- No convictions for any offences within the past five years and no public sanctions by any regulatory bodies during the financial year ended 31 December 2019.
- He is currently an Independent Non-Executive Director of QES Group Berhad.

# AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2019. This Report is intended to give an overview of the role and activities of the Audit Committee ("AC") in assisting the Board to fulfill its oversight responsibilities relating to the integrity of the Group's financial statements, the monitoring of the financial risk management and system of internal control, and the independence of the External Auditors for the financial year ended 31 December 2019.

For the financial year ended 31 December 2019, the AC comprises the following members:

**1. Composition of Audit Committee ("AC")**

Chairman : Leong Fook Heng
Independent & Non-Executive Director

Member : Tan Sri Mohd Bakri Bin Mohd Zinin
Non-Independent & Non-Executive Director

: Ho Fook Meng
Independent & Non-Executive Director

The AC Chairman, Mr. Leong Fook Heng is a member of the Malaysian Institute of Accountants (MIA) and Associate Member of Chartered Institute of Management Accountants (United Kingdom). In this respect, the Company complies with Rule 15.09(1)(c)(i) of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") ACE Market Listing Requirements. The performance of the AC and its members are assessed by the Board through a board committee effectiveness evaluation.

All members are financially literate, able to interpret and understand the financial statements, have extensive business experience and skills to enable the AC discharge its duties and responsibilities effectively.

The AC convened seven (7) meetings during the year which were attended by the members. Other members of the Board, including the Group Managing Director ("Group MD") and senior management attended some of the meetings upon invitation by the Chairman of the Committee.

The AC was also briefed by the External Auditors on the findings of the external audit. The AC had private session with the External Auditors twice in financial year ended 2019 to facilitate discussions without the presence of Executive Board Members and Management. These meetings were held to discuss any key audit challenges.

**2. Terms of Reference ("TOR")**

The TOR of the AC is available for reference at the Company's website at http://www.straits-interlogistics.com.

**3. Summary of Activities Undertaken by the AC during the financial year ended 2019**

The AC had held a total of seven (7) meetings during the financial year ended 2019 and the details of attendance of the Committee members are as follows:

| No | Name of Directors | No of Meetings attended | % |
|---|---|---|---|
| 1. | Leong Fook Heng<br>*Chairman* | 7/7 | 100 |
| 2. | Ho Fook Meng<br>*Member* | 7/7 | 100 |
| 3. | *Tan Sri Mohd Bakri Bin Mohd Zinin<br>*Member* | 2/2 | 100 |
| 4. | **YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud<br>*Member* | 3/5 | 60 |

*Note*
** Tan Sri Mohd Bakri Bin Mohd Zinin was appointed as a member of the AC on 28 June 2019.*
*** YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud had relinquished his position as member of the AC on 28 June 2019.*

# AUDIT COMMITTEE REPORT
*cont'd*

**3. Summary of Activities Undertaken by the AC during the financial year ended 2019 (cont'd)**

During the financial year ended 31 December 2019, the activities of the AC included the following:

**3.1 Financial Reporting**

**1)** Reviewed the quarterly financial reports on a quarterly basis at its quarterly AC meetings prior to submission to the Board of Directors for consideration and approval. The items typically reviewed are the Group's consolidated statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows as well as the explanatory notes.

**2)** Reviewed the draft Audited Financial Statements before recommending to the Board for approval. The AC while reviewing to the draft Audited Financial Statements also discusses with Management with regard to the audit findings, disclosures and key areas relating to the draft Audited Financial Statements, the representation letters issued by the External Auditors and the implementation of audit recommendations.

**3.2 External Auditor**

The AC undertakes an annual assessment of the suitability and independence of the External Auditors and their remuneration, and makes recommendation to the Board as to the re-appointment or appointment of new External Auditors, and audit fees.

Met with the External Auditors twice without the presence of management, the first meeting to discuss any matters which the External Auditors noted in the course of preparation of their 2019 Audit Plan which they wish to discuss with the AC, and the second to discuss matters relating to their remit and any issues arising from their statutory audit.

The AC also reviewed the nature, scope and fees for non-audit services provided by the External Auditors and ensured that the services were justified and reasonable and in line with the laid down policy and procedures on non-audit services in order to safeguard the independence and objectivity of the External Auditors and reduce potential conflicts of interest. The non-audit services performed by the External Auditors included review of Statement on Risk Management and Internal Control ("SORMIC").

**3.3 Internal Audit**

Assessed the performance of the internal auditors based on:-

**1)** The adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and

**2)** Feedback from the Management

Upon assessing/reviewing the internal audit function, the AC members reported to the Board that the internal auditors have the required resources, relevant expertise and professionalism to discharge their duties effectively.

**3.4 Related Party Transactions**

**1)** At each quarterly meeting, reviewed all related party transactions and conflict of interest situations within the Company and the Group including for proposed transactions, procedures or course of conducts that raised questions of Management integrity in the ordinary course of business and the disclosure of such transactions in the Annual Report of the Company.

# AUDIT COMMITTEE REPORT
*cont'd*

### 3.4 Related Party Transactions (cont'd)

**2)** Reviewed the Circular to Shareholders in relation to the Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature dated 12 June 2019.

**3)** Reviewed sufficiency of the Company's and the Group's procedures to ensure that recurrent related party transactions are not more favorable to the related party than those generally available to the public and are not to the detriment of the minority shareholders. Ensured that the related party transactions were conducted in the best interest of the Company and the Group.

**4)** Monitored potential conflict of interest situations involving Directors and ensured that such situations of conflict were avoided and that the requirements under the Directors' Code of Ethics were adhered to.

### 3.5 Other Activities

Reviewed and recommended the Corporate Governance Overview Statement, AC Report and SORMIC to the Board for approval and inclusion in the 2019 Annual Report.

## INTERNAL AUDIT FUNCTION

In accordance with paragraph 15.27 of the Bursa's Listing Requirements, a listed issuer must establish an internal audit function which is independent of the activities it audits and must ensure its internal audit function reports directly to the AC.

In furtherance thereof, the Group had established an internal audit function which is essential for assisting the AC in reviewing the state of the systems of internal control maintained by the management. This function is outsourced to an internal audit service provider i.e Messrs. NGL Tricor Governance Sdn. Bhd.

The role of the internal audit function is to assist the AC and the Board of Directors in monitoring and managing risks and internal controls of the Group. A systematic and disciplined approach is used to evaluate and improve the effectiveness of risk management, operational and internal controls and compliance with laws and regulations.

In accordance with the annual internal audit plan which had been approved by the AC, the Internal Auditor conducted regular reviews of the governance and internal controls processes within the Group and it was carried out in accordance with the Institute of Internal Auditors' guidance on risk based internal auditing.

A summary of the work of the Internal Audit Function for the financial year ended 31 December 2019 is as follows:

**1) Internal Control Review of Bunkering Operation for Tumpuan Megah Development Sdn. Bhd. ("TMD")**

**(a) Bunkering Operation**
- Logistic Planning
- Pre-Bunkering
- During Bunkering
- Post-Bunkering

**(b) Health and Safety**
- Maintenance of Equipment
- Existence of Contingency Plan
- Incident Reporting

**(c) Safeguarding of Assets**
- Insurance
- Site assessment (bunkering activities and safety compliances)

**(d) Monitoring and Reporting**

# AUDIT COMMITTEE REPORT
*cont'd*

**INTERNAL AUDIT FUNCTION (cont'd)**

**2) Internal Control Review of Sales and Procurement Functions of TMD**

**(a) Sales and Receivables Management**
- Sales Order Acceptance
- Goods Delivery Process
- Invoicing Process
- Collection Process
- Credit Term and Credit Limit Application Process
- Credit Monitoring Process
- Provision and Impairment of Doubtful Debts

**(b) Procurement and Payable Management**
- Ordering Process
- Goods Receiving Process
- Payment Process
- Monitoring of Outstanding Purchase Order
- Vendor Management

**3) Presented the internal audit findings and action plans to be taken by management to the AC.**

**4) The Internal Audit Function also performed the follow-up on the status of implementation of recommendations made for reporting to the AC and Management on a quarterly basis.**

The total cost incurred for the Internal Audit Function for the financial year ended 31 December 2019 was RM 28,000.00.

This report is made in accordance with the approval of the Board on 5 May 2020.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) essentially aims to set out principles and specific recommendations on structures and processes used to direct and manage the business and affairs of Straits Inter Logistics Berhad (‘Straits” or “the Company”) towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholders’ value.

The Board of Directors (“the Board”) of the Company strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is fully committed to maintain high standards of corporate governance by supporting and implementing the prescriptions of the principles and recommendations set out in MCCG 2017 respectively.

This Corporate Governance Overview Statement should be read together with the Company’s Corporate Governance Report for the financial year ended 31 December 2019 which is available on Bursa Malaysia website at https://www.bursamalaysia.com and at the Company’s website at http://www.straits-interlogistics.com. The Corporate Governance Report has disclosed to what extend the Company has applied the Practices set out in the MCCG 2017.

In order to provide the latest status update of the Company, this Overview Statement on Corporate Governance also includes information up to 5 May 2020.

The manner in which the corporate governance framework is applied is summarized as follows:-

**PRINCIPLE A**

**Part I Board Responsibilities**

| **Intended Outcome 1.0**<br>**Every company is headed by a Board, which assumes responsibility for the Company’s leadership and is collectively responsible for meeting the objectives and goals of the Company.** |
|---|

**1.1 Roles & Responsibilities**

The Board’s primary responsibility is to ensure the Company’s prosperity by directing and overseeing the Company’s affairs. The Board is accountable to shareholders for the performance of the Company and the Group (“Straits and its Subsidiaries”). Thus, the Board has at all times exercised their powers for the purpose they are conferred, for the benefit and best interest of the Company, shareholders and stakeholders.

The Board set the mission and vision of the Group assuring that all actions are related to and adhere to that mission. Based on the corporate mission statement, the Board determines the Company and Group’s direction, formulates strategic plans, financial objectives and significant policies for the Company and Group toward achievement of long-term success.

The Board is responsible for oversight and overall governance of the Group to ensure that the strategic plans of the Group is implemented and accountability is monitored effectively, whilst the Management is responsible for the day-to-day operations of the business and effective implementation of the plans and goals decided by the Board.

The Group has established a Delegated Authority Limit (“DAL”) which indicates the specific powers of the Board, the Board Committees and the Group Managing Director (“Group MD”). The Management has to adhere to the DAL in carrying out its day-to-day functions.

The Board has established three (3) Board Committees to assist the Board in performing its duties and discharging its responsibilities more efficiently and effectively. They are the Nomination & Remuneration Committee (“NRC”), Board Risk & Compliance Committee (“BRCC”) and Audit Committee (“AC”).

The Board Committees operate on Terms of Reference approved by the Board and have the authority to examine pertinent issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters lies with the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE A (cont'd)**

**Part I Board Responsibilities (cont'd)**

**Intended Outcome 1.0**
**Every company is headed by a Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company. (cont'd)**

### 1.2 Chairman and Group MD

The Board is chaired by YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud who is primary responsible for the orderly conduct of the Board meetings and ensure effectiveness of the Board.

The positions of the Chairman and Group MD of the Company are held by two (2) different individuals and each has a clear accepted division of responsibilities to ensure a balance of power and authority, such that no one individual has unfettered powers in decision making.

The Group MD is Dato' Sri Ho Kam Choy, who is responsible in the implementation of the Board policies, making operational decisions and monitoring the day-to-day running of the businesses, including defining the limits of Management's responsibilities. By virtue of his position as a Board member, he also acts as the intermediary between the Board and the Senior Management Team. He also provides guidance and leadership to employees of the Company and the Group.

### 1.3 Qualified and Competent Company Secretaries

The Company Secretaries play an advisory role to the Board and support the Board in ensuring that all governance matters and Board procedures are followed and that applicable laws and regulations are complied with. The Board is regularly updated by the Company Secretaries on changes to the relevant statutory and regulatory requirements, particularly on areas relating to the duties and responsibilities and disclosure requirements of the Directors. The Company Secretaries also facilitate the communication of key decisions between the Board, Board Committees and Senior Management.

### 1.4 Access to Information and Advice

In ensuring the effectiveness of the functions of the Board, all Directors have access to all information and receive timely updates from Management in respect of matters pertaining to the Group. They may seek clarification from Management and the Company Secretaries as well as independent professional advice at the Company's expense, if necessary, in the furtherance of their duties.

The Board is provided with comprehensive board papers on a timely manner prior to board meetings. This is to ensure and enable the members of the Board to discharge their duties and responsibilities competently in a well-informed manner.

In most instances, the Senior Management are invited to be in attendance at Board meetings to provide insight and to furnish clarification on issues that may be raised by the Board. Every Director also has unrestricted access to all information with regard to the activities of Straits Group.

**Intended Outcome 2.0**
**There is demarcation of responsibilities between the Board, Board Committees and Management. There is clarity in the authority of the Board, its Committees and individual Directors.**

### 2.1 Board Charter

The Board Charter is aimed at ensuring that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good corporate governance are applied in their dealings in respect, and on behalf of the Company.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE A (cont'd)**

**Part I Board Responsibilities (cont'd)**

**Intended Outcome 2.0**
**There is demarcation of responsibilities between the Board, Board Committees and Management. There is clarity in the authority of the Board, its Committees and individual Directors. (cont'd)**

### 2.1 Board Charter (cont'd)

The Board Charter comprises, among others, well-defined terms of reference as well as the authority limits for the Board and its Committees, and the various relevant internal process.

The Board Charter would be reviewed periodically and updated in accordance with the needs of the Company and any new regulations. Any amendments to the Board Charter shall be approved by the Board.

The Board Charter is available on the Company's website at http://www.straits-interlogistics.com.

**Intended Outcome 3.0**
**The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Board, Management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the Company.**

### 3.1 Directors' Code of Ethics and Whistleblowing Policy

The Company has adopted the Directors' Code of Conduct and Ethics ("Code of Ethics") with the aims to encourage high standards of honesty, integrity, ethical and law-abiding behaviour expected of Directors as well as to foster standards to protect and promote the interests and maintain the confidence of all shareholders and stakeholders.

The Code of Ethics is published on the Company's website at http://www.straits-interlogistics.com.

Besides that, the Board has also put in place a Whistleblowing Policy to encourage employees and others who have serious concerns about any aspect of the Company and Group including, but not limited to unethical or fraudulent practices within the Group to come forward and voice their concerns.

The purpose of a Whistleblowing Policy is to establish a system for the reporting, investigation and resolution of reportable conduct, so that, damage control or remedial action can be taken promptly.

The Whistleblowing Policy is published on the Company's website at http://www.straits-interlogistics.com.

**Part II Board Composition**

**Intended Outcome 4.0**
**Board decisions are made objectively in the best interests of the Company, taking into account diverse perspectives and insights.**

### 4.1 Strengthen Composition of the Board

As at 5 May 2020, the Board of Straits consists of seven (7) members, of which two (2) are Independent & Non-Executive Directors ("INED"), representing 1/3 of the total Board members as per Practice 4.1 of the MCCG 2017. The composition of the Board of Directors also complies with Paragraph 15.02 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad whereby one-third (1/3) of the Board are Independent Directors.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE A (cont'd)**

**Part II Board Composition (cont'd)**

**Intended Outcome 4.0**
**Board decisions are made objectively in the best interests of the Company, taking into account diverse perspectives and insights. (cont'd)**

**4.1 Strengthen Composition of the Board (cont'd)**

The Board recognises the benefit in having access to the diversity of input from people with a wide range of backgrounds, skills and experience. This is reflected in the composition of the Board. The current Board composition is of optimal size and with the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. The composition and size of the Board is assessed and reviewed from time to time to ensure its appropriateness with the needs of the Company and the Group.

The INEDs, all of whom are persons of high caliber and integrity, play important roles by exercising independent judgement and objective participation in the proceedings and decision-making processes of the Board. The presence of INEDs fulfills a pivotal role in corporate accountability to ensure that the interests of minority shareholders are properly safeguarded.

The Non-Executive Directors of the Company are not involved in the day-to-day management of the Group and have the range of skills and experience which enable them to oversee business performance and provide constructive opinion, advise and judgement to ensure the interests of the Group, shareholders, employees, customers and other stakeholders in which the Group conducts its businesses are well represented and taken into account.

The profile of each member of the current Board is set out in the Directors' Profile of this Annual Report.

**4.2 Tenure of an Independent Director**

Independent Directors play an important role in improving corporate credibility and governance standards functioning.

During the financial year under review, none of the Independent Directors of Straits has exceeded the tenure of a cumulative term of nine (9) years in the Company.

However, the Board recognises that shareholders are increasingly concerned about the potential negative impact of long tenure Independent Directors due to familiarity and close relationship with the Board and Management. Bearing this in mind, the Board applies Practice 4.3 to lay down a policy in its Board Charter to limit the tenure of its Independent Directors to nine (9) years.

Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. If the Board desires to retain them beyond nine (9) years, upon recommendation of the Nomination and Remuneration Committee, the Board should justify and seek annual shareholders' approval.

**4.3 Board Diversity**

The Board takes appropriate measures to ensure that boardroom diversity is considered as part of its selection and recruitment exercise. However, the merits of the individual and knowledge and expertise relevant to the Company will be the main criteria when considering the selection of new candidates to the Board and/or senior management team.

Although currently, the Company does not have a formalised Board Diversity Policy or Gender Diversity Policy, the Board always taken into account diversity as one of the selection criteria. The Group is an equal opportunity employer and all appointments to the Board and employment of senior management are based on objective criteria, merit, skills and experience, and may not be driven by any age, cultural background or gender considerations.

The Board takes note of the MCCG 2017 with regard to Board gender diversity. The Group currently has one (1) female Director on the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE A (cont'd)**

**Part II Board Composition (cont'd)**

**Intended Outcome 4.0**
**Board decisions are made objectively in the best interests of the Company, taking into account diverse perspectives and insights. (cont'd)**

**4.4 Time Commitment of the Directors**

The Board conducts at least four (4) scheduled meetings annually, with special meetings convened as warranted by specific circumstances. Board meetings are also supplemented by resolutions circulated to the Directors for decision between the scheduled meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. All Directors have given their full commitment to the Board meeting by attending all of the Board meetings held during the financial year ended 31 December 2019, which are evident based on the attendance record set out in the table below.

During the financial year ended 31 December 2019, the Board met nine (9) times.

| No | Name of Directors | No of Meetings attended during the time the Directors hold office | % |
|---|---|---|---|
| 1. | YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud<br>*Non-Independent & Non-Executive Chairman* | *1/1 | 100 |
| 2. | Dato' Sri Ho Kam Choy<br>*Group Managing Director* | 9/9 | 100 |
| 3. | Capt Tony Tan Han (Chen Han)<br>*Executive Director* | 9/9 | 100 |
| 4. | Ho Fook Meng<br>*Independent & Non-Executive Director* | 9/9 | 100 |
| 5. | Leong Fook Heng<br>*Independent & Non-Executive Director* | 9/9 | 100 |
| 6. | Tan Sri Mohd Bakri Bin Mohd Zinin<br>*Non-Independent & Non-Executive Director* | 9/9 | 100 |
| 7. | Puan Harison Binti Yusoff<br>*Non-Independent & Non-Executive Director* | **N/A | N/A |

*Note:-*
** From January to May 2019, YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud had attended two out of five meetings of the Board. He has then resigned as Chairman and Director of Straits on 28 June 2019 and was reappointed on 1 December 2019.*
*** Puan Harison Binti Yusoff was appointed as Board member of Straits on 1 March 2020.*

All Directors do not hold more than 5 directorships as required under Rule 15.06 of the Listing Requirements.

The attendance of all the Directors at Board meetings held during the financial year ended 31 December 2019 surpassed the minimum requirements stipulated under the ACE Market Listing Requirement.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE A (cont'd)**

**Part II Board Composition (cont'd)**

**Intended Outcome 4.0**
**Board decisions are made objectively in the best interests of the Company, taking into account diverse perspectives and insights. (cont'd)**

### 4.5 Continuing Education and Training of Directors

Paragraph 15.08 of the Listing requirements of Bursa Securities requires Directors to undertake continuous professional development programs to keep themselves abreast with the changing business environment, regulatory and corporate governance.

Directors were encouraged to continually update their skills and knowledge of the business and to actively participate on continuous professional development programs, so that, the Board is equipped to meet the fast changing competitive business environment and technological changes.

Some of the training/courses attended by the Directors up to the date of this Annual Report are as follows:

| No. | Name of Director | Training Attended | Date |
|---|---|---|---|
| 1. | YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud | 1. Understanding Ship Sale and Purchase<br>2. Update on statutory compliance | 20/04/2020<br>20/04/2020 |
| 2. | Dato' Sri Ho Kam Choy | 1. Understanding Ship Sale and Purchase<br>2. Update on statutory compliance | 20/04/2020<br>20/04/2020 |
| 3. | Capt Tony Tan Han (Chen Han) | 1. Understanding Ship Sale and Purchase (Speaker for the training)<br>2. Update on statutory compliance | 20/04/2020<br>20/04/2020 |
| 4. | Ho Fook Meng | 1. CG Watch – How Does Malaysia Rank<br>2. Understanding Ship Sale and Purchase<br>3. Update on statutory compliance | 03/05/2019<br>20/04/2020<br>20/04/2020 |
| 5. | Leong Fook Heng | 1. Trainer for Training on Financial Irregularities and Accounting Fraud<br>2. Trainer for Training on Art of Detecting Signs of a Potential Bad Debt<br>3. Understanding Ship Sale and Purchase<br>4. Update on statutory compliance | 21/02/2019<br>07/08/2019<br>20/04/2020<br>20/04/2020 |
| 6. | Tan Sri Mohd Bakri Bin Mohd Zinin | 1. Asia Pacific Security<br>2. Understanding Ship Sale and Purchase<br>3. Update on statutory compliance | 21/11/2019<br>20/04/2020<br>20/04/2020 |
| 7. | Puan Harison Binti Yusoff | 1. Understanding Ship Sale and Purchase<br>2. Update on statutory compliance<br>3. Mandatory Accreditation Programme | 20/04/2020<br>20/04/2020<br>20-22/04/2020 |

In addition, the Directors were briefed at Board meetings and Audit Committee meetings on any updates or changes to the relevant guidelines on the regulatory and statutory requirements by the Company Secretary, Internal Auditors and External Auditors.

The Directors are also notified of any corporate announcement released to Bursa Securities and the impending restriction in dealing with the securities of the Company prior to the announcement of financial results or corporate proposals. Directors are also expected to observe insider trading laws at all times when dealing with securities within the permitted trading period.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE A (cont'd)**

**Part II Board Composition (cont'd)**

**Intended Outcome 5.0**
**Stakeholders are able to form an opinion on the overall effectiveness of the Board and individual Directors.**

**5.1 Nomination and Remuneration Committee ("NRC")**

The NRC comprises the following members:

Chairman : Ho Fook Meng
*Independent & Non-Executive Director*

Member : Leong Fook Heng
*Independent & Non-Executive Director*

Member : Tan Sri Mohd Bakri Bin Mohd Zinin
*Non-Independent & Non-Executive Director*

All members of NRC are Non-Executive Directors ("NED").

The NRC is empowered by the Board to amongst others, identify and recommend to the Board suitable candidates for appointment to the Board and Board Committees, re-election and re-appointment of Directors, and review the independence of Independent Directors as well as considering the Board's succession planning and training programme.

The NRC shall evaluate candidates on the aspect of their:

- Integrity, Commitment and Ethics
- Skills, Knowledge, Expertise and Experiences
- Judgement and Decision Making
- Professionalism
- For position of independent non-executive director, the candidates' abilities to discharge such responsibilities/ functions independently as expected from the independent non-executive director;

The NRC also recommends to the Board the policy framework on terms of employment and on all elements of the remuneration of Executive Directors and is authorised to review the following:-

- Annual salary increments and bonuses of Executive Directors.
- NEDs' fees and meeting allowances and thereupon recommends to the Board for approval.

In its deliberation, NRC will take into consideration industry practices and norms in compensation in addition to the Company's relative performance to the industry and performance of the individual Directors. No Directors will be involved in deciding his or her own remuneration.

The remuneration package for each individual Executive Director is structured to reflect his experience, performance and scope of responsibilities.

The remuneration of Independent & Non-Executive Directors is in the form of Directors' Fees which reflects the diverse experience, skill sets and the level of responsibilities expected of the Independent & Non-Executive Directors.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE A (cont'd)**

**Part II Board Composition (cont'd)**

**Intended Outcome 5.0**
**Stakeholders are able to form an opinion on the overall effectiveness of the Board and individual Directors. (cont'd)**

**5.1 Nomination and Remuneration Committee ("NRC") (cont'd)**

A summary of the activities undertaken by the NRC in the discharge of its duty for the financial year ended 31 December 2019 up to 5 May 2020 are as follows:

**1)** Reviewed and recommended Directors' Fees and benefits payable to Non-Executive Directors to the Board for recommendation and approval at the forthcoming AGM

**2)** The Independent Directors' Self-Assessment

**3)** Reviewed and deliberated on Board and Board Committees evaluation forms and recommended to the Board for approval

**4)** Reviewed and recommended the re-election of Directors at the forthcoming AGM

**5.2 Board Effectiveness Evaluation ("BEE")**

The Board has established formal assessment processes for evaluation of its performance and the performance of its committee and individual directors. These assessment processes comprise Board Assessment, Board Skills Matrix, Individual Directors Assessment, Board Committee Self and Peer Assessment, and Assessment of Independence of Independent Directors are overseeing by NRC. Based on this assessment, the Board was satisfied with the overall performance of individual Director, Board and Board Committees for the financial year under review.

A Director who is subject to re-election and/or re-appointment at an AGM is assessed by the NRC before a recommendation is made to the Board and shareholders.

The NRC (save for the members who abstained from deliberations on their own re-election) recommended to the Board that the following Directors who are due to retire pursuant to the Company's Constitution be proposed for re-election at the forthcoming AGM:

**1)** Dato' Sri Ho Kam Choy
**2)** Mr Leong Fook Heng
**3)** YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud
**4)** Puan Harison Binti Yusoff

The Board (save for the members who abstained from deliberations on their own re-election) supported the NRC's recommendations.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE A (cont'd)**

**Part III Remuneration - Level and Composition of Remuneration**

**Intended Outcome 6.0**
**The level and composition of remuneration of Directors and Senior Management take into account the Company's desire to attract and retain the right talent in the Board and Senior Management to drive the Company's long-term objectives.**

**Remuneration policies and decisions are made through a transparent and independent process.**

**6.1 Remuneration policy**

The NRC and Board are mindful of the need to remunerate and retain its Directors to ensure that their commitment remain and therefore their remuneration package is directly linked to their performance, service, seniority, experience and scope of responsibilities.

The NRC is responsible to establish, recommend and constantly review a formal and transparent remuneration policy framework and terms of employment for the Board to attract and retain directors which should be aligned with the business strategy and long-term objectives of the Group taking into consideration that the remuneration of the Board should reflect the Board's responsibilities, expertise and complexity of the Group's activities.

The Directors are satisfied that the current level of remuneration is in line with the responsibilities expected.

In recommending the proposed Directors' Fee, the NRC takes into consideration the qualification, duty and responsibility, and contribution required from a Director in view of the Group's complexity, and is guided by market norms and industry practices.

The Company will be seeking the shareholders' approval for the Directors' Fees and benefits payable to Directors for the period from the forthcoming AGM until the next AGM in 2021, for the purposes of facilitating payment of Directors' Fees on a quarterly basis and/or as and when incurred.

**Intended Outcome 7.0**
**Stakeholders are able to assess whether the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration the Company's performance.**

**7.1 Remuneration of Directors and Key Senior Management**

**1)** The Board applies Practice 7.1 of the MCCG 2017 to disclose Directors' remuneration on named basis for individual Directors with detailed remuneration breakdown. The remunerations received or receivable by the Directors in respect of the financial year ended 31 December 2019 are disclosed below:

**COMPANY**

**Non-Executive Directors**

| No | Name | Fees RM | Allowance RM | Total RM |
|---|---|---|---|---|
| 1. | YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud | 25,000 | 4,600 | 29,600 |
| 2. | Tan Sri Mohd Bakri Bin Mohd Zinin | 42,000 | 16,100 | 58,100 |
| 3. | Leong Fook Heng | 39,000 | 17,400 | 56,400 |
| 4. | Ho Fook Meng | 39,000 | 16,600 | 55,600 |
| 5. | Harison Binti Yusoff *(appointed on 1 March 2020)* | | Not Applicable | |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE A (cont'd)**

**Part III Remuneration - Level and Composition of Remuneration (cont'd)**

**Intended Outcome 7.0**
**Stakeholders are able to assess whether the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration the Company's performance. (cont'd)**

**7.1 Remuneration of Directors and Key Senior Management (cont'd)**

**1)** (cont'd)

**COMPANY**

**Managing Director and Executive Director**

| No | Name | Salaries RM | Bonus RM | EPF RM | Benefit in Kind RM | Total RM |
|---|---|---|---|---|---|---|
| 1. | Dato' Sri Ho Kam Choy<br>*Group Managing Director* | 360,000 | - | 43,200 | - | 403,200 |
| 2. | Capt Tony Tan Han<br>*Executive Director* | 60,000 | - | - | - | 60,000 |

**GROUP**

**Non-Executive Directors**

| No | Name | Salaries RM | EPF RM | Fees RM | Allowance RM | Total RM |
|---|---|---|---|---|---|---|
| 1. | YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud | | | 189,000 | 26,600 | 215,600 |
| 2. | Tan Sri Mohd Bakri Bin Mohd Zinin ("Tan Sri") | | | 132,000 | 16,100 | 148,100 |
| 3. | Leong Fook Heng | | | 39,000 | 17,400 | 56,400 |
| 4. | Ho Fook Meng | | | 39,000 | 16,600 | 55,600 |
| 5. | Ho Hung Ming<br>*(Alternate Director to Tan Sri)* | 120,000 | 14,400 | - | - | 134,400 |
| 6. | Harison Binti Yusoff<br>*(appointed on 1 March 2020)* | | | Not Applicable | | |

**Managing Director and Executive Director**

| No | Name | Salaries RM | Bonus RM | EPF/CPF RM | Benefit in Kind RM | Total RM |
|---|---|---|---|---|---|---|
| 1. | Dato' Sri Ho Kam Choy<br>*Group Managing Director* | 660,000 | - | 79,200 | - | 739,200 |
| 2. | Capt Tony Tan Han<br>*Executive Director* | 326,554 | - | 25,752 | - | 352,306 |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE A (cont'd)**

**Part III Remuneration - Level and Composition of Remuneration (cont'd)**

**Intended Outcome 7.0**
**Stakeholders are able to assess whether the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration the Company's performance. (cont'd)**

**7.1 Remuneration of Directors and Key Senior Management (cont'd)**

**2)** With the best interest of the Group in mind, and taking into consideration the sensitivity, privacy, security, issue of staff pinching, the Board has opted not to disclose on a named basis the remuneration of their key senior management. Instead, the Board discloses the key senior management's remuneration on an aggregate basis for the financial year ended 31 December 2019, as follows:

| Range of Remuneration per annum (RM) | Key Senior Management |
|---|---|
| RM50,000 and below | - |
| RM50,001 – RM100,000 | - |
| RM100,001 – RM200,000 | 1 |
| RM200,001 – RM300,000 | 1 |

**PRINCIPLE B**

**Part I Effective Audit & Risk Management**

**Intended Outcome 8.0**
**There is an effective and independent AC.**

**The Board is able to objectively review the AC's findings and recommendations. The Company's financial statement is a reliable source of information.**

**8.1 Audit Committee ("AC")**

The AC comprises three (3) members, majority of whom are Independent & Non-Executive Directors ("INED") and assists the Board to fulfill its corporate governance and oversight responsibilities in relation to financial reporting, internal control system, risk management system and internal and external audit functions. The AC carries out its functions and duties in accordance with its Terms of Reference ("TOR").

The AC is chaired by Leong Fook Heng, who is an INED, while the Chairman of the Board is YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud, a Non-Independent & Non-Executive Chairman. The Company complied with Practice 8.1 of the MCCG 2017 which stipulated that the Chairman of the AC is not the Chairman of the Board.

All members of the AC are financially literate and able to perform their duties and discharge their responsibilities, including the financial reporting process, as spelt out in the TOR of the AC which is available on the Company's website at http://www.straits-interlogistics.com

The AC will undertake an annual assessment on the performance of internal and external auditors, including the suitability and independence of the auditors. Both the internal and external auditors are independent.

The AC has not adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE B (cont'd)**

**Part I Effective Audit & Risk Management (cont'd)**

**Intended Outcome 8.0**
**There is an effective and independent AC.**

**The Board is able to objectively review the AC's findings and recommendations. The Company's financial statement is a reliable source of information. (cont'd)**

**8.1 Audit Committee ("AC") (cont'd)**

However, none of the AC members were former key audit partners and in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of the AC.

The summary of the activities of the AC during the financial year are set out in the Report of the AC on pages 21 to 24 of this Annual Report.

**Part II Risk Management and Internal Control Framework**

**Intended Outcome 9.0**
**Company makes informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.**

**The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed.**

**9.1** The Board acknowledges that risk management and internal control are an integral part of good management practice. The Board has established a Risk Management Framework which provides key principles and concepts and a clear direction and guidance on risk management to give assertion on the state of risks and controls, with the objective to protect the interest of shareholders and stakeholders and achieve the Group's business objectives.

However, the Board recognizes that such system is structured to manage rather than eliminate the possibility of encountering risk of failure to achieve corporate objectives.

The Board through the Board Risk & Compliance Committee ("BRCC") which comprises all Non-Executive Directors, reviews the key risks identified to ensure proper management and mitigation of risks and report to the Board as and when needed.

The Composition of the BRCC is set out on page 40 of this Annual Report.

The TOR of the BRCC can be found in the Company's website at http://www.straits-interlogistics.com.

An overview of the state of internal controls and risk management within the Group is spelled out in this Annual Report under the Statement on Risk Management and Internal Control ("SORMIC") on pages 40 to 43 of this Annual Report.

**Intended Outcome 10.0**
**Company has an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such framework.**

**10.1** To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding shareholders' investment and the Group's assets, the Group outsourced its internal audit function to an independent internal audit service provider i.e NGL Tricor Governance Sdn. Bhd. ("NGL")

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE B (cont'd)**

**Part II Risk Management and Internal Control Framework (cont'd)**

**Intended Outcome 10.0**
**Company has an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such framework.**

**10.1** (cont'd)

The outsourced Internal Auditors ("IA") reports to AC and provides the Board with much assurance it requires regarding the adequacy and integrity of the system of internal control.

During the financial year ended 31 December 2019, the AC had reviewed and assessed the adequacy of the scope, functions, competency and resources of the outsourced IA and that they have the necessary authority to carry out their work.

**10.2** The outsourced internal audit function is headed by Mr. Chang Ming Chew, a director of NGL. Mr. Chang is a Certified Internal Auditor and holds a Certification in Risk Management Assurance from the Institute of Internal Auditors; professional member of the Institute of Internal Auditors Malaysia; member of the Association of Chartered Certified Accountants (UK); and member with the Malaysian Institute of Accountants.

All the internal audit personnel involved are free from any relationships or conflicts of interest, which could impair their objectivity and independence. All the internal audit personnel are guided by International Professional Practices Framework ("IPPF") issued by The Institute of Internal Auditors Malaysia in carrying out the Internal Audit Function.

**PRINCIPLE C**

**Part I Effective Audit & Risk Management**

**Intended Outcome 11.0**
**There is continuous communication between the Company and stakeholder to facilitate mutual understanding of each other's objectives and expectations.**

**Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.**

**11.1 Communication with Stakeholders**

The Board acknowledges the importance of ensuring prompt dissemination of information to shareholders and regulatory bodies with the intention of giving as clear and complete information of the Group's position and financial performance as possible within the boundaries of practicality and legal and regulatory framework governing the release of material and price sensitive information.

The Group's financial performance, major corporate developments and other relevant information are promptly disseminated to both retail and institutional shareholders and investors via announcements of its quarterly results, Annual Report, announcements to Bursa Securities and press conferences.

Further updates of the Group's activities and business operations are also disseminated to shareholders and investors through dialogues with analysts and fund managers, investor relations roadshows and the media. Corporate presentations and announcements are available on the Company's corporate website.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT
*cont'd*

**PRINCIPLE C (cont'd)**

**Part I Effective Audit & Risk Management (cont'd)**

**Intended Outcome 11.0**
**There is continuous communication between the Company and stakeholder to facilitate mutual understanding of each other's objectives and expectations.**

**Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility. (cont'd)**

**11.1 Communication with Stakeholders (cont'd)**

**Corporate Disclosure Policy**

The Board has ensured timely disclosure of material information pertaining to the Company's performance and operations to the public, in accordance with the disclosure requirements under the ACE Market Listing Requirement and other applicable laws. It has formalised a written Corporate Disclosure Policy for the Group, a copy of which is available in the Company's website at http://www.straits-interlogistics.com.

**Part II Conduct of General Meetings**

**Intended Outcome 12.0**
**Shareholders are able to participate, engage the Board and Senior Management effectively and make informed voting decisions at General Meetings.**

**12.1 Shareholder Participation at General Meetings**

The AGM remains the principal forum for dialogue with shareholders as it affords them the opportunity to raise questions and seek clarifications on the Group's operations, performance, strategies and latest developments.

Notices of Annual General Meeting ("AGM") and Extraordinary General Meetings ("EGM") of the Group and related papers are sent out to shareholders within a reasonable and sufficient time frame in accordance with the Company's Constitution. Adequate time is given during AGM and EGM to allow shareholders to seek clarifications or ask questions on pertinent and relevant matters. The results of all the resolutions set out in the Notice of AGM and EGM were announced on the same day via Bursa Link which is accessible on the website of the Company and Bursa Malaysia Securities Berhad.

Senior Management and the Group's External Auditors as well as the Company's advisers are also available to respond to shareholders' questions during the AGM/EGM as the case may be.

Shareholders who are unable to attend the AGM are allowed to appoint up to two (2) proxies to attend, participate, speak and vote on their behalf. In line with good corporate governance practices, the notice of the AGM was circulated at least twenty-eight (28) days before the date of AGM to enable shareholders to make the necessary arrangements to attend the AGM and the said notice will also be advertised in a nationally circulated English or Bahasa Malaysia newspaper.

**Poll voting**

Pursuant to Bursa Malaysia ACE Market Listing Requirements, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Hence, voting for all the resolutions as set out in the forthcoming and future general meetings will be conducted as such. An Independent scrutineer will be appointed to validate the votes cast at the general meetings.

The Company had conducted the voting on all resolutions tabled during its EGM and AGM held on 28 January 2019 and 19 June 2019 respectively by poll accordingly.

This Corporate Governance Overview Statement together with the Corporate Governance Report were approved by the Board on 5 May 2020.

# STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are responsible to ensure that the financial statements of the Company and the Group are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia ("the Act"), so as to give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the financial performance and cash flows of the Company and the Group for the financial year then ended.

In preparing the financial statements, the Directors have:

**i.** Adopted appropriate accounting policies and applied them consistently;
**ii.** Made judgements and estimates that are reasonable and prudent; and
**iii.** Adhered to all applicable approved accounting standards in Malaysia.

The Statement by the Directors pursuant to Section 251 (2) of the Act is set out in the section headed "Statement by Directors" of the Directors' Report enclosed with the Group's consolidated Annual Audited Financial Statements for the financial year ended 31 December 2019.

This statement is made in accordance with a resolution of the Board of Directors dated 5 May 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

Pursuant to Paragraph 15.26 (b) of the Listing Requirements, the Board of Directors ("Board") is pleased to provide the following Statement on Risk Management and Internal Control of the Group, which had been prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers".

## BOARD'S RESPONSIBILITIES

The Board acknowledges its overall responsibility for maintaining a sound internal control system for the Group to safeguard the shareholders' investment and the Group's assets, and to discharge their stewardship responsibilities in identifying and reviewing risks and ensuring the implementation of appropriate systems to manage these risks.

The Board understands the principal risks of the business that the Group involves and accepts that business decisions require balancing of risk and return in order to reward the shareholders. Functionally, risk management are the responsibility of all Executive Directors and Heads of Departments who manage the business risks in the Group to ensure that the business is under control.

The Board is assisted by the Board Risk & Compliance Committee ("BRCC") and Audit Committee ("AC") in reviewing the effectiveness of the risk management and internal control systems. The Management is responsible for implementing the processes of identifying, evaluating, monitoring and reporting of risks and internal controls, taking appropriate and timely corrective actions as needed to mitigate and control the risks. The Management also provides assurance to the Board that these processes have been carried out accordingly.

The Board recognises that the risk management and internal control systems are designed to manage and minimise the risk of failure rather than eliminate the risks involved. The system, by its nature, can only give reasonable but not absolute assurance against any material misstatement or loss due to material errors, poor decision-making judgments, human errors, losses, fraud or other irregularities.

## RISK MANAGEMENT FRAMEWORK

The Group has initiated a formal risk identification process to identify, assess and evaluate significant risks impacting the Group. The formal risk identification process is supported by detailed procedures, methodologies, evaluation criteria and documentation requirements to ensure that key risks of the Group are properly identified, assessed, evaluated and continuously monitored.

The said process requires management to comprehensively identify and assess all types of risks in terms of likelihood, and magnitude of impact as well as to identify and evaluate the adequacy and application of mechanisms in place to manage, mitigate, avoid or eliminate these risks. The key risks identified, assessed and evaluated through the above process are documented and presented to the Board for review and assessment.

The BRCC supports the Board with risk governance and assists to identify, assess, manage and monitor key business risks to safeguard shareholders' investments and assets of the Group. The BRCC's authority and duties are governed by its Terms of Reference, available on the Company's corporate website at http://www.straits-interlogistics.com.

The members of the BRCC comprise a majority of Independent Non-Executive Directors as follows:

| No | Name of Directors | Designation |
|---|---|---|
| 1. | Tan Sri Mohd Bakri Bin Mohd Zinin<br>*Non-Independent & Non-Executive Director* | Chairman |
| 2. | Leong Fook Heng<br>*Independent & Non-Executive Director* | Member |
| 3. | Ho Fook Meng<br>*Independent & Non-Executive Director* | Member |

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
*cont'd*

## RISK MANAGEMENT FRAMEWORK (cont'd)

The risk management framework that the Group adopts consists of five elements as reflected below:

1. **Corporate Governance (board oversight)**

   Corporate governance is required to ensure that the board of directors and management have established the appropriate organisational processes and corporate controls to measure and manage risk across the business.

2. **Internal Control (sound system of internal control)**

   The creation and maintenance of a sound system of internal control is required to safeguard shareholder's investment and business's assets.

3. **Implementation (appointment of external support)**

   A specific resource must be identified to implement the internal controls with sufficient knowledge and experience to derive the maximum benefit from the process.

4. **Risk Management Process**

   A clear risk management process is required which sets out the individual processes, their inputs, outputs, constraints and enablers.

5. **Sources of Risk (Internal Processes - Business Operating Environment)**

   The value of risk management process is reduced without a clear understanding of the sources of risk and how they should be responded to.

The Board provides full support to implement the Enterprise Risk Management ("ERM") framework with an organisational structure that ensures that roles, responsibilities and accountabilities are defined and communicated at all levels.

## INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system includes:-

1. The Group has a clear organisational structure which formally defines the lines of reporting, as well as the accountabilities and responsibilities of the respective functions within the Group. In addition, the Board and its various Board Committees are all governed by clearly defined terms of reference.

2. The Group has clear limits of authority via its Delegation of Authority Limit ("DAL") which defines the approving limits that have been assigned and delegated to each approving authority within the Group. The limits of authority are reviewed periodically and updated in line with changes in the organization.

3. The Board has adopted a Code of Ethics for Directors which outlines the standards of ethical behaviour which the Directors should possess in discharging their duties and responsibilities.

4. Elements of internal control have been embedded and documented in the form of policies and operating procedures which are continuously reviewed and updated to reflect changes in the current business environment. Accountability and responsibility for key processes have been established in the standard operating procedures.

5. Board and AC Meetings are scheduled regularly, at least four (4) times in a year and the respective meeting papers are distributed on a timely basis to enable members to have access to all relevant information for reviews and queries to be raised.

   The AC reviews the unaudited quarterly financial results and yearly Audited Financial Statements prior to the approval of the Board.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
*cont'd*

**INTERNAL CONTROL SYSTEM (cont'd)**

**6.** Management ensures that safety regulations within the Group are being considered, implemented and adhered to accordingly. The Group undertakes adequate insurance coverage on both its employees and its vessels to ensure both are sufficiently insured against any untoward incidents that could result in material losses.

**7.** Related party transactions are disclosed, reviewed and monitored by the AC on a periodic basis.

**8.** Senior management team conducts regular visits to the Group's operations for better understanding to facilitate cognizance in decision-making capability.

**9.** Internal audit function includes performing regular reviews of business processes to assess the effectiveness of the internal control system and to highlight significant risks impacting the Group with recommendations for improvement.

**10.** A formal Whistleblowing Policy has been established to assist in ensuring that the Company's business and operations are conducted in an ethical, moral and legal manner. The Whistleblowing Policy is designed to encourage employees or external parties to disclose any malpractice or misconduct which they become aware of and to provide protection to employees or external parties who report allegations of such malpractice or misconduct.

**11.** The Group's internal control system does not apply to its associate company, which falls within the control of its majority shareholders. For non-operated joint ventures with minority stakes, the Group participates in board meetings and reviews the management accounts received. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments in such companies.

**INTERNAL AUDIT**

**1.** The Company had appointed an independent professional service provider to undertake its Internal Audit functions as part of its efforts to provide adequate and effective internal control systems. The internal audit function will independently review the control processes implemented by the Management and also advise executive and operational management on areas for improvement. The AC will review the reports submitted and the findings with the Management at least once every quarter.

**2.** For the financial year, the outsourced internal audit function carried out audits in accordance with the internal audit plan approved by the AC. The result of their reviews is reported directly to the AC which includes internal audit findings, recommendations for improvements, Management's response and proposed action plans. Follow-up reviews of the implementation of action plans are carried out to ensure that the matters highlighted in the internal audit reports have been adequately addressed.

**3.** During the financial year ended 31 December 2019, the internal audit function has conducted two (2) reviews on the business processes in accordance with the risk-based internal audit plan approved by the AC.

Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this Annual Report.

The AC Report set out at pages 21 to 24 of this Annual Report contains further details on the principal responsibilities and activities of the Internal Audit in 2019.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
*cont'd*

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, the External Auditors have reviewed this statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2019. Their review is performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit Assurance and Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants.

The External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers or is factually inaccurate.

AAPG 3 (Revised) does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedure.

## CONCLUSION

The Board is of the view that the state of the Group's risk management and internal control framework is generally adequate and effective in mitigating risks to achieve its business objectives. Nonetheless, it should be noted that risk management and internal control framework can only manage rather than eliminate risk of failure to achieve business objectives.

The Group will nevertheless continue to monitor all key risks affecting the Group and will take the necessary measures to mitigate them. Continuous review of the adequacy and effectiveness of risk management and internal control framework of the Group would also be carried out in line with the changes in the business and relevant laws and regulations to ensure its effectiveness in safeguarding shareholders' investment and the Group's assets.

The Board has also received assurance from the Group Managing Director and Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system established by the Group.

This statement is made in accordance with a resolution of the Board passed on 5 May 2020.

# SUSTAINABILITY STATEMENT

This Sustainability Statement ("Statement") covers our sustainability efforts in our main activities and operations in Malaysia from 1 January 2019 to 31 December 2019. This Statement has been prepared based on the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Group recognises the importance of creating long-term sustainable value for all stakeholders. In this regard, the Group endeavours to address issues related to sustainability across the various Economic, Environmental and Social ("EES") impacts of the activities of the Group while looking after the interests of our key stakeholders.

This statement covers the entire operations of Straits Inter Logistics Berhad and its operating subsidiaries ("Straits" or the "Group") that are contributing significant revenue towards the Group's overall financial performance.

## 1. Governance Structure

The Group have always conducted its business activities in an ethically responsible manner and in compliance with prevailing laws and regulations. In doing so, our action reflects transparency and accountability whilst strengthening the trust of our stakeholders. Established in January 2020, our Sustainability Management Committee ("SMC") comprises key management personnel with direct reporting to the Group Managing Director ("Group MD").

The SMC is tasked to drive initiatives that will help to identify and improve pertinent EES matters and other areas of concerns. Arising from that, the SMC has developed management action plans towards achieving the Group's goal of being a sustainable organisation. In this manner, the SMC assist the Group MD and the Board of Directors to meet its oversight responsibilities in relation to the Group's sustainability initiatives and performance.

## 2. Stakeholder Engagement

The Group recognises the importance of various stakeholders' concerns on sustainability matters, especially in the process of identifying what is deemed material to the Group.

In determining and prioritising sustainability matters which are material to the Group and its stakeholders, we take into consideration the perspective of internal and external stakeholders.

The following table summarises some the Group's stakeholders and how the Group has engaged with them:

| Stakeholder Group | Engagement Approaches |
|---|---|
| Employees | Business Unit Meetings<br>Management Meetings<br>In-House Communication<br>Informal periodic departmental meetings<br>Training programmes<br>Management visits<br>Whistle-blowing channel<br>Open Door Culture<br>Company Dinners & Functions |
| Customers | Customer Feedback & Survey<br>Market research<br>Site Visits |
| Suppliers/Contractors | Supplier Registration<br>Business Meetings<br>Site Visits |
| Shareholders or Investors | Annual General Meetings<br>Announcements<br>Analyst Briefing<br>Annual Report |

# SUSTAINABILITY STATEMENT
*cont'd*

**2. Stakeholder Engagement (cont'd)**

| | |
|---|---|
| Regulatory Authorities | Consultation sessions & Conferences<br>Licensing requirements |
| Bankers | Meetings and continuous correspondences |
| Communities | CSR programmes |

**3. Material Assessment and Sustainability Matters**

The Group had identified issues that are material to both our Group and key stakeholders. These material EES issues are determined based on their likelihood and potential impact on the Group's business and long-term growth.

**4. Key Sustainability Matters**

**(a)** Health, Safety & Security
**(b)** Business Ethics
**(c)** Environment
**(d)** Human Capital
**(e)** Economic
**(f)** Customer
**(g)** Community

**HEALTH, SAFETY & SECURITY ("HSS")**

- It is one of our key priorities to maintain a safe and healthy working environment for our employees at all levels of the Group's business operations. We have introduced various measures to provide a safe and quality work environment for employees to carry out their daily activities. We strive to continuously improve our HSS performance.

- Under the requirement of International Standard Organization ("ISO"), enforcement is carried out within the Group to ensure continuous adherence to safety measures are observed at all times to prevent injuries at workplace. The Group's occupational health and safety policy exists which provides a clear emphasis on the principles and values that we subscribe to. We also adhere to the strictest standards in marine safety to maintain and achieve target in Incident Injury Free ("IIF").

- We also embed safety practices in the performance of our daily activities. All employees receive a health, safety, security and environment ("HSSE") briefing as part of the induction process. Employees travelling to offshore facilities must undergo basic offshore safety induction and emergency training ("BOSIET") programmes

- To safeguard the health, well-being and safety of our employees, the following precautions and measures were also established:

  **(a)** Promotion of a safe working culture through the conduct of safety briefings and safety awareness campaigns for both employees and contractors;
  **(b)** Implementation of standardized health and safety program across all the Group's operations; and
  **(c)** Regular safety education programs are conducted to enable employees to understand the requirements of the Occupational Safety and Health Administration ("OSHA") and to boost safety and health awareness.

- The Group's vessels are also in compliance to international marine regulations and codes, including the following:

  **(a)** International Safety Management ("ISM");
  **(b)** International Ship and Port Facility Security ("ISPS"); and
  **(c)** Safety Management System.

# SUSTAINABILITY STATEMENT
*cont'd*

## HEALTH, SAFETY & SECURITY ("HSS") (cont'd)

We continue to place emphasis on maintaining a safe working environment by establishing and adopting International Safety Management Code ("ISM Code") and Ship Management System to ensure safety of every tanker vessel.

The purpose of this code is to provide an international standard for the safe management and operation of ships and for pollution prevention.

The contents of ISM Code amongst others are as follows:

- Functions Requirements for Safety Management system
- Safety and Environment Protection Policy
- Company Responsibilities and Authority
- Designated Person (s)
- Master Responsibility and Authority
- Resources and Personnel
- Shipboard Operations
- Emergency Preparedness
- Report and Analysis of Non-Conformities, Accident and Hazards Occurrences
- Maintenance of the Ship and Equipment
- Company Verification, Review and Evaluation
- Certification and Periodical Verification

The Safety Management System consists amongst others:-

- Details as to how a vessel would operate on a day-to-day basis
- Procedures and guidelines to be followed in case of an emergency
- How are drills and trainings conducted, measures taken for safe operation
- Procedures and guidelines to ensure safe operations of ships and protection of marine environment in compliance with relevant International and flag State legislations
- Procedure and guidelines for reporting accidents or any other form of non-conformities
- Safety and environmental protection policy

## BUSINESS ETHICS

- The combination of ethical business conduct and sound corporate governance are fundamental to the achievement of our objectives to expand our business and enhance stakeholders' value. It is the Group's policy to conduct business in a fair, honest and transparent manner.

- It is our responsibility to uphold our code – to set a high standard for ourselves and be seen by our peers, customers, business partners, investors and communities as a company that does the right thing, always.

## ENVIRONMENTAL MANAGEMENT

- We proactively work to protect the environment and minimize any impact by operating with high safety standards. We are mindful of the environmental impacts arising from our activities and hence, we consistently ensure compliance with all the environmental regulations are met.

- The industry we are in have extensive direct and indirect impacts on the environment and therefore, aligning ourselves with the goals of sustainable development is crucial. Our emphasis is to grow the business without compromising the quality of the environment we live in.

- A range of pollution risks are associated with our activities. These include risks related to planned and unplanned discharges and waste management. We strive to continually operate in a safe manner to avoid spills, leaks or accidental discharges of polluting materials.

- Being in the maritime and transport industry, we ensure all our vessels and lorry tankers are compliant with the statutory requirements related to Marine Pollutions Regulation and Road Transport Department's Regulations respectively.

# SUSTAINABILITY STATEMENT
*cont'd*

## HUMAN CAPITAL

- Employees are our greatest assets. We are made up of people with vast experience and industry background. Strengthening capability is key, hence we proactively provide opportunities for growth and development for talent in the organisation through targeted development plans and succession planning.

- Straits is committed to provide equal opportunities for our employees and sees diversity as a strength in building the Group's competitiveness. We believe that our people should be treated on the basis of their work performance and merits, without discriminating them based on religious belief, age, creed, marital status, gender or any disability. Employees are required to observe and adhere all relevant Group's policies and practices

- Ensuring our long term sustainability, we continuously invest time and effort in recruiting, upskilling, engaging, retaining and rewarding talents/employees of the organisation accordingly. We will continue to focus on human capital development to nurture our employees to their full potential.

## ECONOMIC

- Economic sustainability concerns the Group's impacts on the economic conditions of its stakeholders and its ability as a listed entity to continue operating at an effective economic level over the long term.

- Financial sustainability is key to any responsible profit-seeking commercial entity. The Group seeks to achieve this through the pursuit of long-term profitability by investing in and operating businesses that provide quality sources of recurring income with a view to grow them to their full potential.

- Essentially, our business model must be sustainable and capable of generating growth while withstanding the ever changing operating environment.

## CUSTOMER

- Customers are the main pillar of our business ventures.

- Customers' satisfaction is the basis of a sustainable business and engagement with customers provides opportunity for the Group to improve many areas including service quality.

## COMMUNITY

- The Group is committed to promote social responsibilities as an integral part of the Group's vision whilst pursuing business growth to enhance shareholders and stakeholders' value. We are proud of having the privilege to serve various segments of the community towards providing social empowerment and helping to make a positive difference for people across all walks of life. We have from time to time made donations to various charitable organization and helping the less fortunate members of our community is our way of giving back to society.

## CONCLUSION

We will continuously improve the sustainability approach towards formalizing sustainability within our business. We recognize that we still have room for enhancement, both in terms of initiatives undertaken and our reporting structure. Moving forward, we will enhance the materiality factors and metrics and targets to measure issues that are material to our business and move towards benchmarking our progress against international standards of reporting. As we look to the future, it is our hope that we will continue to introduce new and exciting quality for our customers, enrich our local communities, create value for our stakeholders, and be an organisation that people will be proud to associate with.

This Statement has been approved by the Board on 5 May 2020.

# ADDITIONAL COMPLIANCE INFORMATION

## 1. UTILISATION OF PROCEED RAISED FROM CORPORATE PROPOSAL

The proceed from Private Placement to Capt Tony Tan Han (Chen Han) in conjunction with the acquisition of Tumpuan Megah Development Sdn Bhd ("TMD") was fully utilised in the second quarter of 2019, within the intended timeframe of the utilisation. The status of the utilisation of the said proceeds are as follows:

| Purpose | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Intended timeframe for utilisation RM'000 |
|---|---|---|---|
| Cash consideration for the proposed acquisition of TMD | 7,800 | 7,800 | Fully utilised |
| Defray estimated expenses in relation to the Corporate Exercise | 1,030 | 1,030 | Fully utilised |
| | 8,830 | 8,830 | |

The Company did not undertake any corporate proposal to raise proceeds during the financial year.

## 2. AUDIT AND NON-AUDIT FEES

For the financial year ended 31 December 2019, the amounts of Audit and Non-Audit Fees paid or payable by the Company and the Group to the external auditors are as follows:

| | Company RM | Group RM |
|---|---|---|
| Audit Fees | 52,000 | 254,755 |
| Non-Audit Fees | 103,240 | 103,240 |

## 3. MATERIAL CONTRACTS INVOLVING THE INTEREST OF THE DIRECTORS AND/OR MAJOR SHAREHOLDERS

There were no existing material contracts of the Company and its subsidiaries involving the interests of the Directors or major shareholders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year ended 31 December 2018.

## 4. RECURRENT RELATED-PARTY TRANSACTIONS

The Company had obtained mandate from its shareholders in respect of recurrent related party transactions of a revenue and/or trading nature ("RRPTs") ("RRPT Mandate") at the Annual General Meeting ("AGM") held on 19 June 2019.

Details of the RRPTs are disclosed in Note 25 to the Audited Financial Statements in this Annual Report. The RRPT Mandate will lapse at the conclusion of the forthcoming Annual General Meeting ("23rd AGM") unless such authority is renewed by a resolution passed at the 23rd AGM. Accordingly, the Company will be seeking its shareholders' approval to renew the RRPT Mandate at the 23rd AGM.

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements. There has been no significant change in the nature of these activities of the Group and of the Company during the financial year.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit/(Loss) for the year, net of tax | 9,424,702 | (1,144,854) |
| Attributable to: | | |
| Owners of the Company | 7,084,907 | (1,144,854) |
| Non-controlling interests | 2,339,795 | - |
| | 9,424,702 | (1,144,854) |

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Company is not in a position to pay or declare dividends for the current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

## ISSUANCE OF SHARES AND DEBENTURES

On 22 February 2019, the issued and paid-up share capital of the Company was increased from RM86,286,865 to RM101,284,705 by way of issuance of 63,820,595 new ordinary shares at RM0.235 each for the acquisition of 38% equity interest in Banle Energy International Limited.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing issued ordinary shares of the Company.

There were no debentures issued during the financial year.

## WARRANTS

During the financial year, 27,660,000 of Warrants 2017/2022 ("Warrants") were exercised at an exercise price of RM0.115 per Warrant. As at 31 December 2019, the total numbers of Warrants that remain unexercised were 153,267,500.

# DIRECTORS' REPORT
*cont'd*

**OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up unissued shares of the Company during the financial year other than the above-mentioned warrants.

**DIRECTORS OF THE COMPANY**

The Directors in office during the financial year and at the date of this report are:

| | |
|---|---|
| YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud* | Resigned on 28 June 2019 and re-appointed on 1 December 2019 |
| Tan Sri Mohd Bakri Bin Mohd Zinin* | |
| Dato' Sri Ho Kam Choy* | |
| Tony Tan Han (Chen Han)* | |
| Ho Fook Meng | |
| Leong Fook Heng | |
| Ho Hung Ming* (alternate director to Tan Sri Mohd Bakri Bin Mohd Zinin) | |
| Harison Binti Yusoff* | Appointed on 1 March 2020 |

* Being a Director of one or more subsidiaries

**DIRECTORS OF THE SUBSIDIARIES**

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) during the financial year and at the date of this report:

<u>Subsidiaries incorporated under the Companies Act, 2016</u>

| | |
|---|---|
| Raja Ismail Bin Raja Mohamed | |
| Chai Yiing Jen | Appointed on 19 February 2019 |
| Chia Teck Lim | Appointed on 23 May 2019 |
| He Yuan | Appointed on 23 May 2019 |
| Dato' Seri Tiong Chiong Kui | Appointed on 23 December 2019 |
| Dato' Mohd Suhaimi Bin Hashim | Appointed on 2 January 2020 |
| Idjal Bin Tahir | Appointed on 25 February 2020 |
| Ti Le-June | Appointed on 15 April 2020 |
| Dato' Sri Ahmad Said Bin Hamdan | Demised on 22 September 2019 |

# DIRECTORS' REPORT
*cont'd*

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interest of the Directors in office at the end of financial year in shares in or debentures of the Company and its related corporations during the financial year were as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **As at 1.1.2019** | **Bought** | **Sold** | **As at 31.12.2019** |
| | **Unit** | **Unit** | **Unit** | **Unit** |
| **Ordinary Shares of the Company** | | | | |
| **Direct interest** | | | | |
| Dato' Sri Ho Kam Choy | 27,135,000 | 18,497,200 | - | 45,632,200 |
| Ho Fook Meng | 4,000,000 | - | - | 4,000,000 |
| Tony Tan Han (Chen Han) | 36,790,438 | - | - | 36,790,438 |
| **Indirect interest** | | | | |
| Dato' Sri Ho Kam Choy ^ | 42,788,600 | 16,000,000 | (136,800) | 58,651,800 |

| | Number of warrants over ordinary shares | | | |
|---|---|---|---|---|
| | **As at 1.1.2019** | **Bought** | **Sold** | **As at 31.12.2019** |
| | **Unit** | **Unit** | **Unit** | **Unit** |
| **Warrants over Ordinary Shares of the Company** | | | | |
| **Direct interest** | | | | |
| Dato' Sri Ho Kam Choy | 10,798,500 | 981,200 | (10,000,000) | 1,779,700 |
| Ho Fook Meng | 1,400,000 | - | (400,000) | 1,000,000 |
| **Indirect interest** | | | | |
| Dato' Sri Ho Kam Choy ^ | 21,714,800 | - | (16,249,900) | 5,464,900 |

^ deemed interest via shareholding in Sturgeon Asia Ltd. pursuant to Section 8(4) of the Companies Act, 2016 in Malaysia and his brothers' direct shareholdings in the Company.

The above Directors are deemed to have interest in the shares held by the Company in its subsidiaries by virtue of their substantial interest in shares of the Company.

None of the other Directors in office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year.

# DIRECTORS' REPORT
*cont'd*

## DIRECTORS' REMUNERATION AND BENEFITS

The amount of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company and its subsidiary companies for their services to the Company and its subsidiary companies were as follows:

| | Company | Subsidiaries |
|---|---|---|
| | RM | RM |
| Directors' fee | 145,000 | 282,000 |
| Salaries and allowances | 474,700 | 1,007,554 |
| Bonus | - | 13,350 |
| Contributions to defined contribution plan | 43,200 | 134,508 |
| Social security contributions | 829 | 3,001 |
| Other benefits | - | 686 |
| | 663,729 | 1,441,099 |

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) 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.

There were no arrangements during or at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

(a) Before the financial statements 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 provision for doubtful debts and satisfied themselves that all known bad debts has been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so 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 for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent;

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

   (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; or

   (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

# DIRECTORS' REPORT
*cont'd*

**OTHER STATUTORY INFORMATION (cont'd)**

(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 liabilities of any other person; or

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

(d) In the opinion of the Directors:

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

(ii) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

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

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company and its subsidiaries is RM330,728.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

**SIGNIFICANT EVENTS**

Details of significant events are disclosed in Note 31 to the financial statements.

**SUBSEQUENT EVENTS**

Details of subsequent events are disclosed in Note 32 to the financial statements.

**AUDITORS**

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 5 May 2020.

**YAM DATO' SERI TENGKU BAHARUDDIN IBNI SULTAN MAHMUD**

**TAN SRI MOHD BAKRI BIN MOHD ZININ**

# STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 61 to 141, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 5 May 2020.

**YAM DATO' SERI TENGKU BAHARUDDIN IBNI SULTAN MAHMUD**

**TAN SRI MOHD BAKRI BIN MOHD ZININ**

# STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, Hoh Chee Mun (MIA No.: 8891), being the Officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 61 to 141 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed
at Kuala Lumpur in the Federal Territory
on 5 May 2020.

**HOH CHEE MUN**

Before me

# INDEPENDENT AUDITORS' REPORT

To the Members of Straits Inter Logistics Berhad

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Straits Inter Logistics Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of 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 61 to 141.

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 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. 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 IESBA Code.

### Key Audit Matters

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter was 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 the matter.

# INDEPENDENT AUDITORS' REPORT

To the Members of Straits Inter Logistics Berhad
*cont'd*

**Key Audit Matters (cont'd)**

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the Key Audit Matters</th></tr>
<tr><td><u>Impairment review of goodwill</u><br><br>The goodwill arising from the acquisition of a subsidiary as disclosed in Note 11 to the financial statements represented approximately 10% of the Group's total assets as at 31 December 2019. The Group is required to perform an annual impairment test or more frequently when indication of impairment exists on goodwill.<br><br>The Group applies the value-in-use ("VIU") method to estimate the recoverable amounts of the goodwill.<br><br>We have identified the valuation of goodwill as a key audit matter as the impairment test involves significant management judgement in determining the allocation of goodwill to the cash-generating unit ("CGU") and in estimating the underlying assumptions to be applied in the discounted cash flow projections of the VIU calculation. The recoverable amount of the goodwill is highly sensitive to key assumptions applied in respect of future revenue, gross margin, and the pre-tax discount rate used in the cash flow projections. A small change in the assumption can have a significant impact on the estimation of the recoverable amount.</td><td>We have performed the following audit procedures:<br><br>● Assessed whether the recoverable amounts were prepared by management based on the approved budgets by the Directors;<br><br>● Compared the key assumptions including forecasted revenue, gross margin and discount rates against our knowledge of the Group's historical performance, business and cost management strategies based on facts and circumstances currently available; and<br><br>● Performed a sensitivity analysis by changing certain key assumptions used in the VIU calculations and assessed the impact to the recoverable amounts of the goodwill.</td></tr>
<tr><td><u>Impairment review of investments in subsidiaries</u><br><br>As at 31 December 2019, as disclosed in Note 9 to the financial statements, the carrying amount of the Company's investments in subsidiaries amounted to RM76,710,497.<br><br>The Group assesses whether there is any indication of impairment in investments in subsidiaries. Where there are indicators of impairment, the Group estimates the recoverable amounts to compare against its respective carrying amounts.<br><br>The recoverable amounts of the subsidiaries were determined based on value-in-use which involves significant judgement on the discount rates applied and the assumptions which support the underlying cash flows projections. It involves estimating the future cash inflows and outflows that will derived from the operating entity.</td><td>We have performed the following audit procedures:<br><br>● Reviewed actual results with budgeted results to assess the performance of the business and reliability of the forecasting process;<br><br>● Reviewed the cash flows projections by comparing the assumptions to historical data as well as our assessment in relation to key assumptions such as operating expenses, revenue and profit margins;<br><br>● Tested the mathematical accuracy of the cash flows projections calculation; and<br><br>● Performed sensitivity analysis for a range of reasonably possible scenarios.</td></tr>
</table>

# INDEPENDENT AUDITORS' REPORT
To the Members of Straits Inter Logistics Berhad
*cont'd*

**Key Audit Matters (cont'd)**

| Key Audit Matters | How our audit addressed the Key Audit Matters |
|---|---|
| Recoverability of amounts due from subsidiaries<br><br>As at 31 December 2019, as disclosed in Note 16 to the financial statements, the Company's carrying amount of amounts due from subsidiaries amounted to RM19,533,656.<br><br>We have identified the recoverability of amounts due from subsidiaries as a key audit matter due to the carrying amount of these receivables involving judgements by management as to the likelihood of the recoverability of these amounts due from subsidiaries, which is based on a number of factors, including whether there will be sufficient cash flows in the future to repay the outstanding amount. | We have performed the following audit procedures:<br><br>● Evaluating management's assessment on the sufficiency of future cash flow of relevant subsidiaries by comparing management's forecast of future cash flows to historical results and evaluating the assumptions used in those forecasts;<br><br>● Tested the mathematical accuracy of the cashflow forecasts and projections calculation; and<br><br>● Performed a sensitivity analysis by changing certain key assumptions used in the forecast of future cash flows calculations and assessed the impact to the future cash flows. |

**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.

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, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

# INDEPENDENT AUDITORS' REPORT

To the Members of Straits Inter Logistics Berhad
*cont'd*

**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 on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITORS' REPORT

To the Members of Straits Inter Logistics Berhad
*cont'd*

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

**Other Matter**

This report is made solely to 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.

**MOORE STEPHENS ASSOCIATES PLT**
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

**STEPHEN WAN YENG LEONG**
02963/07/2021J
Chartered Accountant

Petaling Jaya, Selangor
Date: 5 May 2020

# STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2019** | **2018** | **2019** | **2018** |
| | **Note** | **RM** | **RM** | **RM** | **RM** |
| Revenue | 4 | 663,187,565 | 255,791,844 | 2,684,179 | 1,416,921 |
| Cost of sales | | (634,082,196) | (243,631,348) | - | - |
| **Gross profit** | | 29,105,369 | 12,160,496 | 2,684,179 | 1,416,921 |
| Other income | | 1,038,700 | 314,878 | 6 | 27,997 |
| Administrative expenses | | (13,237,980) | (4,598,601) | (3,649,451) | (3,625,648) |
| Other expenses | | (3,179,202) | (2,478,201) | (163,325) | (278,532) |
| **Profit/(Loss) from operations** | | 13,726,887 | 5,398,572 | (1,128,591) | (2,459,262) |
| Finance costs | | (3,823,503) | (1,115,772) | (16,263) | (5,903) |
| Share of results of an associate, before tax | | 2,522,988 | - | - | - |
| **Profit/(Loss) before tax** | 5 | 12,426,372 | 4,282,800 | (1,144,854) | (2,465,165) |
| Income tax (expense)/credit | 6 | (3,001,670) | 647,260 | - | - |
| **Profit/(Loss) for the year** | | 9,424,702 | 4,930,060 | (1,144,854) | (2,465,165) |
| **Other comprehensive income, net of tax** | | | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | | | |
| Foreign currency translation difference for foreign operations | | (27,028) | 191,247 | - | - |
| **Total comprehensive income for the year** | | 9,397,674 | 5,121,307 | (1,144,854) | (2,465,165) |
| **Profit/(Loss) for the year attributable to:** | | | | | |
| Owners of the Company | | 7,084,907 | 4,052,305 | (1,144,854) | (2,465,165) |
| Non-controlling interests | | 2,339,795 | 877,755 | - | - |
| | | 9,424,702 | 4,930,060 | (1,144,854) | (2,465,165) |
| **Total comprehensive income for the year attributable to:** | | | | | |
| Owners of the Company | | 7,057,879 | 4,243,552 | (1,144,854) | (2,465,165) |
| Non-controlling interests | | 2,339,795 | 877,755 | - | - |
| | | 9,397,674 | 5,121,307 | (1,144,854) | (2,465,165) |
| **Earnings per share attributable to Owners of the Company:** | | | | | |
| Basic (sen) | 7 | 1.12 | 0.95 | | |
| Diluted (sen) | 7 | 1.00 | 0.77 | | |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2019** | **2018** | **2019** | **2018** |
| | **Note** | **RM** | **RM** | **RM** | **RM** |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 8 | 98,584,469 | 51,193,705 | 517,544 | 561,441 |
| Investments in subsidiaries | 9 | - | - | 76,710,497 | 72,604,132 |
| Investments in associates | 10 | 17,136,227 | - | 15,013,639 | 490 |
| Goodwill | 11 | 30,558,958 | 30,558,958 | - | - |
| Deferred tax assets | 12 | 213,966 | 1,421,094 | - | - |
| | | 146,493,620 | 83,173,757 | 92,241,680 | 73,166,063 |
| **Current assets** | | | | | |
| Inventories | 13 | 31,862,561 | 6,235,841 | - | - |
| Trade receivables | 14 | 59,371,866 | 40,590,841 | - | - |
| Other receivables | 15 | 48,823,138 | 11,423,837 | 159,460 | 505,872 |
| Amounts due from subsidiaries | 16 | - | - | 19,533,656 | 7,889,875 |
| Amount due from an associate | 17 | 14,538 | 11,346 | 14,538 | 11,346 |
| Tax recoverable | | 3,197 | 25,391 | - | - |
| Cash and bank balances | | 8,264,430 | 6,510,358 | 237,804 | 827,964 |
| | | 148,339,730 | 64,797,614 | 19,945,458 | 9,235,057 |
| **Total Assets** | | 294,833,350 | 147,971,371 | 112,187,138 | 82,401,120 |

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

*cont'd*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2019** | **2018** | **2019** | **2018** |
| | **Note** | **RM** | **RM** | **RM** | **RM** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 18 | 104,465,174 | 86,286,865 | 104,465,174 | 86,286,865 |
| Retained earning/(Accumulated losses) | | 6,273,919 | (810,988) | (6,334,344) | (5,189,490) |
| Reserves | 19 | (135,517) | (108,489) | - | - |
| **Total equity attributable to Owners of the Company** | | 110,603,576 | 85,367,388 | 98,130,830 | 81,097,375 |
| Non-controlling interests | | 12,141,839 | 5,504,412 | - | - |
| **Total Equity** | | 122,745,415 | 90,871,800 | 98,130,830 | 81,097,375 |
| **Non-current liabilities** | | | | | |
| Finance lease liabilities | 20 | - | 477,115 | - | 215,986 |
| Lease liabilities | 21 | 3,254,374 | - | 175,338 | - |
| Other payables | 23 | 22,570,375 | - | - | - |
| | | 25,824,749 | 477,115 | 175,338 | 215,986 |
| **Current liabilities** | | | | | |
| Finance lease liabilities | 20 | - | 144,681 | - | 53,562 |
| Lease liabilities | 21 | 1,113,790 | - | 102,546 | - |
| Trade payables | 22 | 70,021,166 | 19,327,389 | - | - |
| Other payables | 23 | 38,475,308 | 7,656,661 | 780,239 | 1,033,662 |
| Amount due to a subsidiary | 16 | - | - | 12,980,063 | - |
| Amount due to an associate | 17 | 17,587 | - | 17,587 | - |
| Tawarruq working capital financing-i | 24 | 35,664,685 | 29,188,926 | - | - |
| Tax payable | | 970,650 | 304,799 | 535 | 535 |
| | | 146,263,186 | 56,622,456 | 13,880,970 | 1,087,759 |
| **Total Liabilities** | | 172,087,935 | 57,099,571 | 14,056,308 | 1,303,745 |
| **Total Equity and Liabilities** | | 294,833,350 | 147,971,371 | 112,187,138 | 82,401,120 |

# STATEMENTS OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2019

| | Attributable to Owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-Distributable | | | | | | | | |
| | Share Capital | Other Reserve | Sub-total | Warrant Reserve | Foreign Currency Translation Reserve | (Accumulated Losses)/ Distributable Retained Earning | Total | Non-Controlling Interests | Total Equity |
| | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| | (Note 18) | (Note 19) | | (Note 19) | (Note 19) | | | | |
| **Group** | | | | | | | | | |
| **At 1 January 2019** | 86,286,865 | (20,806,662) | 65,480,203 | 20,806,662 | (108,489) | (810,988) | 85,367,388 | 5,504,412 | 90,871,800 |
| **Transactions with Owners of the Company:** | | | | | | | | | |
| Issuance of ordinary shares | 14,997,840 | - | 14,997,840 | - | - | - | 14,997,840 | - | 14,997,840 |
| Share issuance expenses | (431) | - | (431) | - | - | - | (431) | - | (431) |
| Exercise of warrants | 3,180,900 | 3,180,900 | 6,361,800 | (3,180,900) | - | - | 3,180,900 | - | 3,180,900 |
| Change in equity shareholdings in subsidiaries (Note 9) | - | - | - | - | - | - | - | 4,297,632 | 4,297,632 |
| **Total transactions with Owners of the Company** | 18,178,309 | 3,180,900 | 21,359,209 | (3,180,900) | - | - | 18,178,309 | 4,297,632 | 22,475,941 |
| Foreign currency translation differences for foreign operations, representing total other comprehensive income | - | - | - | - | (27,028) | - | (27,028) | - | (27,028) |
| Profit for the year | - | - | - | - | - | 7,084,907 | 7,084,907 | 2,339,795 | 9,424,702 |
| **Total comprehensive income for the year** | - | - | - | - | (27,028) | 7,084,907 | 7,057,879 | 2,339,795 | 9,397,674 |
| **At 31 December 2019** | 104,465,174 | (17,625,762) | 86,839,412 | 17,625,762 | (135,517) | 6,273,919 | 110,603,576 | 12,141,839 | 122,745,415 |

# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2019

*cont'd*

| | Share Capital RM (Note 18) | Other Reserve RM (Note 19) | Sub-total RM | Warrant Reserve RM (Note 19) | Foreign Currency Translation Reserve RM (Note 19) | Accumulated Losses RM | Total RM | Non-Controlling Interests RM | Total Equity RM |
|---|---|---|---|---|---|---|---|---|---|
| | ← Attributable to Owners of the Company → | | | | | | | | |
| | ← Non-Distributable → | | | | | | | | |
| **Group (cont'd)** | | | | | | | | | |
| **At 1 January 2018** | 41,109,619 | (21,154,480) | 19,955,139 | 21,154,480 | (299,736) | (4,532,370) | 36,277,513 | 379,140 | 36,656,653 |
| Effect of adoption of MFRS 9 | - | - | - | - | - | (330,923) | (330,923) | - | (330,923) |
| **At 1 January 2018 (Restated)** | 41,109,619 | (21,154,480) | 19,955,139 | 21,154,480 | (299,736) | (4,863,293) | 35,946,590 | 379,140 | 36,325,730 |
| **Transactions with Owners of the Company:** | | | | | | | | | |
| Issuance of ordinary shares | 44,829,705 | - | 44,829,705 | - | - | - | 44,829,705 | - | 44,829,705 |
| Warrants conversion monies | 5,750 | 5,750 | 11,500 | (5,750) | - | - | 5,750 | - | 5,750 |
| Share issuance expenses | (277) | - | (277) | - | - | - | (277) | - | (277) |
| Exercise of warrants | 342,068 | 342,068 | 684,136 | (342,068) | - | - | 342,068 | - | 342,068 |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | 4,247,217 | 4,247,217 |
| Disposal of non-controlling interest | - | - | - | - | - | - | - | 300 | 300 |
| **Total transactions with Owners of the Company** | 45,177,246 | 347,818 | 45,525,064 | (347,818) | - | - | 45,177,246 | 4,247,517 | 49,424,763 |
| Foreign currency translation differences for foreign operations, representing total other comprehensive income | - | - | - | - | 191,247 | - | 191,247 | - | 191,247 |
| Profit for the year | - | - | - | - | - | 4,052,305 | 4,052,305 | 877,755 | 4,930,060 |
| Total comprehensive income for the year | - | - | - | - | 191,247 | 4,052,305 | 4,243,552 | 877,755 | 5,121,307 |
| **At 31 December 2018** | 86,286,865 | (20,806,662) | 65,480,203 | 20,806,662 | (108,489) | (810,988) | 85,367,388 | 5,504,412 | 90,871,800 |

# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2019

*cont'd*

| | ← Attributable to Owners of the Company → | | | | | |
|---|---|---|---|---|---|---|
| | ← Non-Distributable → | | | | | |
| | **Share Capital** | **Other Reserve** | **Sub-total** | **Warrant Reserve** | **Accumulated Losses** | **Total Equity** |
| | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** |
| | **(Note 18)** | **(Note 19)** | | **(Note 19)** | | |
| **Company** | | | | | | |
| **At 1 January 2019** | 86,286,865 | (20,806,662) | 65,480,203 | 20,806,662 | (5,189,490) | 81,097,375 |
| **Transactions with Owners of the Company:** | | | | | | |
| Issuance of ordinary shares | 14,997,840 | - | 14,997,840 | - | - | 14,997,840 |
| Share issuance expenses | (431) | - | (431) | - | - | (431) |
| Exercise of warrants | 3,180,900 | 3,180,900 | 6,361,800 | (3,180,900) | - | 3,180,900 |
| **Total transactions with Owners of the Company** | 18,178,309 | 3,180,900 | 21,359,209 | (3,180,900) | - | 18,178,309 |
| Loss for the year, representing total comprehensive loss for the year | - | - | - | - | (1,144,854) | (1,144,854) |
| **At 31 December 2019** | 104,465,174 | (17,625,762) | 86,839,412 | 17,625,762 | (6,334,344) | 98,130,830 |
| | | | | | | |
| **At 1 January 2018** | 41,109,619 | (21,154,480) | 19,955,139 | 21,154,480 | (2,724,325) | 38,385,294 |
| **Transactions with Owners of the Company:** | | | | | | |
| Issuance of ordinary shares | 44,829,705 | - | 44,829,705 | - | - | 44,829,705 |
| Warrants conversion monies | 5,750 | 5,750 | 11,500 | (5,750) | - | 5,750 |
| Share issuance expenses | (277) | - | (277) | - | - | (277) |
| Exercise of warrants | 342,068 | 342,068 | 684,136 | (342,068) | - | 342,068 |
| **Total transactions with Owners of the Company** | 45,177,246 | 347,818 | 45,525,064 | (347,818) | - | 45,177,246 |
| Loss for the year, representing total comprehensive loss for the year | - | - | - | - | (2,465,165) | (2,465,165) |
| **At 31 December 2018** | 86,286,865 | (20,806,662) | 65,480,203 | 20,806,662 | (5,189,490) | 81,097,375 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2019

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | |
| Profit/(Loss) before tax | | 12,426,372 | 4,282,800 | (1,144,854) | (2,465,165) |
| Adjustments for: | | | | | |
| Allowance for expected credit losses on: | | | | | |
| - Trade receivables | | 559,145 | 124,267 | - | - |
| - Amounts due from subsidiaries | | - | - | - | 5,856 |
| Depreciation of property, plant and equipment | | 6,279,316 | 1,022,367 | 159,699 | 74,547 |
| Allowance for impairment loss on investments in subsidiaries | | - | - | - | 58,641 |
| Bad debt written off | | 2,380 | - | - | - |
| Deposits written off | | 804 | - | - | - |
| Interest income | | (22,809) | (25,727) | - | (19,195) |
| Interest expense | | 3,823,503 | 1,115,772 | 16,263 | 5,903 |
| (Gain)/Loss on disposal of a subsidiary | 9 | - | (701) | (2) | 7,994 |
| Loss on disposal of property, plant and equipment | | 166,969 | - | - | - |
| Property, plant and equipment written off | | - | 122,959 | - | 122,959 |
| Reversal of allowance for expected credit losses on trade receivables | | (240,331) | - | - | - |
| Share of results of an associate | | (2,522,988) | - | - | - |
| Unrealised loss/(gain) on foreign exchange | | 587,549 | 252,001 | (142) | (39) |
| Waiver of debts granted by other payables | | - | (8,327) | - | - |
| Operating profit/(loss) before working capital changes | | 21,059,910 | 6,885,411 | (969,036) | (2,208,499) |
| **Changes in working capital:** | | | | | |
| Inventories | | (25,626,720) | (4,793,080) | - | - |
| Receivables | | (56,610,594) | (8,809,289) | 346,412 | (377,169) |
| Payables | | 76,429,724 | (772,934) | (253,423) | 828,910 |
| Cash generated from/(used in) operations | | 15,252,320 | (7,489,892) | (876,047) | (1,756,758) |
| Interest paid | | (3,026,301) | (719,582) | (16,263) | (5,903) |
| Interest received | | 22,809 | 25,727 | - | 19,195 |
| Tax paid | | (1,100,147) | (728,241) | - | - |
| Tax refund | | 393,560 | 116,376 | - | 535 |
| Net cash from/(used in) operating activities | | 11,542,241 | (8,795,612) | (892,310) | (1,742,931) |

# STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2019

*cont'd*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | RM | RM | RM | RM |
| **Cash Flows from Investing Activities** | | | | | |
| Acquisition of property, plant and equipment | 8(a) | (19,868,492) | (1,636,619) | (10,077) | (282,037) |
| Proceeds from disposal of property, plant and equipment | | 102,000 | - | - | - |
| Acquisition of a subsidiary | 9 | - | - | - | (7,800,000) |
| Net cash outflow from acquisition of a subsidiary | 9 | - | (4,253,571) | - | - |
| Repayment/(Increase) in capital contribution | | - | - | 4,440,000 | (14,700,000) |
| Investment in an associate | 10 | (15,309) | - | (15,309) | - |
| Additional investment in subsidiaries | 9 | - | - | (8,546,365) | (1,001,000) |
| Net cash inflow from disposal of a subsidiary | 9 | - | 1,001 | - | - |
| Sales proceed from disposal of a subsidiary | 9 | - | - | 2 | 2 |
| Net cash used in investing activities | | (19,781,801) | (5,889,189) | (4,131,749) | (23,783,035) |
| **Cash Flows from Financing Activities** | | | | | |
| Advances from/(to) an associate | | 14,395 | (6,010) | 14,395 | (6,010) |
| Repayment from subsidiaries | | - | - | 1,336,420 | 6,825,602 |
| Drawdown of Tawarruq working capital financing-i, net | (i) | 5,753,654 | 1,211,927 | - | - |
| Shares issuance expenses | | (431) | (277) | (431) | (277) |
| Proceeds from exercise of warrants | | 3,180,900 | 347,818 | 3,180,900 | 347,818 |
| Proceeds from issuance of ordinary shares | | - | 16,879,705 | - | 16,879,705 |
| Proceeds from issuance of ordinary shares in subsidiaries | 9 | 4,297,632 | - | - | - |
| Repayment of lease liabilities | (i)(ii) | (339,995) | (43,047) | (97,389) | (21,452) |
| Repayment of vendor financing | (i) | (2,933,439) | - | - | - |
| Net cash from financing activities | | 9,972,716 | 18,390,116 | 4,433,895 | 24,025,386 |
| **Net increase/(decrease) in cash and cash equivalents** | | 1,733,156 | 3,705,315 | (590,164) | (1,500,580) |
| **Cash and cash equivalents at beginning of the year** | | 6,510,358 | 2,790,279 | 827,964 | 2,328,505 |
| Effect of exchange rate changes on cash and cash equivalents held | | 20,916 | 14,764 | 4 | 39 |
| **Cash and cash equivalents at end of the year** | | 8,264,430 | 6,510,358 | 237,804 | 827,964 |

# STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2019
*cont'd*

(i) Reconciliation of movements of liabilities to cash flows arising from financing activities:

| | Tawarruq working capital financing-i RM | Lease liabilities RM | Vendor financing liabilities RM |
|---|---|---|---|
| **Group** | | | |
| **2019** | | | |
| At 1 January as previously reported | 29,188,926 | 621,796 | - |
| Effect of adoption of MFRS 16 | - | 931,133 | - |
| Drawdown | 169,475,611 | - | - |
| Addition | - | 3,159,000 | 30,038,950 |
| Repayment | (163,721,957) | (339,995) | (2,933,439) |
| Foreign exchange difference | - | (3,770) | - |
| Net changes from financing cash flows | 5,753,654 | 2,815,235 | 27,105,511 |
| Interest expense payable | 722,105 | - | - |
| At 31 December | 35,664,685 | 4,368,164 | 27,105,511 |

| | Tawarruq working capital financing-i RM | Finance lease liabilities RM |
|---|---|---|
| **Group** | | |
| **2018** | | |
| At 1 January as previously reported | - | - |
| Acquisition of a subsidiary | 27,580,809 | 373,843 |
| Drawdown | 43,523,936 | - |
| Repayment | (42,312,009) | (43,047) |
| Addition of lease arrangements | - | 291,000 |
| Net changes from financing cash flows | 1,211,927 | 247,953 |
| Interest expense payable | 396,190 | - |
| At 31 December | 29,188,926 | 621,796 |

# STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2019

*cont'd*

(i) Reconciliation of movements of liabilities to cash flows arising from financing activities: (cont'd)

| | Lease liabilities RM |
|---|---|
| **Company** | |
| **2019** | |
| At 1 January as previously reported | 269,548 |
| Effect of adoption of MFRS 16 | 105,725 |
| Repayment, representing net changes from financing cash flows | (97,389) |
| At 31 December | 277,884 |

| | Finance lease liabilities RM |
|---|---|
| **Company** | |
| **2018** | |
| At 1 January | - |
| Addition of finance lease arrangement | 291,000 |
| Repayment of finance lease liabilities | (21,452) |
| Net changes from financing cash flows | 269,548 |
| At 31 December | 269,548 |

(ii) Cash outflow for leases as a lessee are as follows:

| | Group RM | Company RM |
|---|---|---|
| **2019** | | |
| **Included in net cash from/(used in) operating activities:** | | |
| Interest paid in relation to lease liabilities | | |
| - Lease liabilities | 53,553 | 16,263 |
| Payment relating to short term lease rental and low value asset | 168,676 | 9,000 |
| **Included in net cash from financing activities:** | | |
| Payment for the principal portion: | | |
| - Lease liabilities | 339,995 | 97,389 |
| | 562,224 | 122,652 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

## 1. CORPORATE 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 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 B-07-06, Plaza Mont Kiara, 2, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur, Wilayah Persekutuan.

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 9. There has been no significant change in the nature of these activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 5 May 2020.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

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

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

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

| | |
|---|---|
| MFRS 16 | Leases |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement |
| IC Interpretation 23 | Uncertainty Over Income Tax Treatment |

Annual improvements to MFRSs 2015 – 2017 Cycle

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**2. BASIS OF PREPARATION (cont'd)**

**(a) Statement of compliance (cont'd)**

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

**(i) Adoption of New MFRS and Amendments/Improvements to MFRSs and IC Int (cont'd)**

The Group and the Company had adopted the following new MFRS, Amendments/Improvements to MFRSs and IC Int that are mandatory for the current financial year: (cont'd)

The adoption of the above standards and IC Int did not have any significant effect on the financial statements of the Group and of the Company, except for:

**MFRS 16 Leases**

MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 *Property, Plant and Equipment* whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. Lease that were classified as finance leases under MFRS 117, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before the date of initial application.

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.

As permitted by the transitional provision of MFRS 16, the Group and the Company has elected to adopt a modified transition approach where the lease liability is measured at the present value of the remaining lease payments and discounted using the incremental borrowing rate at the date of initial application (i.e 1 January 2019) and the ROU asset measured at an amount equals to the lease liability, adjusted by prepayments or accrued lease payments relating to that lease at the date of application. The Group and the Company have also applied the following practical expedients under MFRS 16:

- No adjustments are made on transition for leases for which the underlying assets are of low value.
- A single discount rate is applied to portfolio of leases with reasonably similar characteristics.
- The Group and the Company do not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- The Group and the Company use hindsight in determining lease terms for contracts that contain options for extension or termination.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**2. BASIS OF PREPARATION (cont'd)**

**(a) Statement of compliance (cont'd)**

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

**(i) Adoption of New MFRS and Amendments/Improvements to MFRSs and IC Int (cont'd)**

**MFRS 16 Leases (cont'd)**

The financial impacts to the statements of financial position of the Group and of the Company arising from adoption of MFRS 16 Leases is as follows:

| | As previously reported RM | Effect on adoption of MFRS 16 RM | As restated RM |
|---|---|---|---|
| **Group** | | | |
| **Non-current asset** | | | |
| Property, plant and equipment | 51,193,705 | 931,133 | 52,124,838 |
| **Non-current liabilities** | | | |
| Finance lease liabilities | 477,115 | (477,115) | - |
| Lease liabilities | - | 1,408,248 | 1,408,248 |
| | 477,115 | 931,133 | 1,408,248 |
| **Current liabilities** | | | |
| Finance lease liabilities | 144,681 | (144,681) | - |
| Lease liabilities | - | 144,681 | 144,681 |
| | 144,681 | - | 144,681 |
| | 621,796 | 931,133 | 1,552,929 |
| **Company** | | | |
| **Non-current asset** | | | |
| Property, plant and equipment | 561,441 | 105,725 | 667,166 |
| **Non-current liabilities** | | | |
| Finance lease liabilities | 215,986 | (215,986) | - |
| Lease liabilities | - | 321,711 | 321,711 |
| | 215,986 | 105,725 | 321,711 |
| **Current liabilities** | | | |
| Finance lease liabilities | 53,562 | (53,562) | - |
| Lease liabilities | - | 53,562 | 53,562 |
| | 53,562 | - | 53,562 |
| | 269,548 | 105,725 | 375,273 |

Upon adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had been previously been recognised as "operating leases" under the principles of MFRS 117.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**2. BASIS OF PREPARATION (cont'd)**

**(a) Statement of compliance (cont'd)**

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

**(i) Adoption of New MFRS and Amendments/Improvements to MFRSs and IC Int (cont'd)**

**MFRS 16 Leases (cont'd)**

Reconciliation for the differences between operating lease commitments disclosed as at 31 December 2018 and lease liabilities recognised at the date of initial application of 1 January 2019 are as follows:

| | **2019** |
|---|---|
| | **RM** |
| **Group** | |
| Operating lease commitments as disclosed at 31 December 2018 | 441,390 |
| Remeasurement of commitment tenure | (241,950) |
| Effects from discounting at the incremental borrowing rates of 2.56% to 4.25% | (32,975) |
| Add: | |
| Transfer from finance lease obligations upon initial application of MFRS 16 | 621,796 |
| Lease liabilities additionally recognised based on the initial application of MFRS 16 | 852,108 |
| Less: | |
| Short-term leases recognised on a straight-line basis as expense | (76,450) |
| Leases of low value assets recognised on a straight-line basis as expense | (10,990) |
| Lease liabilities recognised as at 1 January 2019 | 1,552,929 |

| | **2019** |
|---|---|
| | **RM** |
| **Company** | |
| Operating lease commitments as disclosed at 31 December 2018 | 118,790 |
| Remeasurement of commitment tenure | (4,000) |
| Effects from discounting at the incremental borrowing rate at 2.56% | (6,275) |
| Add: | |
| Transfer from finance lease obligations upon initial application of MFRS 16 | 269,548 |
| Less: | |
| Leases of low value assets recognised on a straight-line basis as expense | (2,790) |
| Lease liabilities recognised as at 1 January 2019 | 375,273 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**2. BASIS OF PREPARATION (cont'd)**

**(a) Statement of compliance (cont'd)**

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

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

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

**Effective for financial periods beginning on or after 1 January 2020**

Amendments to References to the Conceptual Framework in MFRS Standards

| | |
|---|---|
| Amendments to MFRS 3 | Definition of a Business |
| Amendments to MFRS 7, MFRS 9 and MFRS 139 | Interest Rate Benchmark Reform |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material |

**Effective for financial periods beginning on or after 1 January 2021**

| | |
|---|---|
| MFRS 17 | Insurance Contracts |

**Effective for financial periods beginning on or after 1 January 2022**

| | |
|---|---|
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current |

***Effective date to be announced***

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

**2. BASIS OF PREPARATION (cont'd)**

**(b) Basis of measurement**

The financial statements of the Group and of the Company have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

**(c) Functional and presentation currency**

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

**(d) Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

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

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

**(i) Depreciation of property, plant and equipment**

The cost of property, plant and equipment is depreciated on a straight-line method over the assets' useful lives. The Directors estimate the useful lives of these property, plant and equipment to be within 2 - 25 years. The Group and the Company anticipate that the certain residual values of their property, plant and equipment will be insignificant, other than oil tankers. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

The residual value of the oil tankers is based on the scrap value which was determined using the respective oil tankers' lightship weight multiplies by estimated scrap prices at the expected port the vessels are to be scrapped.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
*cont'd*

**2. BASIS OF PREPARATION (cont'd)**

**(d) Significant accounting estimates and judgements (cont'd)**

**(ii) Capitalisation of dry-docking expenditures**

Dry-docking expenditures include a number of components (e.g. inspection, manual and certificate, engine maintenance, spare part, painting, vessel maintenance etc.) which require either replacement or major overhaul at intervals during the vessel's operational life cycle.

These components may also have substantially similar useful lives and residual values, in which case MFRS 116 *Property, Plant and Equipment* allows such components to be grouped together. It may be pragmatic to strive for a basic presumption that components have similar economic and accounting useful lives.

Predicated on the above, dry-docking expenditure which are capital in nature are capitalised and depreciated over a period of 30 months until the next expected dry-docking date.

**(iii) Impairment of goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

**(iv) Income taxes**

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

**(v) Impairment of non-financial assets**

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

**(vi) Impairment of financial assets**

The Group and the Company assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied as disclosed in Note 3(m)(i) depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
*cont'd*

**2. BASIS OF PREPARATION (cont'd)**

**(d) Significant accounting estimates and judgements (cont'd)**

**(vii) Deferred tax assets and liabilities**

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

**(viii) Carrying value of investments in subsidiaries**

Investment in a subsidiary is reviewed for impairment whenever indication of impairment arises in accordance with its accounting policy whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investment in subsidiaries.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Consolidation**

<u>Consolidation</u>

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) 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.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(a) Basis of Consolidation (cont'd)**

Consolidation (cont'd)

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interest are adjusted to reflect the changes in their relative interests in the subsidiary. The resulting difference is recognised directly in equity and attributed to Owners of the Company.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction cost for the combination is recognised in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(a) Basis of Consolidation (cont'd)**

Business combination (cont'd)

Similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combinations is taken to equity.

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

Associates

Associates are entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(a) Basis of Consolidation (cont'd)**

Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly, to Owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated financial position, separately from equity attributable to Owners of the Company.

The Group treats a change in a parent's controlling interest in a subsidiary that does not result in a loss of control as a transaction with equity holders in their capacity as equity holders. Accordingly, the carrying amount of the non-controlling interest is adjusted to reflect the change in the parent's interest in the subsidiary's net assets. Any difference between the amount by which the non-controlling interest is so adjusted and the fair value of the consideration paid or received, if any, is recognised directly in equity and attributed to the Owners of the Company.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions between subsidiaries in the Group, are eliminated in preparing the consolidated financial statements.

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

**(b) Foreign Currency**

**(i) Foreign currency transactions**

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's and of the Company's net investment in foreign operation.

**(ii) Foreign Operations Denominated in Functional Currencies other than Ringgit Malaysia**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the period, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(b) Foreign Currency (cont'd)**

**(ii) Foreign Operations Denominated in Functional Currencies other than Ringgit Malaysia (cont'd)**

Exchange reserve in respect of a foreign operation is recognised to profit or loss when control, joint control or significant influence over the foreign operation is lost.

On partial disposal without losing control, a proportion of the exchange reserve in respect of the subsidiary is re-attributed to the non-controlling interest. The proportionate share of the cumulative translation differences is reclassified to profit or loss in respect of all other partial disposals.

**(c) Revenue Recognition and Other Income**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainly associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;

- The Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Other revenue earned by the Group and the Company is recognised on the following basis:

- Interest income is recognised on an accrual basis using the effective interest method.

- Management fees are recognised when services are rendered.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(d) Employee Benefits**

**(i) Short term employee benefits**

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

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

**(ii) Defined contribution plans**

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

**(e) Income Tax**

Current tax

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

Deferred tax

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(e) Income Tax (cont'd)**

Subsidiaries incorporated under Labuan Act, 1990

Income tax on profit or loss for the period comprises current tax only. Certain subsidiaries of the Group are carrying on Labuan trading activity, their chargeable profit would be subject to tax under Labuan Business Activity Tax Act, 1990 ("LBATA") of which 3% of net unaudited profit would be taxed and audited financial statements are required to be submitted to the Inland Revenue Board ("IRB").

**(f) Leases**

***Current financial year***

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment except for the lease of premises as disclosed in Note 8 which are depreciated over the lease term period of 2 to 3 years.

If right-of-use assets relate to a class of property, plant and equipment to which the lessee applies the revaluation model in MFRS 116, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment.

The right-of-use assets are presented as part of property, plant and equipment in the statements of financial position.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's and the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group and the Company change their assessment of whether they will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

***Previous financial year***

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

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(f) Leases (cont'd)**

***Previous financial year* (cont'd)**

(i) Finance lease

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

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

(ii) Operating lease

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefits of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on straight line basis.

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

**(g) Earnings Per Share**

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own share held, for the effects of all dilutive potential ordinary shares, which comprise warrants granted to shareholders.

**(h) Goodwill**

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually or whenever indication of impairment arises. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in a subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in the consolidated statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Property, Plant and Equipment

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

#### (i) Recognition and measurement

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

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

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

Dry-docking expenditures represent major inspection and overhaul cost and are depreciated to reflect the consumption of benefits, which are to be replaced or restored by the subsequent dry-docking generally performed. The Group has included these dry-docking costs as a component within vessel costs in accordance with MFRS 116 *Property, Plant and Equipment*.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and their cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

#### (iii) Depreciation

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

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(i) Property, Plant and Equipment (cont'd)**

**(iii) Depreciation (cont'd)**

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

| | |
|---|---|
| Oil tankers | 10 to 25 years |
| Dry-docking expenditures | 30 months from date of dry dock |
| Shipping equipment | 7 to 10 years |
| Furniture and fittings and office equipment | 6.67 to 10 years |
| Computers | 2 to 10 years |
| Renovation | 10 years |
| Cement tankers | 5 to 15 years |
| Motor vehicles | 5 years |

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

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

**(j) Inventories**

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

The cost of inventories is measured based on first-in-first-out ("FIFO") method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

**(k) Cash and Cash Equivalents**

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

**(l) Financial Instruments**

**(i) Initial recognition and measurement**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(l) Financial Instruments**

**(i) Initial recognition and measurement**

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

**(ii) Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

***Financial assets***

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

<u>Amortised cost</u>

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 3(m)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment under Note 3(m)(i).

***Financial liabilities***

The categories of financial liabilities at initial recognition are as follows:

<u>Fair value through profit or loss</u>

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

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(l) Financial Instruments (cont'd)**

**(ii) Financial instrument categories and subsequent measurement (cont'd)**

***Financial liabilities* (cont'd)**

<u>Fair value through profit or loss</u> (cont'd)

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

**(iii) Offsetting**

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

**(iv) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(l) Financial Instruments (cont'd)**

**(v) Regular way purchase or sale of financial assets**

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

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

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

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

**(vi) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

**(m) Impairment**

**(i) Financial assets**

The Group and the Company recognise loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowance of the Group and the Company are measured on either of the following bases:

(i) 12-month ECLs - represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(ii) Lifetime ECLs - represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(m) Impairment (cont'd)**

**(i) Financial assets (cont'd)**

Simplified approach - trade receivables, lease receivables and contract assets

The Group and the Company apply the simplified approach to provide ECLs for all trade receivables, lease receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

General approach - other financial instruments and financial guarantee contracts

The Group and the Company apply the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-months ECLs at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group and the Company consider an event of default for internal credit risk management purposes when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held).

The Group and the Company consider a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held). The Group and the Company only apply a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and the Company is exposed to credit risk.

Credit impaired financial assets

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(m) Impairment (cont'd)**

**(i) Financial assets (cont'd)**

Credit impaired financial assets (cont'd)

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession that the lender would not otherwise consider (e.g the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due. Any recoveries made are recognised in profit or loss.

**(ii) Non-financial assets**

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

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

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

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

An impairment loss recognised for goodwill is not reversed.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) Impairment (cont'd)

#### (ii) Non-financial assets (cont'd)

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss.

### (n) Equity Instrument

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

Ordinary shares

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

### (o) Warrants Reserves

Amount allocated in related to the issuance of warrants are credited to a warrants reserve which is non-distributable. Warrants reserve is transferred to the share capital account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

### (p) 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. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (q) Provisions

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

### (r) Contingencies

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

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

### (s) Borrowing Costs

Borrowing costs of the Group and of the Company include interest expense of other debt instruments calculated using the effective interest method. All borrowing costs are recognised as an expense when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
*cont'd*

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (t) Fair Value Measurement

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

## 4. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Oil trading and bunkering services | 659,374,399 | 255,791,844 | - | - |
| Inland transportation services | 3,809,076 | - | - | - |
| Others | 4,090 | - | - | - |
| Management fee | - | - | 2,684,179 | 1,416,921 |
| | 663,187,565 | 255,791,844 | 2,684,179 | 1,416,921 |

Disaggregation of revenue by segment is disclosed in Note 26.

Revenue represents the Group's and the Company's revenue from contracts with customers which are recognised at a point in time.

<u>**Oil trading**</u>

The Group carries out oil trading activities [namely Marine Gas Oil ("MGO")] whereby customers place their order with an agreed MGO price per litre and subsequent arrangement would be made with the Group's supplier to arrange for delivery of the MGO ordered direct to the customer. Revenue recognition is based on issuance of cargo manifest which requires customer's acknowledgement that the MGO cargo have been accepted by the customer.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**4. REVENUE (cont'd)**

*Performance obligation ("PO")*

Contracts with individual customer is considered as a single PO in relation to the sale of MGO with a single transaction price. The PO is satisfied upon delivery of the MGO cargo to the customer by way of acknowledgement of cargo manifest. Payment is generally due between 30 to 60 days from the invoice date.

*Timing of recognition*

Revenue is recognised when control over the MGO cargo have been transferred to the customer. An enforceable right to payment does not arise until the customers have acknowledged the cargo manifest. Therefore, revenue is recognised at a point in time when customers have acknowledged the cargo manifest.

**Oil bunkering services**

The Group carries out oil bunkering services of Marine Gas Oil, Marine Fuel Oil and Low Sulphur Fuel Oil (collectively refer as "Cargo Oil") by entering into written contracts with external customers. Customer places its order with an agreed Cargo Oil price per litre and the Group will arrange for delivery of the Cargo Oil ordered to the customer. Revenue recognition is based on issuance of bunker delivery note which requires customer's acknowledgement that the Cargo Oil have been accepted by the customer.

*Performance obligation ("PO")*

The Group and the Company provide oil bunkering services which consist of the following services:

- Sales of Cargo Oil; and
- Delivery services

Contracts for bunkering services of Cargo Oil comprised of two POs but are not capable of being distinct and separately identifiable. Accordingly, the Group charges the customers based on a single transaction price stated in the contract. The POs are satisfied upon completion of the sales of Cargo Oil and delivery services which are completed simultaneously by way of acknowledgement of customers' bunker delivery note. Payment is generally due within the range of 30 days from the date when the PO is satisfied.

*Timing of recognition*

Revenue is recognised when control over the cargo oil have been transferred to the customer. An enforceable right to payment does not arise until the customers have acknowledged the bunker delivery note. Therefore, revenue is recognised at a point in time when customers have acknowledged the bunker delivery note.

**Inland transportation services**

The Group carries out inland transportation services for delivery and unloading bulk cement as the customer wish to have the cements transported to the recipient's destination. Revenue is recognised upon acknowledgement of the delivery order by the intended recipient of the goods.

*Performance obligation ("PO")*

Contracts for inland transportation services comprised of one PO. Accordingly, the Group charges the customers based on a single transaction price stated in the contract. The PO is satisfied upon completion of the delivery and unloading of cements to the recipient by way of acknowledgement of delivery order note. Payment is generally due within the range of 60 days from the date when the PO is satisfied.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**4. REVENUE (cont'd)**

**Inland transportation services (cont'd)**

*Timing of recognition*

Revenue is recognised when control over the goods delivered has been transferred to the recipient. An enforceable right to payment does not arise until the recipient has acknowledged the delivery order note. Therefore, revenue is recognised at a point in time when the recipient has acknowledged the delivery order note.

**Ship management services**

The performance obligation is satisfied at a point in time and payment is generally due from 30 days upon completion of services rendered and acceptance by customers.

**Management fee**

The performance obligation is satisfied at a point in time and payment is generally due upon completion of services rendered and acceptance by the subsidiaries.

**5. PROFIT/(LOSS) BEFORE TAX**

Profit/(Loss) before tax is stated after charging/(crediting):

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Group auditors' remuneration: | | | | |
| - Statutory audit | 227,488 | 115,050 | 52,000 | 46,000 |
| - Non-audit services | 103,240 | 204,080 | 103,240 | 204,080 |
| Other auditors' remuneration: | | | | |
| - Statutory audit | 27,267 | 23,739 | - | - |
| Allowance for expected credit loss on: | | | | |
| - Amounts due from subsidiaries | - | - | - | 5,856 |
| - Trade receivables | 559,145 | 124,267 | - | - |
| Allowance for impairment loss on investments in subsidiaries | - | - | - | 58,641 |
| Bad debt written off | 2,380 | - | - | - |
| Depreciation of property, plant and equipment | 6,279,316 | 1,022,367 | 159,699 | 74,547 |
| Deposit written off | 804 | - | - | - |
| Employee benefits expense [Note (a)] | 7,267,543 | 2,260,516 | 1,751,029 | 1,464,991 |
| Finance costs: | | | | |
| - Tawarruq working capital financing-i | 2,992,639 | 1,104,917 | - | - |
| - Lease liabilities | 53,553 | 10,855 | 16,263 | 5,903 |
| - Vendor financing | 777,311 | - | - | - |
| (Gain)/Loss on disposal of a subsidiary | - | (701) | (2) | 7,994 |
| Interest income | (22,809) | (25,727) | - | (19,195) |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 5. PROFIT/(LOSS) BEFORE TAX (cont'd)

Profit/(Loss) before tax is stated after charging/(crediting): (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Loss on disposal of property, plant and equipment | 166,969 | - | - | - |
| Property, plant and equipment written off | - | 122,959 | - | 122,959 |
| Short term leases on: | | | | |
| - Rental of premises | 120,305 | 129,300 | 9,000 | 50,500 |
| - Rental of equipment | 48,371 | - | - | - |
| Reversal of allowance for expected credit loss on trade receivables | (240,331) | - | - | - |
| Realised (gain)/loss on foreign exchange | (357,112) | 845,030 | - | 8,535 |
| Unrealised loss/(gain) on foreign exchange | 587,549 | 252,001 | (142) | (39) |
| Waiver of debt granted by other payables | - | (8,327) | - | - |

(a) Employee benefits expense comprises of:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| **Staff costs** | | | | |
| Salaries and allowances | 4,247,056 | 764,028 | 905,462 | 494,310 |
| Bonus | 103,300 | 257,833 | 5,759 | 128,526 |
| Contributions to defined contribution plan | 490,227 | 132,962 | 95,801 | 83,297 |
| Social security contributions | 43,366 | 10,505 | 7,708 | 6,027 |
| Other benefits | 278,766 | 64,193 | 72,570 | 51,603 |
| | 5,162,715 | 1,229,521 | 1,087,300 | 763,763 |
| **Directors' remuneration** | | | | |
| Directors' fee | 427,000 | 216,000 | 145,000 | 150,000 |
| Salaries and allowances | 1,482,254 | 744,200 | 474,700 | 507,200 |
| Bonus | 13,350 | - | - | - |
| Contributions to defined contribution plan | 177,708 | 68,760 | 43,200 | 43,200 |
| Social security contributions | 3,830 | 2,035 | 829 | 828 |
| Other benefits | 686 | - | - | - |
| | 2,104,828 | 1,030,995 | 663,729 | 701,228 |
| Total employee benefits expense | 7,267,543 | 2,260,516 | 1,751,029 | 1,464,991 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
*cont'd*

## 6. INCOME TAX EXPENSE/(CREDIT)

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| **Income tax** | | | | |
| Based on result for the year | 1,567,190 | 732,585 | - | - |
| (Over)/Under provision in prior year | (172,558) | 43,753 | - | - |
| | 1,394,632 | 776,338 | - | - |
| **Deferred tax (Note 12)** | | | | |
| Origination of/(Reversal) temporary differences | 1,082,300 | (1,422,273) | - | - |
| Under/(Over) provision in prior year | 124,828 | (1,325) | - | - |
| | 1,207,128 | (1,423,598) | - | - |
| Tax on share of associate's profit | 399,910 | - | - | - |
| Income tax expense/(credit) for the year | 3,001,670 | (647,260) | - | - |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable result for the year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.

The reconciliation from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense/(credit) is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Profit/(Loss) before tax | 12,426,372 | 4,282,800 | (1,144,854) | (2,465,165) |
| Tax at Malaysian statutory income tax rate of 24% | 2,982,300 | 1,027,900 | (274,800) | (591,600) |
| Effect of different tax rates in other countries | (46,424) | - | - | - |
| Effect of tax under Labuan Business Activity Tax Act, 1990 ("LBATA") of 3% | (8,200) | (336,347) | - | - |
| (Allowable expenses)/Expenses not deductible for tax purposes | (152,686) | 461,059 | 383,400 | 458,900 |
| Utilisation of previously unrecognised deferred tax assets | (125,500) | (1,842,300) | (108,600) | - |
| Deferred tax assets not recognised | - | - | - | 132,700 |
| (Over)/Underprovision of income tax in prior year | (172,558) | 43,753 | - | - |
| Under/(Over) provision of deferred tax in prior year | 124,828 | (1,325) | - | - |
| Share of tax of associate | 399,910 | - | - | - |
| Income tax expense/(credit) for the year | 3,001,670 | (647,260) | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 6. INCOME TAX EXPENSE/(CREDIT) (cont'd)

The Group and the Company have the following estimated unutilised tax losses and unabsorbed capital allowances available for set-off against future taxable profits:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Unutilised tax losses | 14,923,800 | 14,200,000 | 1,647,300 | 1,948,400 |
| Unabsorbed capital allowances | 19,391,800 | 19,854,200 | - | 156,300 |
| | 34,315,600 | 34,054,200 | 1,647,300 | 2,104,700 |

The comparative figures have been restated to reflect the actual unutilised tax losses and unabsorbed capital allowances carry forwards available to the Group and the Company.

The availability of the unutilised tax losses will be subject to Inland Revenue Board discretion and approval to offset against future taxable profits.

Any unutilised tax losses in a year of assessment ("YA") can only be allowed carried forward up to a maximum of 7 consecutive years of assessment effective from YA 2019.

## 7. EARNINGS PER SHARE

Basic earnings per ordinary share for the financial year is calculated by dividing the profit after tax attributable to Owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| Profit after tax attributable to the Owners of the Company (RM) | 7,084,907 | 4,052,305 |
| **Weighted average number of ordinary shares** | | |
| Number of ordinary shares at beginning of the year | 559,127,651 | 367,904,380 |
| Effect of new ordinary shares issued | 74,883,447 | 57,684,259 |
| Weighted average number of ordinary shares at the end of the year | 634,011,098 | 425,588,639 |
| Basic earnings per ordinary share (sen) | 1.12 | 0.95 |

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit after tax attributable to Owners of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| Profit after tax attributable to the Owners of the Company (RM) | 7,084,907 | 4,052,305 |
| **Weighted average number of ordinary shares** | | |
| Issued ordinary shares at end of the year | 634,011,098 | 425,588,639 |
| Effect of dilutive potential ordinary shares (Warrants) | 75,506,783 | 97,700,850 |
| Weighted average number of ordinary shares | 709,517,881 | 523,289,489 |
| Diluted earnings per ordinary share (sen) | 1.00 | 0.77 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 8. PROPERTY, PLANT AND EQUIPMENT

| | Oil Tankers | Dry-docking Expenditures | Shipping Equipment | Machinery | Furniture, Fittings, and Office Equipment | Computers | Renovation | Cement Tankers | Motor Vehicles | Lease of Premises | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **Group** | | | | | | | | | | | |
| **Cost** | | | | | | | | | | | |
| **2019** | | | | | | | | | | | |
| At 1 January, previously stated | 51,813,885 | 4,599,624 | 365,163 | - | 535,044 | 92,963 | 378,785 | - | 1,025,067 | - | 58,810,531 |
| Effect on adoption of MFRS 16 | - | - | - | - | - | - | - | - | - | 931,133 | 931,133 |
| At 1 January, restated | 51,813,885 | 4,599,624 | 365,163 | - | 535,044 | 92,963 | 378,785 | - | 1,025,067 | 931,133 | 59,741,664 |
| Additions | 43,156,218 | 2,813,980 | 19,812 | 51,850 | 206,424 | 94,929 | 184,244 | 6,951,891 | 343,176 | - | 53,822,524 |
| Disposals | - | - | - | - | - | - | - | (285,000) | - | - | (285,000) |
| Written off | - | - | - | - | - | (400) | - | - | - | - | (400) |
| Foreign exchange difference | (820,646) | (8,856) | (75) | - | - | (14) | - | - | (1,162) | (3,453) | (834,206) |
| At 31 December | 94,149,457 | 7,404,748 | 384,900 | 51,850 | 741,468 | 187,478 | 563,029 | 6,666,891 | 1,367,081 | 927,680 | 112,444,582 |
| **Accumulated depreciation** | | | | | | | | | | | |
| At 1 January | 5,638,505 | 1,201,322 | 22,400 | - | 171,427 | 66,192 | 136,604 | - | 380,376 | - | 7,616,826 |
| Charge for the year | 3,709,286 | 1,688,576 | 34,983 | 2,595 | 87,052 | 14,684 | 53,097 | 271,290 | 239,761 | 177,992 | 6,279,316 |
| Disposals | - | - | - | - | - | - | - | (16,031) | - | - | (16,031) |
| Written off | - | - | - | - | - | (400) | - | - | - | - | (400) |
| Foreign exchange difference | (14,365) | (5,192) | (2) | - | - | (5) | - | - | (351) | 317 | (19,598) |
| At 31 December | 9,333,426 | 2,884,706 | 57,381 | 2,595 | 258,479 | 80,471 | 189,701 | 255,259 | 619,786 | 178,309 | 13,860,113 |
| **Net carrying amount** | | | | | | | | | | | |
| At 31 December | 84,816,031 | 4,520,042 | 327,519 | 49,255 | 482,989 | 107,007 | 373,328 | 6,411,632 | 747,295 | 749,371 | 98,584,469 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Oil Tankers | Dry-docking Expenditures | Shipping Equipment | Furniture, Fittings, and Office Equipment | Computers | Renovation | Motor Vehicles | Total |
|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM |
| **Group** | | | | | | | | |
| **Cost** | | | | | | | | |
| **2018** | | | | | | | | |
| At 1 January | 5,707,871 | - | - | 238,828 | 62,122 | 350,948 | - | 6,359,769 |
| Additions | - | 1,230,509 | 108,894 | 190,848 | 12,432 | 29,236 | 355,700 | 1,927,619 |
| Acquisition of a subsidiary (Note 9) | 46,000,000 | 3,369,115 | 256,269 | 139,795 | 62,638 | 165,068 | 669,367 | 50,662,252 |
| Written off | - | - | - | (34,427) | (44,229) | (166,467) | - | (245,123) |
| Foreign exchange difference | 106,014 | - | - | - | - | - | - | 106,014 |
| At 31 December | 51,813,885 | 4,599,624 | 365,163 | 535,044 | 92,963 | 378,785 | 1,025,067 | 58,810,531 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January | 71,349 | - | - | 74,866 | 47,156 | 64,230 | - | 257,601 |
| Charge for the year | 573,777 | 280,811 | 15,849 | 52,869 | 3,031 | 32,360 | 63,670 | 1,022,367 |
| Acquisition of a subsidiary (Note 9) | 4,982,701 | 920,511 | 6,551 | 67,764 | 59,992 | 94,119 | 316,706 | 6,448,344 |
| Written off | - | - | - | (24,072) | (43,987) | (54,105) | - | (122,164) |
| Foreign exchange difference | 10,678 | - | - | - | - | - | - | 10,678 |
| At 31 December | 5,638,505 | 1,201,322 | 22,400 | 171,427 | 66,192 | 136,604 | 380,376 | 7,616,826 |
| **Net carrying amount** | | | | | | | | |
| At 31 December | 46,175,380 | 3,398,302 | 342,763 | 363,617 | 26,771 | 242,181 | 644,691 | 51,193,705 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**8. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

| | Computers | Furniture, Fittings, and Office Equipment | Renovation | Motor Vehicle | Lease of Premises | Total |
|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM |
| **Company** | | | | | | |
| **2019** | | | | | | |
| **Cost** | | | | | | |
| At 1 January, previously stated | 30,325 | 254,020 | 29,235 | 355,700 | - | 669,280 |
| Effect on adoption of MFRS 16 | - | - | - | - | 105,725 | 105,725 |
| At 1 January, previously stated | 30,325 | 254,020 | 29,235 | 355,700 | 105,725 | 775,005 |
| Additions | 9,873 | 204 | - | - | - | 10,077 |
| At 31 December | 40,198 | 254,224 | 29,235 | 355,700 | 105,725 | 785,082 |
| **Accumulated depreciation** | | | | | | |
| At 1 January | 5,698 | 65,110 | 1,461 | 35,570 | - | 107,839 |
| Charge for the year | 3,450 | 36,874 | 2,923 | 71,141 | 45,311 | 159,699 |
| At 31 December | 9,148 | 101,984 | 4,384 | 106,711 | 45,311 | 267,538 |
| **Net carrying amount** | | | | | | |
| At 31 December | 31,050 | 152,240 | 24,851 | 248,989 | 60,414 | 517,544 |
| **2018** | | | | | | |
| **Cost** | | | | | | |
| At 1 January | 62,123 | 112,776 | 166,467 | - | - | 341,366 |
| Additions | 12,431 | 175,671 | 29,235 | 355,700 | - | 573,037 |
| Written off | (44,229) | (34,427) | (166,467) | - | - | (245,123) |
| At 31 December | 30,325 | 254,020 | 29,235 | 355,700 | - | 669,280 |
| **Accumulated depreciation** | | | | | | |
| At 1 January | 47,156 | 62,519 | 45,781 | - | - | 155,456 |
| Charge for the year | 2,529 | 26,663 | 9,785 | 35,570 | - | 74,547 |
| Written off | (43,987) | (24,072) | (54,105) | - | - | (122,164) |
| At 31 December | 5,698 | 65,110 | 1,461 | 35,570 | - | 107,839 |
| **Net carrying amount** | | | | | | |
| At 31 December | 24,627 | 188,910 | 27,774 | 320,130 | - | 561,441 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Acquisition of property, plant and equipment

During the year, the Group and the Company made the following cash payment for purchase of property, plant and equipment:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Total additions | 53,822,524 | 1,927,619 | 10,077 | 573,037 |
| Less: Financed through lease arrangement | (3,159,000) | (291,000) | - | (291,000) |
| Vendor financing | (30,795,032) | - | - | - |
| Cash payment | 19,868,492 | 1,636,619 | 10,077 | 282,037 |

(b) Carrying amounts of property, plant and equipment pledged for banking facility of the Group as disclosed in Note 24 are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Oil tankers | 37,802,160 | 40,872,230 |
| Dry-docking expenditures | 4,168,966 | 2,724,570 |
| Shipping equipment | 325,204 | 344,708 |
| Furniture, fittings and office equipments | 165,345 | 76,632 |
| Computers | 20,669 | 2,148 |
| Renovation | 174,048 | 66,821 |
| | 42,656,392 | 44,087,109 |

(c) The net carrying amount of property, plant and equipment of the Group and of the Company held under finance leases arrangements as at 31 December 2018 were RM644,691 and RM320,130 respectively.

(d) The net carrying amount of right-of-use assets recognised by the Group and the Company are as follows:

| | Group | Company |
|---|---|---|
| | **2019** | **2019** |
| | **RM** | **RM** |
| Motor vehicles | 616,298 | 248,989 |
| Cement tankers | 3,576,182 | - |
| Lease of premises | 749,371 | 60,414 |
| | 4,941,851 | 309,403 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(e) The expenses charged to profit and loss during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Depreciation of right-of-use assets | 468,269 | - | 116,452 | - |
| Interest expense of lease liabilities | 53,553 | 10,855 | 16,263 | 5,903 |
| | 521,822 | 10,855 | 132,715 | 5,903 |

(f) Certain titles of the oil tankers are in the midst of being transferred to the Group or its nominated subsidiaries.

## 9. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2019 | 2018 |
| | RM | RM |
| Unquoted shares at cost: | | |
| 1 January | 38,294,132 | 1,643,132 |
| Addition | 8,546,365 | 36,751,000 |
| Disposal | (500,000) | (100,000) |
| 31 December | 46,340,497 | 38,294,132 |
| Accumulated impairment losses: | | |
| 1 January | 1,390,000 | 1,423,363 |
| Addition | - | 58,641 |
| Disposal | (500,000) | (92,004) |
| 31 December | 890,000 | 1,390,000 |
| Capital contribution to subsidiaries | 31,260,000 | 35,700,000 |
| Net carrying amount | 76,710,497 | 72,604,132 |

The capital contribution to subsidiaries amounting to RM31,260,000 (2018: RM35,700,000) was in relation to advances that are not expected to be repaid in foreseeable future and in substance, represents additional investments into the subsidiaries by the Company.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 9. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of subsidiaries are as follows:

| Name | Country of Incorporation | Principal Activities | Effective equity interest 2019 | Effective equity interest 2018 |
|---|---|---|---|---|
| Quest Equipment & Services Sdn. Bhd. | Malaysia | Dormant. | 100% | 100% |
| Quest Technology Sdn. Bhd. | Malaysia | Provision of oil trading. | 100% | 100% |
| Raya Consumable Sdn. Bhd. | Malaysia | Provision of oil trading. | 100% | 100% |
| Quest System & Engineering Sdn. Bhd. | Malaysia | Dormant. | 100% | 100% |
| Selatan Bunker (M) Sdn. Bhd. ("SBSB") | Malaysia | Provision of oil trading and bunkering services for marine fuel and petroleum based products. | 51% | 51% |
| Straits Alliance Transport Sdn. Bhd. ("SAT") | Malaysia | Inland transportation services. | 70% | 100% |
| Straits Marine Fuels & Energy Sdn. Bhd. ("SMF") | Malaysia | Investment holding. | 77% | 100% |
| Straits Marine Services Pte Ltd ("SMS") ^ | Singapore | Provision of ship management services | 51% | - |
| Tumpuan Megah Development Sdn. Bhd. ("TMD") | Malaysia | Provision of bunkering services for marine fuel and petroleum based products. | 55% | 55% |
| Pan Management Services Ltd (f.k.a. Pan Logistics Ltd) ("PAN") | Malaysia | Provision of management services. | 100% | 100% |
| TMD Straits Ltd ("STR") | Malaysia | Provision of vessel chartering services. | 100% | 100% |
| TMD Sturgeon Ltd ("STU") | Malaysia | Provision of vessel chartering services. | 100% | 100% |
| Straits Alliance Tech Sdn. Bhd. (f.k.a. Envair Energy Sdn. Bhd.) ("SA Tech") | Malaysia | Dormant. | - | 100% |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**9. INVESTMENTS IN SUBSIDIARIES (cont'd)**

Details of subsidiaries are as follows: (cont'd)

**Subsidiaries of TMD**

| Name | Country of Incorporation | Principal Activities | Effective equity interest 2019 | Effective equity interest 2018 |
|---|---|---|---|---|
| Cavalla Asia Ltd | Malaysia | Provision of vessel chartering services. | 100% | 100% |
| Dolphin Asia Ltd | Malaysia | Provision of vessel chartering services. | 100% | 100% |
| Escolar Asia Ltd | Malaysia | Provision of vessel chartering services. | 100% | 100% |
| Phoenix Asia Ltd (f.k.a. Omura Asia Ltd) | Malaysia | Provision of vessel chartering services. | 100% | 100% |
| Oscar Asia Ltd | Malaysia | Provision of vessel chartering services. | 100% | 100% |
| S3 Asia Ltd | Malaysia | Provision of vessel chartering services. | 100% | 100% |
| **Subsidiaries of SMF** | | | | |
| SMF Begonia Ltd | Malaysia | Provision of vessel chartering services. | 100% | - |
| SMF Ixora Ltd | Malaysia | Provision of vessel chartering services. | 100% | - |
| **Subsidiary of SAT** | | | | |
| Straits Alliance Tech Sdn. Bhd. (f.k.a. Envair Energy Sdn. Bhd.) ("SA Tech") | Malaysia | Dormant. | 100% | - |

f.k.a. *denotes "formerly known as"*

^ *Audited by a member firm of Moore Global Network Limited (f.k.a. Moore Stephens International Limited).*

**2019**

Changes in group structure

(i) On 18 February 2019, the Group incorporated SMF Begonia Ltd and SMF Ixora Ltd as indirect subsidiaries under the Labuan Companies Act, 1990 via its wholly-owned subsidiary, SMF with issued share capital of USD100 (approximately RM409) each.

(ii) On 20 February 2019, the Company divested its 30% equity interest in SAT, a wholly-owned subsidiary, to Chai Yiing Jen ("Mr. James Chai") via subscription of 450,000 new ordinary shares in SAT as follows:

- 15,000 new ordinary shares in SAT or RM15,000 by the Company; and
- 435,000 new ordinary shares in SAT or RM435,000 by Mr. James Chai.

The abovementioned share subscription has resulted in the divestment of the Company's equity interest in SAT from 100% to 70%. Pursuant to the said divestment, SAT shall be a 70% subsidiary instead of a wholly-owned subsidiary and this gave rise to additional non-controlling interest ("NCI") of RM435,000 to the Group.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**9. INVESTMENTS IN SUBSIDIARIES (cont'd)**

**2019 (cont'd)**

Changes in group structure (cont'd)

(iii) On 23 April 2019, the Company completed its subscription of 51,000 new shares of SGD1 each representing 51% of the enlarged issued share capital of SMS for a total cash subscription price of RM157,365 and this gave rise to additional NCI of RM151,193 to the Group.

(iv) On 3 May 2019, the Company divested its 33% equity interest in SMF, a wholly-owned subsidiary, to the following parties via subscription of 999,000 new ordinary shares in SMF as follows:

- 669,000 new ordinary shares in SMF or RM669,000 by the Company;
- 260,000 new ordinary shares in SMF or RM260,000 by Banle Energy International Ltd ("Banle"); and
- 70,000 new ordinary shares in SMF or RM70,000 by Raja Ismail Bin Raja Mohamed ("Raja Ismail").

The abovementioned share subscription has resulted in the divestment of the Company's equity interest in SMF from 100% to 67%. Pursuant to the said divestment, SMF shall be a 67% subsidiary of the Company.

As at end of the financial year, SMF received additional RM11,086,439 of share application monies from the following:

- RM7,705,000 share application monies by the Company;
- RM2,740,695 share application monies by Banle; and
- RM640,744 share application monies by Raja Ismail.

The share application monies received by the Company, Banle and Raja Ismail represents monies invested pending allotment of ordinary shares in SMF. As at financial year end, the allotment of shares has yet to be completed.

The divestment and share application monies in SMF gave rise to additional NCI of RM3,711,439 to the Group.

(v) On 12 November 2019, the Group had undergone an internal restructuring involving the transfer of one of its wholly-owned dormant subsidiary of the Company, SA Tech to SAT, which is a 70% owned subsidiary for a cash consideration of RM2. The effect of the internal transfer resulted SA Tech to be a 70% an indirect subsidiary of the Company.

Disposal of subsidiary

| | Company | |
|---|---|---|
| | 2019 | 2018 |
| | RM | RM |
| Total disposal proceeds | 2 | 2 |
| Less: Net cost of investment in a subsidiary | - | (7,996) |
| Gain/(Loss) on disposal of subsidiary | 2 | (7,994) |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 9. INVESTMENTS IN SUBSIDIARIES (cont'd)

**2018**

Changes in group structure

(i) On 30 August 2018, the Company incorporated a wholly-owned subsidiary, SAT with issued and fully paid up share capital consisting of 2 ordinary shares of RM1.00 each for a cash consideration of RM2. Subsequently on 28 November 2018, the issued and paid up share capital of SAT was increased from RM2 to RM1,000,000 by way of issuance of 999,998 new ordinary shares.

(ii) On 29 November 2018, the Company incorporated a wholly-owned subsidiary, SMF with issue share capital consisting of 1,000 ordinary shares of RM1.00 each for a cash consideration of RM1,000.

Acquisition of subsidiary

In the previous financial year, the Company acquired 55% equity interest in TMD, via cash consideration of RM7,800,000 and issuance of 116,458,333 new ordinary shares of RM0.24 each amounting to RM27,950,000, for total purchase consideration of RM35,750,000. The acquisition was completed on 28 September 2018. For accounting purposes, the cut-off was taken on 30 September 2018.

| | As at 30 Sept 2018 RM |
|---|---|
| Property, plant and equipment | 44,213,908 |
| Inventories | 370,545 |
| Trade receivables | 8,775,271 |
| Other receivables | 1,095,606 |
| Cash and bank balances | 3,546,429 |
| Trade payables | (14,992,475) |
| Other payables | (5,492,060) |
| Tawarruq working capital financing-i | (27,580,809) |
| Finance lease liabilities | (373,843) |
| Tax payable | (124,313) |
| Net identifiable assets | 9,438,259 |
| **Net cash flow arising from acquisition of a subsidiary** | |
| Consideration settled in cash | 7,800,000 |
| Less: Cash and cash equivalents of the subsidiary acquired | (3,546,429) |
| Net cash outflow from acquisition of a subsidiary | 4,253,571 |
| **Goodwill arising on acquisition** | |
| Fair value of net identifiable assets | 9,438,259 |
| Attributable to non-controlling interest | (4,247,217) |
| | 5,191,042 |
| Less: Cost of business combination | (35,750,000) |
| Goodwill on consolidation | 30,558,958 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**9. INVESTMENTS IN SUBSIDIARIES (cont'd)**

**2018 (cont'd)**

Disposal of subsidiary

**Group**

In the previous financial year, the Group disposed its 70% equity interest in Youbicom Malaysia Sdn Bhd ("YMSB"), for total cash consideration of RM2.

Effect of disposal on the financial period of the Group:

| | **Group 2018 RM** |
|---|---|
| Sales proceed | 2 |
| Add: Fair value of non-controlling interest | (300) |
| Less: Net asset as at disposed | 999 |
| Gain on disposal | 701 |
| **Net cash flow arising from disposal of a subsidiary** | |
| Cash consideration received | 2 |
| Cash and cash equivalent of the subsidiary disposed | (2,931) |
| Other payables | 3,930 |
| Net cash inflow from disposal of a subsidiary | 1,001 |

The subsidiaries of the Group that have non-controlling interests ("NCI")

| | **NCI percentage of ownership and voting interest** | **Profit/(Loss) allocated to NCI (RM)** |
|---|---|---|
| **2019** | | |
| SAT | 30% | (372,625) |
| SBSB | 49% | 422,965 |
| SMF | 23% | (266,140) |
| SMS | 49% | 288,249 |
| TMD | 45% | 2,267,346 |
| | | 2,339,795 |
| **2018** | | |
| TMD | 45% | 663,734 |
| YMSB | - | (1,837) |
| SBSB | 49% | 215,858 |
| | | 877,755 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 9. INVESTMENTS IN SUBSIDIARIES (cont'd)

The subsidiaries of the Group that have non-controlling interests ("NCI") (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that has material NCI is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | SBSB | TMD | SMF | Total |
|---|---|---|---|---|
| | RM | RM | RM | RM |
| **2019** | | | | |
| **Assets and liabilities** | | | | |
| Non-current assets | 332,765 | 43,062,705 | 42,179,138 | 85,574,608 |
| Current assets | 9,691,478 | 122,021,773 | 1,367,169 | 133,080,420 |
| Non-current liabilities | (77,791) | (404,636) | (22,570,375) | (23,052,802) |
| Current liabilities | (2,047,664) | (126,728,966) | (10,142,956) | (138,919,586) |
| Net assets | 7,898,788 | 37,950,876 | 10,832,976 | 56,682,640 |
| **Results** | | | | |
| Revenue | 31,312,106 | 499,773,203 | 505,605 | 531,590,914 |
| Profit/(Loss) for the year, representing total comprehensive income for the year | 907,448 | 5,038,558 | (1,269,010) | 4,676,996 |
| Cash flows from: | | | | |
| - Operating activities | (186,048) | 8,878,125 | (1,347,397) | 7,344,680 |
| - Investing activities | 4,002,422 | (3,858,521) | (12,365,572) | (12,221,671) |
| - Financing activities | (3,962,521) | (3,142,776) | 14,088,966 | 6,983,669 |
| **2018** | | | | |
| **Assets and liabilities** | | | | |
| Non-current assets | 255,739 | 45,832,763 | - | 46,088,502 |
| Current assets | 20,289,312 | 29,786,124 | - | 50,075,436 |
| Non-current liabilities | - | (261,129) | - | (261,129) |
| Current liabilities | (9,623,711) | (42,444,534) | - | (52,068,245) |
| Net assets | 10,921,340 | 32,913,224 | - | 43,834,564 |
| **Results** | | | | |
| Revenue | 108,292,424 | 47,445,275 | - | 155,737,699 |
| Profit for the year/period, representing total comprehensive income for the year/period | 396,270 | 1,474,965 | - | 1,871,235 |
| Cash flows from: | | | | |
| - Operating activities | 12,679,274 | (19,674,229) | - | (6,994,955) |
| - Investing activities | (4,063,824) | (552,548) | - | (4,616,372) |
| - Financing activities | (8,686,635) | 22,080,463 | - | 13,393,828 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 10. INVESTMENTS IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| **At cost** | | | | |
| **Unquoted shares** | | | | |
| At 1 January | 490 | 490 | 490 | 490 |
| Addition | 15,013,149 | - | 15,013,149 | - |
| At 31 December | 15,013,639 | 490 | 15,013,639 | 490 |
| **Share of post-acquisition reserve** | | | | |
| At 1 January | (490) | (490) | - | - |
| Addition | 2,123,078 | - | - | - |
| At 31 December | 2,122,588 | (490) | - | - |
| **Net carrying amount** | 17,136,227 | - | 15,013,639 | 490 |

The Company had on 22 February 2019 completed the acquisition of 38% equity interest in Banle Energy International Limited ("Banle") for a purchase consideration of RM14,997,840 which was satisfied entirely via issuance and allotment of 63,820,595 new ordinary shares of the Company at the issue price of RM0.235 per share and payment of stamp duty amounting to RM15,309.

Details of the associates are as follows:

| Name of associate | Country of incorporation | Principal activity | Effective equity interest 2019 | Effective equity interest 2018 |
|---|---|---|---|---|
| Fajar Maritime And Logistics Sdn. Bhd. ("FML") | Malaysia | The company has not commenced operations. | 49% | 49% |
| Banle Energy International Ltd ("Banle") | Hong Kong | Provision of bunkering services for marine fuel and petroleum based products. | 38% | - |

The summarised financial information of the associates are as follows:

| | Banle | FML | |
|---|---|---|---|
| | **2019** | **2019** | **2018** |
| | **RM** | **RM** | **RM** |
| **As at 31 December** | | | |
| **Assets and liabilities** | | | |
| Non-current assets | 3,615,185 | - | - |
| Current assets | 87,133,970 | 1,710 | 1,779 |
| Current liabilities | (80,670,160) | (21,827) | (15,305) |
| Non-current liabilities | (47,273) | - | - |
| Net assets/(liabilities) | 10,031,722 | (20,117) | (13,526) |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

## 10. INVESTMENTS IN ASSOCIATES (cont'd)

The summarised financial information of the associates are as follows: (cont'd)

| | 22.2.2019 to 31.12.2019 RM | 1.1.2019 to 31.12.2019 RM | 1.1.2018 to 31.12.2018 RM |
|---|---|---|---|
| **For the financial year ended 31 December** | | | |
| **Results** | | | |
| Revenue | 723,525,563 | - | - |
| Total comprehensive income for the year | 5,587,041 | (6,591) | (6,580) |

The reconciliation of the associates' net assets to the carrying amount of the investments in associates are as follows:

| | Group 2019 RM |
|---|---|
| **Reconciliation of net assets to carrying amount at end of the financial year** | |
| Group's share of net assets | 3,812,056 |
| Goodwill | 13,324,171 |
| Carrying amount in the statements of financial position | 17,136,227 |
| **Group's share of results for the financial year ended 31 December** | |
| Profit for the financial year, representing total comprehensive income for the year | 2,123,078 |

## 11. GOODWILL

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| **Gross amount** | | |
| At 1 January | 30,558,958 | - |
| Addition | - | 30,558,958 |
| At 31 December | 30,558,958 | 30,558,958 |
| **Accumulated impairment loss** | | |
| At 1 January / 31 December | - | - |
| **Net amount** | 30,558,958 | 30,558,958 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**11. GOODWILL (cont'd)**

*Impairment testing for cash-generating units ("CGU") containing goodwill*

Goodwill has been allocated to the Group's CGU identified according to subsidiary as follow:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| TMD | 30,558,958 | 30,558,958 |

For the purpose of impairment testing, goodwill is allocated to the Group's CGU which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Management has assessed the recoverable amount of goodwill based on value-in-use calculations determined by discounting future cash flows generated from the continuing use of the CGUs projected based on the financial budget for 2020 and projected revenue growth covering a period of 5 years.

The key assumptions used in the determination of recoverable amount are as follows:

(i) Budgeted gross margin

The budgeted gross margin ranges from 5.48% to 6.68% (2018: 7.36% to 7.87%). Gross margins are based on values achieved previously preceding the start of the budget period. These are increased over the budget for anticipated efficiency improvements.

(ii) Annual average growth rate

The annual average growth rate for business operation ranges from 5% to 19% (2018: 0.2% to 16%). Pre-tax cash flows projections based on the most recent financial budgets approved by the management covering a 5 years period based on the growth rate.

(iii) Pre-tax discount rate

A pre-tax discount rate of 10% (2018: 10%) was applied to the calculations in determining the recoverable amount of the CGUs. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Management believes that while cash flow projections are subject to inherent uncertainty, any reasonably possible changes to the key assumptions utilised in assessing recoverable amounts have been considered in determining the recoverable amount of the cash-generating unit. Based on the sensitivity analysis performed, management concluded that no reasonably possible change in any of the above key assumptions would cause the recoverable amounts of the units to be materially below their carrying amounts.

**12. DEFERRED TAX (ASSETS)/LIABILITIES**

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| At 1 January | (1,421,094) | 2,504 | - | - |
| Recognised in profit or loss (Note 6) | 1,207,128 | (1,423,598) | - | - |
| At 31 December | (213,966) | (1,421,094) | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**12. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)**

Presented after appropriate set-off as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Deferred tax assets | (7,922,669) | (7,745,798) | (18,139) | (18,533) |
| Deferred tax liabilities | 7,708,703 | 6,324,704 | 18,139 | 18,533 |
| | (213,966) | (1,421,094) | - | - |

The components of deferred tax (assets)/liabilities during the year prior to offsetting are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| **Deferred tax assets** | | | | |
| Unutilised tax losses | (2,988,696) | (2,893,916) | (17,434) | - |
| Unabsorbed capital allowances | (4,642,596) | (4,729,463) | - | (17,715) |
| Other deductible temporary differences | (291,377) | (122,419) | (705) | (818) |
| | (7,922,669) | (7,745,798) | (18,139) | (18,533) |
| **Deferred tax liabilities** | | | | |
| Differences between the carrying amounts of property, plant and equipment and their tax bases | 7,708,703 | 6,324,704 | 18,139 | 18,533 |
| | (213,966) | (1,421,094) | - | - |

The estimated differences for which no deferred tax assets have been recognised in the financial statements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Unutilised tax losses | 2,470,900 | 2,728,900 | 1,574,700 | 1,871,000 |
| Unabsorbed capital allowances | 47,600 | 203,900 | - | 156,300 |
| Other deductible temporary differences | 273,600 | 382,500 | - | - |
| | 2,792,100 | 3,315,300 | 1,574,700 | 2,027,300 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 13. INVENTORIES

| | Group 2019 RM | Group 2018 RM |
|---|---|---|
| **At cost:** | | |
| Bunkering marine oil | 31,622,414 | 6,235,841 |
| Spare parts | 240,147 | - |
| | 31,862,561 | 6,235,841 |
| Inventories recognised in cost of sales | 478,907,899 | 239,926,888 |

## 14. TRADE RECEIVABLES

| | Group 2019 RM | Group 2018 RM |
|---|---|---|
| Gross amounts | 60,625,119 | 41,538,564 |
| Less: Allowance for expected credit loss | | |
| At 1 January | (947,723) | (119,712) |
| Effect of adoption of MFRS 9 | - | (330,923) |
| Acquisition of a subsidiary | - | (372,821) |
| Additions | (559,145) | (124,267) |
| Written off | 13,284 | - |
| Reversal | 240,331 | - |
| At 31 December | (1,253,253) | (947,723) |
| Net carrying amount | 59,371,866 | 40,590,841 |

The Group's normal trade credit term is 30 days (2018: 30 days). Other credit terms are assessed and approved on a case-by-case basis.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 15. OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Other receivables | 40,712,337 | 10,177,151 | 125,920 | 131,104 |
| Less: Allowance for expected credit losses | (12,756) | (12,756) | - | - |
| | 40,699,581 | 10,164,395 | 125,920 | 131,104 |
| Deposits | 6,280,418 | 521,456 | 20,021 | 16,640 |
| Prepayments | 1,843,139 | 737,986 | 13,519 | 358,128 |
| | 48,823,138 | 11,423,837 | 159,460 | 505,872 |

Included in other receivables of the Group is an amount of RM38,305,670 (2018: RM8,002,730) being advance payment to suppliers for purchase of cargo oil.

Included in deposits of the Group and of the Company is an amount of RM5,120,000 (2018: Nil) being deposits paid for bank guarantees extended to third party supplier.

## 16. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2019 | 2018 |
| | RM | RM |
| Amounts due from subsidiaries | | |
| Gross amount | 19,539,512 | 7,895,731 |
| Less: Allowance for expected credit losses | | |
| At 1 January | (5,856) | - |
| Addition | - | (5,856) |
| At 31 December | (5,856) | (5,856) |
| Carrying value | 19,533,656 | 7,889,875 |
| Amount due to a subsidiary | (12,980,063) | - |

These amounts are non-trade in nature, unsecured, interest free and are repayable on demand.

## 17. AMOUNTS DUE FROM/(TO) ASSOCIATES

These amounts are non-trade in nature, unsecured, interest free and are repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

## 18. SHARE CAPITAL

| | Group and Company Number of shares | | Group and Company Amount | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Units | Units | RM | RM |
| **Ordinary shares** | | | | |
| **Issued and fully paid:** | | | | |
| At 1 January | 559,127,651 | 367,904,380 | 86,286,865 | 41,109,619 |
| Issued during the year | 63,820,595 | 188,248,771 | 14,997,840 | 44,829,705 |
| Share issuance expenses | - | - | (431) | (277) |
| Exercise of warrants | 27,660,000 | 2,974,500 | 3,180,900 | 342,068 |
| | 650,608,246 | 559,127,651 | 104,465,174 | 86,281,115 |
| Warrants conversion monies | 50,000 | - | - | 5,750 |
| At 31 December | 650,658,246 | 559,127,651 | 104,465,174 | 86,286,865 |

On 22 February 2019, the issued and paid-up share capital of the Company was increased from RM86,286,865 to RM101,284,705 by way of issuance of 63,820,595 new ordinary shares at RM0.235 each for the acquisition of 38% equity interest in Banle.

Share issuance expenses of RM431 (2018: RM277) was written off against share capital which was transferred to share capital in accordance with the transitional provision under Section 618(3)(b)(ii) of the Companies Act, 2016.

Warrants conversion monies amounting to Nil (2018: RM5,750) (50,000 Warrants at an exercise price of RM0.115 per Warrant) relates to cash received towards the prior financial year end for conversion of Warrants. The allotment of the ordinary shares was completed subsequently during the current financial year.

During the financial year, 27,710,000 (2018: 3,024,500) of Warrants 2017/2022 ("Warrants") were exercised at an exercise price of RM0.115 per Warrant.

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

## 19. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| **Non-distributable:** | | | | |
| Warrant reserve [Note(a)] | 17,625,762 | 20,806,662 | 17,625,762 | 20,806,662 |
| Other reserve [Note(b)] | (17,625,762) | (20,806,662) | (17,625,762) | (20,806,662) |
| Foreign currency translation reserve [Note(c)] | (135,517) | (108,489) | - | - |
| | (135,517) | (108,489) | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**19. RESERVES (cont'd)**

(a) Warrant reserve

On 16 August 2017, the Company issued a Renounceable Rights Issue of 183,952,000 new ordinary shares at RM0.115 each in the Company on the basis of 1 Rights Share for every 1 existing share of the Company together with 183,952,000 free detachable Warrants on the basis of 1 Warrant for every 1 Rights Share held in the Company at a fair value of RM0.115 per Warrant.

During the financial year, 27,660,000 (2018: 3,024,500) of Warrants were exercised at an exercise price of RM0.115 per Warrant. The movement of the warrant reserve is as follows:

| | Group and Company | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| At 1 January | 20,806,662 | 21,154,480 |
| Exercised | (3,180,900) | (347,818) |
| At 31 December | 17,625,762 | 20,806,662 |

As at 31 December 2019, the total numbers of Warrants that remain unexercised were 153,267,500 (2018: 180,927,500).

(b) Other reserve

Other reserve represents the discount on issuance of shares and the value of which is represented by the fair value of the warrants. The other reserve, in substance, form part of the issued and paid-up share capital and is presented separately for better understanding.

(c) Foreign currency translation reserve

The foreign exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

**20. FINANCE LEASE LIABILITIES**

| | **Group** | **Company** |
|---|---|---|
| | **RM** | **RM** |
| **2018** | | |
| **Minimum finance lease payments:** | | |
| Within 1 year | 171,840 | 65,652 |
| More than 1 year and less than 2 years | 159,276 | 65,652 |
| More than 2 years and less than 5 years | 355,175 | 169,589 |
| | 686,291 | 300,893 |
| Less: Future finance charges | (64,495) | (31,345) |
| Present value of finance lease payables | 621,796 | 269,548 |
| **Present value of finance lease payables:** | | |
| Within 1 year | 144,681 | 53,562 |
| More than 1 year and less than 2 years | 139,456 | 56,493 |
| More than 2 years and less than 5 years | 337,659 | 159,493 |
| | 621,796 | 269,548 |

## NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

### 20. FINANCE LEASE LIABILITIES (cont'd)

| | Group RM | Company RM |
|---|---|---|
| **Representing:** | | |
| Current | 144,681 | 53,562 |
| Non-current | 477,115 | 215,986 |
| | 621,796 | 269,548 |

Interest rate per annum of the Group and of the Company are as follows:

| | Group % | Company % |
|---|---|---|
| **2018** | | |
| Finance lease liabilities | 2.36 - 2.87 | 2.56 |

### 21. LEASE LIABILITIES

| | Lease of Premises RM | Motor Vehicles RM | Total RM |
|---|---|---|---|
| **2019** | | | |
| **Group** | | | |
| **Minimum lease payments:** | | | |
| Within 1 year | 340,950 | 989,136 | 1,330,086 |
| More than 1 year and less than 2 years | 345,950 | 985,044 | 1,330,994 |
| More than 2 years and less than 5 years | 113,774 | 2,109,915 | 2,223,689 |
| | 800,674 | 4,084,095 | 4,884,769 |
| Less: Future finance charges | (42,696) | (473,909) | (516,605) |
| Present value of lease payables | 757,978 | 3,610,186 | 4,368,164 |
| **Present value of lease liabilities payables:** | | | |
| Within 1 year | 313,762 | 800,028 | 1,113,790 |
| More than 1 year and less than 2 years | 331,839 | 847,119 | 1,178,958 |
| More than 2 years and less than 5 years | 112,377 | 1,963,039 | 2,075,416 |
| | 757,978 | 3,610,186 | 4,368,164 |
| **Representing:** | | | |
| Current | 313,762 | 800,028 | 1,113,790 |
| Non-current | 444,216 | 2,810,158 | 3,254,374 |
| | 757,978 | 3,610,186 | 4,368,164 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**21. LEASE LIABILITIES (cont'd)**

| | Lease of Premises RM | Motor Vehicle RM | Total RM |
|---|---|---|---|
| **2019** | | | |
| **Company** | | | |
| **Minimum lease payments:** | | | |
| Within 1 year | 48,000 | 65,652 | 113,652 |
| More than 1 year and less than 2 years | 16,000 | 65,652 | 81,652 |
| More than 2 years and less than 5 years | - | 103,937 | 103,937 |
| | 64,000 | 235,241 | 299,241 |
| Less: Future finance charges | (2,102) | (19,255) | (21,357) |
| Present value of lease payables | 61,898 | 215,986 | 277,884 |
| **Present value of lease liabilities payables:** | | | |
| Within 1 year | 46,053 | 56,493 | 102,546 |
| More than 1 year and less than 2 years | 15,845 | 59,424 | 75,269 |
| More than 2 years and less than 5 years | - | 100,069 | 100,069 |
| | 61,898 | 215,986 | 277,884 |
| **Representing:** | | | |
| Current | 46,053 | 56,493 | 102,546 |
| Non-current | 15,845 | 159,493 | 175,338 |
| | 61,898 | 215,986 | 277,884 |

Interest rate per annum at the reporting date for the lease liabilities are as follows:

| | Group % | Company % |
|---|---|---|
| **2019** | | |
| Lease liabilities | 2.32 - 4.25 | 2.56 |

**22. TRADE PAYABLES**

The normal trade credit terms granted to the Group are range from cash in advance to 30 days (2018: 30 days). Other credit terms are assessed and approved on a case by-case basis.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

## 23. OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| **Non-current** | | | | |
| Vendor-financing liabilities (Note a) | 22,570,375 | - | - | - |
| **Current** | | | | |
| Other payables | 10,354,727 | 5,322,430 | 233,369 | 382,968 |
| Accruals | 23,585,445 | 2,334,231 | 546,870 | 650,694 |
| Vendor financing liabilities (Note a) | 4,535,136 | - | - | - |
| | 38,475,308 | 7,656,661 | 780,239 | 1,033,662 |

Included in other payables of the Group is an amount of RM1,211,962 (2018: Nil) due to a related party of which certain Director of a subsidiary has substantial financial interest.

**Note a**

The Group has entered into Memorandum of Agreement ("MOA") with third parties (hereinafter "Vendor") for financing arrangement for the purchase of oil tankers (SMF Begonia and SMF Ixora). The salient terms of the agreements are as follows:

SMF Begonia:

(i) The first component is a sum of USD900,000 (hereinafter "First Component"). The First Component was paid by the Group to the Vendor on the date of the signing of MOA;

(ii) For the second component (hereinafter "Second Component"), the Group shall pay the Vendor a sum of USD60,000 per month of the 28th day of each month beginning from the first to the 60th calendar months after the date of the signing of MOA. The first instalment was due on 29 July 2019; and

(iii) For the third component (hereinafter "Third Component"), the Group shall pay the Vendor a final lump sum of USD800,000 on the 1st day of 61st calendar month after the date of the signing of MOA.

SMF Ixora:

(i) The first component is a sum of USD1,300,000 (hereinafter "First Component"). The First Component was paid by the Group to the Vendor on 16th September 2019;

(ii) For the second component (hereinafter "Second Component"), the Group shall pay the Vendor a sum of USD600,000 in three separate payments. USD200,000 each on the 16th day of 1st, 2nd and 3rd calendar month after the date of the signing of MOA on 12 September 2019. These payments were due on 16 October 2019, 16 November 2019 and 16 December 2019 respectively; and

(iii) For the third component (hereinafter "Third Component"), the Group shall pay the Vendor a sum of USD64,920 per month on the 16th day of each month beginning from the fourth to the 59th calendar months after the date of the signing of MOA. The first instalment is due on 16 January 2020.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

## 23. OTHER PAYABLES (cont'd)

| | SMF Begonia RM | SMF Ixora RM | Total RM |
|---|---|---|---|
| **2019** | | | |
| **Minimum payments:** | | | |
| Within 1 year | 3,192,150 | 3,174,278 | 6,366,428 |
| More than 1 year and less than 2 years | 2,946,600 | 3,188,221 | 6,134,821 |
| More than 2 years and less than 5 years | 10,640,500 | 8,765,808 | 19,406,308 |
| | 16,779,250 | 15,128,307 | 31,907,557 |
| Less: Future finance charges | (1,992,578) | (2,809,468) | (4,802,046) |
| Present value of vendor financing payables | 14,786,672 | 12,318,839 | 27,105,511 |
| **Present value of vendor financing payables:** | | | |
| Within 1 year | 2,411,221 | 2,123,915 | 4,535,136 |
| More than 1 year and less than 2 years | 2,358,890 | 2,382,603 | 4,741,493 |
| More than 2 years and less than 5 years | 10,016,561 | 7,812,321 | 17,828,882 |
| | 14,786,672 | 12,318,839 | 27,105,511 |
| **Representing:** | | | |
| Current | 2,411,221 | 2,123,915 | 4,535,136 |
| Non-current | 12,375,451 | 10,194,924 | 22,570,375 |
| | 14,786,672 | 12,318,839 | 27,105,511 |

The effective interest rate per annum on the above vendor financing arrangements for SMF Begonia and SMF Ixora are 5.24% and 7.93% respectively.

## 24. TAWARRUQ WORKING CAPITAL FINANCING-I

This facility bears interest at rate of 8.25% (2018: 8.50%) per annum and is secured by the following:

- Registered legal charge by way of debenture over all the present and future assets, rights, interests and undertakings of the subsidiary;
- Joint and several guarantees by one of the Directors of the Company and external parties; and
- Corporate guarantee by the Company.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 25. RELATED PARTY DISCLOSURES

(a) Identity of related parties

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

The Group and the Company have related party relationships with its subsidiaries, associate and key management personnel. Related parties refer to companies in which certain Directors of the Company have substantial financial interests and/or are also Directors of the companies.

(b) Related party transactions

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Group** | | |
| **Transaction with associates** | | |
| Advance from/(to) | 14,395 | (6,010) |
| **Transaction with related parties** | | |
| Shipping agency services | 218,696 | - |
| Acquisition of cement tankers | 2,100,000 | - |
| Security services | 109,803 | - |
| **Company** | | |
| **Transaction with associates** | | |
| Advance from/(to) | 14,395 | (6,010) |
| **Transaction with subsidiaries** | | |
| Management fees | (2,684,179) | (1,416,921) |
| Repayment from | 4,020,599 | 8,242,523 |

Information regarding outstanding balances arising from related party transaction as at reporting date are disclosed in Notes 16, 17 and 23 respectively.

(c) Compensation of key management personnel

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

Remuneration paid by the Group and the Company to key management personnel during the financial year has been disclosed in Note 5(a).

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 26. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance.

For management purposes, the Group is organised into business units based on their products and services provided.

The following are the Group's main business segments:

| | |
|---|---|
| Investment holding | Investment in shares and provision of management services. |
| Oil trading and bunkering services | International supply of petroleum products and provision of marine bunkering and related services to vessels. |
| Ship management services | Provision of ship management and related services to ship owner/operator. |
| Chartering services | Chartering of vessels. |
| Inland transportation services | Transportation of cement and related products. |
| Others | Dormant subsidiaries. |

## 26. OPERATING SEGMENTS (cont'd)

| | Investment holding | Oil trading and bunkering services | Ship management services | Chartering services | Inland transportation services | Others | Total | Adjustments & Eliminations | Group |
|---|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **2019** | | | | | | | | | |
| **Profit or loss** | | | | | | | | | |
| Revenue from external customers | - | 659,374,399 | 4,090 | - | 3,809,076 | - | 663,187,565 | - | 663,187,565 |
| Inter-segment revenue | 2,684,179 | - | 2,047,312 | 1,928,493 | - | - | 6,659,984 | (6,659,984) | - |
| Total revenue | 2,684,179 | 659,374,399 | 2,051,402 | 1,928,493 | 3,809,076 | - | 669,847,549 | (6,659,984) | 663,187,565 |
| Allowance for expected credit losses on trade receivables | - | (534,933) | - | - | (24,212) | - | (559,145) | - | (559,145) |
| Reversal of allowance for expected credit losses on trade receivables | - | 240,331 | - | - | - | - | 240,331 | - | 240,331 |
| Bad debt written off | - | (2,380) | - | - | - | - | (2,380) | - | (2,380) |
| Depreciation of property, plant and equipment | (159,699) | (4,741,111) | (116,269) | (978,542) | (283,695) | - | (6,279,316) | - | (6,279,316) |
| Deposit written off | - | (804) | - | - | - | - | (804) | - | (804) |
| Interest expense | (16,264) | (3,017,261) | (12,667) | (777,311) | - | - | (3,823,503) | - | (3,823,503) |
| Interest income | - | 21,410 | 69 | 199 | 1,131 | - | 22,809 | - | 22,809 |
| Inter-segment expense | (389) | (6,436,916) | - | (115,092) | (60,000) | - | (6,612,397) | 6,612,397 | - |
| Loss on disposal of property, plant and equipment | - | - | - | - | (166,969) | - | (166,969) | - | (166,969) |
| Gain on disposal of subsidiary | 2 | - | - | - | - | - | 2 | (2) | - |
| Balance carried forward | 2,507,829 | 644,902,735 | 1,922,535 | 57,747 | 3,275,331 | - | 652,666,177 | (47,589) | 652,618,588 |

## NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*



**26. OPERATING SEGMENTS (cont'd)**

| | Investment holding | Oil trading and bunkering services | Ship management services | Chartering services | Inland transportation services | Others | Total | Adjustments & Eliminations | Group |
|---|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **2019** | | | | | | | | | |
| **Profit or loss (cont'd)** | | | | | | | | | |
| Balance brought forward | 2,507,829 | 644,902,735 | 1,922,535 | 57,747 | 3,275,331 | - | 652,666,177 | (47,589) | 652,618,588 |
| Realised gain/(loss) on foreign exchange | - | 428,022 | - | (60,652) | - | - | 367,370 | (10,258) | 357,112 |
| Unrealised gain/(loss) on foreign exchange | 142 | (502,128) | 20,624 | (299,003) | - | - | (780,365) | 192,816 | (587,549) |
| Other segment expenses | (3,652,825) | (631,817,587) | (1,279,959) | (933,048) | (4,758,046) | (59,120) | (642,500,585) | 15,818 | (642,484,767) |
| Share of results of an associate | - | - | - | - | - | - | - | 2,522,988 | 2,522,988 |
| Income tax expense | - | (2,841,075) | (74,939) | (6,321) | 306,600 | - | (2,615,735) | (385,935) | (3,001,670) |
| (Loss)/Profit for the year | (1,144,854) | 10,169,967 | 588,261 | (1,241,277) | (1,176,115) | (59,120) | 7,136,862 | 2,287,840 | 9,424,702 |
| **2019** | | | | | | | | | |
| **Segment assets** | | | | | | | | | |
| Investments in associates | 15,013,639 | - | - | - | - | - | 15,013,639 | 2,122,588 | 17,136,227 |
| Other segment assets | 97,173,499 | 192,281,167 | 3,992,043 | 49,709,427 | 9,317,285 | 5,658 | 352,479,079 | (74,781,956) | 277,697,123 |
| Total assets | 112,187,138 | 192,281,167 | 3,992,043 | 49,709,427 | 9,317,285 | 5,658 | 367,492,718 | (72,659,368) | 294,833,350 |
| **Segment liabilities** | 14,056,308 | 153,846,744 | 3,098,115 | 33,775,316 | 9,047,951 | 150,442 | 213,974,876 | (41,886,941) | 172,087,935 |
| **2019** | | | | | | | | | |
| **Other information** | | | | | | | | | |
| Additions to non-current assets excluding deferred tax assets and financial assets | 10,077 | 3,286,966 | 103,726 | 82,599 | 50,339,156 | - | 53,822,524 | - | 53,822,524 |
| Deferred tax (liabilities)/ assets recognised | - | (92,634) | - | - | 306,600 | - | 213,966 | - | 213,966 |

## 26. OPERATING SEGMENTS (cont'd)

| | Investment holding | Oil trading and bunkering services | Chartering services | Others | Total | Adjustments & Eliminations | Group |
|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM |
| **2018** | | | | | | | |
| **Profit or loss** | | | | | | | |
| Revenue from external customers | - | 255,791,844 | - | - | 255,791,844 | - | 255,791,844 |
| Inter-segment revenue | 1,416,921 | - | 2,421,525 | - | 3,838,446 | (3,838,446) | - |
| Total revenue | 1,416,921 | 255,791,844 | 2,421,525 | - | 259,630,290 | (3,838,446) | 255,791,844 |
| Allowance for impairment loss on investments in subsidiaries | (58,641) | - | - | - | (58,641) | 58,641 | - |
| Allowance for expected credit losses on: | | | | | | | |
| - Amount due from a subsidiary | (5,856) | - | - | - | (5,856) | 5,856 | - |
| - Amounts due from related companies | - | (95,865) | - | - | (95,865) | 95,865 | - |
| - Trade receivables | - | (124,267) | - | - | (124,267) | - | (124,267) |
| Depreciation of property, plant and equipment | (74,547) | (396,071) | (551,749) | - | (1,022,367) | - | (1,022,367) |
| Interest expense | (5,903) | (1,109,869) | - | - | (1,115,772) | - | (1,115,772) |
| Interest income | 19,195 | 6,354 | 178 | - | 25,727 | - | 25,727 |
| Inter-segment expense | - | (3,811,805) | (26,641) | - | (3,838,446) | 3,838,446 | - |
| (Loss)/Gain on disposal of a subsidiary | (7,994) | - | - | - | (7,994) | 8,695 | 701 |
| Property, plant and equipment written off | (122,959) | - | - | - | (122,959) | - | (122,959) |
| Balance carried forward | 1,160,216 | 250,260,321 | 1,843,313 | - | 253,263,850 | 169,057 | 253,432,907 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 26. OPERATING SEGMENTS (cont'd)

| | Investment holding RM | Oil trading and bunkering services RM | Chartering services RM | Others RM | Total RM | Adjustments & Eliminations RM | Group RM |
|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | |
| **Profit or loss (cont'd)** | | | | | | | |
| Balance brought forward | 1,160,216 | 250,260,321 | 1,843,313 | - | 253,263,850 | 169,057 | 253,432,907 |
| Realised loss on foreign exchange | (8,535) | (849,021) | 12,526 | - | (845,030) | - | (845,030) |
| Unrealised gain/(loss) on foreign exchange | 39 | (278,478) | 25,061 | - | (253,378) | 1,377 | (252,001) |
| Waiver of debt granted by holding company | - | - | - | 6,056 | 6,056 | (6,056) | - |
| Waiver of debt granted by other payables | - | 8,327 | - | - | 8,327 | - | 8,327 |
| Other segment expenses | (3,616,885) | (244,173,340) | (279,349) | (44,296) | (248,113,870) | 52,467 | (248,061,403) |
| Income tax expense | - | 709,289 | (48,053) | - | 661,236 | (13,976) | 647,260 |
| (Loss)/Profit for the year | (2,465,165) | 5,677,098 | 1,553,498 | (38,240) | 4,727,191 | 202,869 | 4,930,060 |
| **2018** | | | | | | | |
| **Segment assets** | | | | | | | |
| Investment in associates | 490 | - | - | - | 490 | (490) | - |
| Other segment assets | 82,400,630 | 119,689,286 | 6,589,251 | 1,033,236 | 209,712,403 | (61,741,032) | 147,971,371 |
| Total assets | 82,401,120 | 119,689,286 | 6,589,251 | 1,033,236 | 209,712,893 | (61,741,522) | 147,971,371 |
| **Segment liabilities** | 1,303,745 | 74,529,507 | 963,198 | 127,488 | 76,923,938 | (19,824,367) | 57,099,571 |
| **2018** | | | | | | | |
| **Other information** | | | | | | | |
| Additions to non-current asset excluding deferred tax assets and financial assets | 573,037 | 557,805 | 796,777 | - | 1,927,619 | - | 1,927,619 |
| Additions to non-current asset arising from acquisition of a subsidiary | - | 50,662,252 | - | - | 50,662,252 | - | 50,662,252 |
| Deferred tax assets recognised | - | 1,421,094 | - | - | 1,421,094 | - | 1,421,094 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

**26. OPERATING SEGMENTS (cont'd)**

(a) Reconciliation of elimination entries for segment assets and liabilities:

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Segment assets** | 367,492,718 | 209,712,893 |
| *Elimination entries:* | | |
| Goodwill | 30,558,958 | 30,558,958 |
| Property, plant and equipment | (12,026) | (12,026) |
| Investments in subsidiaries | (76,710,497) | (72,604,132) |
| Investments in associates | 2,122,588 | (490) |
| Inventories | - | 58,233 |
| Trade receivables | (496,748) | - |
| Cash and bank balances | - | (2,931) |
| Amount due from holding company | (9,981) | (2,365,100) |
| Amounts due from subsidiaries | (19,533,656) | (7,889,875) |
| Amounts due from related companies | (8,578,006) | (9,484,159) |
| **Total assets** | 294,833,350 | 147,971,371 |
| **Segment liabilities** | 213,974,876 | 76,923,938 |
| *Elimination entries:* | | |
| Trade payables | - | 5,800 |
| Other payables | (95,665) | (3,930) |
| Tax payable | - | 13,976 |
| Amount due to holding company | (19,603,653) | (10,247,410) |
| Amounts due to related companies | (9,207,560) | (9,592,803) |
| Amounts due to subsidiaries | (12,980,063) | - |
| Total liabilities | 172,087,935 | 57,099,571 |

**Geographical segments**

The Group's operations are located in Malaysia and Singapore. However, revenue generated from Singapore operation as at financial year ended was less than 1% of the Groups' total revenue and therefore, information on geographical segment is not presented.

**Major customers**

The following are major customers with revenue equal or more than 10% of Group's total revenue.

| | External revenue | | |
|---|---|---|---|
| | **2019**<br>**RM** | **2018**<br>**RM** | **Segment** |
| Customer A | 277,072,340 | 171,303,039 | Oil trading and bunkering services |
| Customer B | 45,250,758 | 15,683,430 | Oil trading and bunkering services |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

## 27. FINANCIAL INSTRUMENTS

**Categories of Financial Instruments**

The Group's and the Company's financial assets and financial liabilities are all categorised as amortised costs.

**Financial Risk Management Objectives and Policies**

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

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

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

**(i) Credit risk**

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries. There are no significant changes as compared to prior periods.

***Trade receivables***

<u>Risk management objectives, policies and processes for managing the risk</u>

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's associations to business partners with good credit rating.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired receivables and contract assets are written off (either partially of full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off.

Nevertheless, receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to the previous year.

<u>Exposure to credit risk, credit quality and collateral</u>

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**27. FINANCIAL INSTRUMENTS (cont'd)**

**Financial Risk Management Objectives and Policies (cont'd)**

**(i) Credit risk (cont'd)**

***Trade receivables*** **(cont'd)**

Concentration of credit risk

The Group determines concentration of credit risk by monitoring the profiles of their receivables on an ongoing basis.

As at the reporting date, the Group has significant concentration of credit risk arising from the amounts owing from 3 customers (2018: 4 customers) constituting 77% (2018: 78%) of net trade receivables of the Group.

Recognition and measurement of impairment loss

The Group applies the MFRS 9 simplified approach to measuring Expected Credit Losses ("ECL") which uses a lifetime expected loss allowance for trade receivables.

The Group assesses impairment of trade receivables on individual and collective basis.

For individual assessment, it is due to the number of debtors is minimal and these debtors can be individually managed by the Group in an effective and efficient manner. The Group has reasonable and supportable information available to assess the impairment individually. All these customers have low risk of default.

For collective assessment, the Group uses an allowance matrix to measure ECL of collective assessed receivables as they are grouped based on shared credit risk characteristics, the days past due and similar types of contracts which have similar risk characteristics. Consistent with the debt recovery process, invoices which are past due more than 180 days as applicable to the relevant Group's entities will be considered as credit impaired.

Loss rates under collective assessment are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 180 days past due date of invoice. Loss rates are based on actual credit loss experienced over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
*cont'd*

## 27. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies (cont'd)**

**(i) Credit risk (cont'd)**

***Trade receivables*** **(cont'd)**

Recognition and measurement of impairment loss (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date which are grouped together as they are expected to have similar risk nature.

| | Gross RM | Loss Allowances RM | Net RM |
|---|---|---|---|
| **Group** | | | |
| **2019** | | | |
| Not past due | 28,072,770 | (83,909) | 27,988,861 |
| Past due: | | | |
| 1 to 30 days | 15,642,004 | (75,767) | 15,566,237 |
| 31 to 60 days | 9,740,762 | (75,358) | 9,665,404 |
| 61 to 90 days | 4,807,581 | (157,575) | 4,650,006 |
| More than 90 days | 1,573,027 | (71,669) | 1,501,358 |
| | 59,836,144 | (464,278) | 59,371,866 |
| **Credit impaired** | | | |
| Individually impaired | 788,975 | (788,975) | - |
| | 60,625,119 | (1,253,253) | 59,371,866 |
| **2018** | | | |
| Not past due | 23,477,944 | (170,839) | 23,307,105 |
| Past due: | | | |
| 1 to 30 days | 12,782,904 | (257,427) | 12,525,477 |
| 31 to 60 days | 3,271,614 | (54,259) | 3,217,355 |
| 61 to 90 days | 1,333,240 | (76,917) | 1,256,323 |
| More than 90 days | 659,578 | (374,997) | 284,581 |
| | 41,525,280 | (934,439) | 40,590,841 |
| **Credit impaired** | | | |
| Individually impaired | 13,284 | (13,284) | - |
| | 41,538,564 | (947,723) | 40,590,841 |

**27. FINANCIAL INSTRUMENTS (cont'd)**

**Financial Risk Management Objectives and Policies (cont'd)**

**(i) Credit risk (cont'd)**

***Trade receivables* (cont'd)**

Recognition and measurement of impairment loss (cont'd)

The movements in the allowance for impairment in respect of trade receivables during the year is disclosed in Note 14.

***Cash and cash equivalents***

The cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

***Other receivables and deposits***

Expected credit loss of other receivable is determined individually after considering the financial strength of the other receivable. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statement of financial position. The Group has provided allowances for expected credit losses on these amounts as disclosed in Note 15.

***Inter-company loans and advances***

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

*Recognition and measurement of impairment loss*

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded.

The Company determines the probability of default for these loans and advances individually using internal information available.

As at the reporting date, there were no indications of impairment loss in respect of amounts due from subsidiaries. The Company does not specifically monitor the ageing of the current advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

**27. FINANCIAL INSTRUMENTS (cont'd)**

**Financial Risk Management Objectives and Policies (cont'd)**

**(i) Credit risk (cont'd)**

***Financial guarantee***

The Company provides financial guarantee to bank in respect of a banking facility granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM35,664,685 (2018: RM29,188,926) representing outstanding banking facility of the subsidiary at the end of the reporting period. The financial guarantee is provided as credit enhancements to the subsidiary's banking facility.

*Recognition and measurement of impairment loss*

The Company assumes that there is a significant increase in credit risk when the subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit in shareholders' fund.

There was no indication that the subsidiary which was granted with the banking facility (Note 24) would default on repayment. Hence, the financial guarantee granted by the Company has not been recognised since the fair value on initial recognition was not material.

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing liabilities.

In respect of interest-bearing financial liabilities, the following table indicates its effective interest rates at the reporting date and the period, in which they reprice or mature, whichever is earlier.

**Exposure in interest rate risk**

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **Floating rate instrument** | | |
| Tawarruq working capital financing-i | 35,664,685 | 29,188,926 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**27. FINANCIAL INSTRUMENTS (cont'd)**

**Financial Risk Management Objectives and Policies (cont'd)**

**(ii) Interest rate risk (cont'd)**

**Exposure in interest rate risk (cont'd)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| **Fixed rate instruments** | | | | |
| Finance lease liabilities | - | 621,796 | - | 269,548 |
| Lease liabilities | 4,368,164 | - | 277,884 | - |
| Vendor financing liabilities | 27,105,511 | - | - | - |
| | 31,473,675 | 621,796 | 277,884 | 269,548 |

**Interest rate risk sensitivity analysis**

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:

| | Increase/(Decrease) in profit net of tax/ equity | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **Group** | | |
| **Effect on profit after tax** | | |
| Increase of 10 basis points | (27,105) | (22,184) |
| Decrease of 10 basis points | 27,105 | 22,184 |
| **Effect on equity** | | |
| Increase of 10 basis points | (27,105) | (22,184) |
| Decrease of 10 basis points | 27,105 | 22,184 |

**(iii) Liquidity risk**

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

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

The Group and the Company practice prudent risk management by maintaining sufficient cash balances.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**27. FINANCIAL INSTRUMENTS (cont'd)**

**Financial Risk Management Objectives and Policies (cont'd)**

**(iii) Liquidity risk (cont'd)**

*Maturity analysis*

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

| | Carrying amount | Contractual cash flows | On demand or within 1 year | 1 to 2 years | 2 to 5 years |
|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM |
| **Group** | | | | | |
| **2019** | | | | | |
| Trade payables | 70,021,166 | 70,021,166 | 70,021,166 | - | - |
| Other payables | 61,045,683 | 65,847,729 | 40,306,600 | 6,134,821 | 19,406,308 |
| Lease liabilities | 4,368,164 | 4,884,769 | 1,330,086 | 1,330,994 | 2,223,689 |
| Amount due to an associate | 17,587 | 17,587 | 17,587 | - | - |
| Tawarruq working capital financing-i | 35,664,685 | 38,607,022 | 38,607,022 | - | - |
| | 171,117,285 | 183,462,368 | 151,271,597 | 8,450,859 | 23,739,912 |
| **2018** | | | | | |
| Trade payables | 19,327,389 | 19,327,389 | 19,327,389 | - | - |
| Other payables | 7,656,661 | 7,656,661 | 7,656,661 | - | - |
| Finance lease liabilities | 621,796 | 686,291 | 171,840 | 159,276 | 355,175 |
| Tawarruq working capital financing-i | 29,188,926 | 31,669,985 | 31,669,985 | - | - |
| | 56,794,772 | 59,340,326 | 58,825,875 | 159,276 | 355,175 |
| **Company** | | | | | |
| **2019** | | | | | |
| Other payables | 780,239 | 780,239 | 780,239 | - | - |
| Amount due to a subsidiary | 12,980,063 | 12,980,063 | 12,980,063 | - | - |
| Amount due to an associate | 17,587 | 17,587 | 17,587 | - | - |
| Lease liabilities | 277,884 | 299,241 | 113,652 | 81,652 | 103,937 |
| | 14,055,773 | 14,077,130 | 13,891,541 | 81,652 | 103,937 |
| **2018** | | | | | |
| Other payables | 1,033,662 | 1,033,662 | 1,033,662 | - | - |
| Finance lease liabilities | 269,548 | 300,893 | 65,652 | 65,652 | 169,589 |
| | 1,303,210 | 1,334,555 | 1,099,314 | 65,652 | 169,589 |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**27. FINANCIAL INSTRUMENTS (cont'd)**

**Financial Risk Management Objectives and Policies (cont'd)**

**(iv) Foreign currency risk**

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

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily Euro ("EURO"), Pound Sterling ("GBP"), Brunei Dollar ("BND"), United States Dollar ("USD") and Singapore Dollar ("SGD").

**Exposure to foreign currency risk**

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

| | EURO | GBP | BND | USD | SGD |
|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM |
| **Group** | | | | | |
| **2019** | | | | | |
| Cash at banks | 2,343 | - | - | 5,006,998 | 54,777 |
| Trade receivables | - | - | - | 14,592,925 | 4,839 |
| Other receivables | - | 6,955 | - | 38,798,156 | 664,223 |
| Trade payables | - | - | - | (4,164,720) | (36,840) |
| Other payables | - | - | - | (16,386,701) | (506,962) |
| | 2,343 | 6,955 | - | 37,846,658 | 180,037 |
| **2018** | | | | | |
| Cash at banks | - | - | - | 1,414,273 | 49,934 |
| Trade receivables | - | - | - | 2,558,338 | 4,829 |
| Other receivables | - | - | - | 10,286 | - |
| Trade payables | - | - | - | (1,227,668) | - |
| Other payables | (31,686) | (14,342) | (27,508) | - | (1,060,233) |
| | (31,686) | (14,342) | (27,508) | 2,755,229 | (1,005,470) |

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

**27. FINANCIAL INSTRUMENTS (cont'd)**

**Financial Risk Management Objectives and Policies (cont'd)**

**(iv) Foreign currency risk (cont'd)**

**Exposure to foreign currency risk (cont'd)**

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

| | USD | SGD |
|---|---|---|
| | RM | RM |
| **Company** | | |
| **2019** | | |
| Amounts due from subsidiaries | - | 18,133 |
| Cash at banks | 2,342 | 2,239 |
| | 2,342 | 20,372 |
| **2018** | | |
| Cash at banks | 2,376 | 2,280 |

**Foreign currency risk sensitivity analysis**

A 10% strengthening/weakening of the functional currency of the Group against the foreign currencies at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below:

| | | Increase/(Decrease) in Profit net of tax/ Equity | |
|---|---|---|---|
| | | 2019 | 2018 |
| | | RM | RM |
| **Group** | | | |
| RM/EURO | - Strengthened by 10% (2018: 10%) | (178) | 2,408 |
| | - Weakened by 10% (2018: 10%) | 178 | (2,408) |
| RM/GBP | - Strengthened by 10% (2018: 10%) | (529) | 1,090 |
| | - Weakened by 10% (2018: 10%) | 529 | (1,090) |
| RM/BND | - Strengthened by 10% (2018: 10%) | - | 2,091 |
| | - Weakened by 10% (2018: 10%) | - | (2,091) |
| RM/USD | - Strengthened by 10% (2018: 10%) | (2,876,346) | (209,397) |
| | - Weakened by 10% (2018: 10%) | 2,876,346 | 209,397 |
| RM/SGD | - Strengthened by 10% (2018: 10%) | (13,683) | 76,416 |
| | - Weakened by 10% (2018: 10%) | 13,683 | (76,416) |

The 10% strengthening/weakening of the functional currency of the Company against the foreign currencies at the end of the reporting period would have an immaterial effect on the loss after tax and equity of the Company.

# NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
*cont'd*

## 28. FAIR VALUE INFORMATION

Financial instrument other than those carried at fair value

*Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values.*

The carrying amounts of short-term payables, receivables and cash and cash equivalents approximate their fair value due to relatively short-term nature of these financial instruments and the insignificant impact of discounting.

The fair value of vendor financing liabilities and finance lease liabilities were determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting year. The carrying value and fair value of the finance lease liabilities is not materially different.

## 29. CAPITAL MANAGEMENT

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

The Group and the Company monitor capital using net-debt-to-equity ratio which is the net debt divided by total capital. Net debt includes Tawarruq working capital financing-i, finance lease liabilities and lease liabilities, less cash and bank balances whilst total capital is equity attributable to Owners of the Company.

The net debts-to-equity ratios at end of the reporting period were:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Finance lease liabilities (Note 20) | - | 621,796 | - | 269,548 |
| Lease liabilities (Note 21) | 4,368,164 | - | 277,884 | - |
| Tawarruq working capital financing-i (Note 24) | 35,664,685 | 29,188,926 | - | - |
| | 40,032,849 | 29,810,722 | 277,884 | 269,548 |
| Less: Cash and bank balances | (8,264,430) | (6,510,358) | (237,804) | (827,964) |
| Net cash/(debts) | 31,768,419 | 23,300,364 | 40,080 | (558,416) |
| Total equity attributable to Owners of the Company | 110,603,576 | 85,367,388 | 98,130,830 | 81,097,375 |
| Debts-to-equity ratio | 28.72% | 27.29% | 0.04% | NA |

*NA - Not meaningful*

The Group and the Company are not subject to any externally imposed capital requirements.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

*cont'd*

## 30. CAPITAL COMMITMENT

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **Approved and contracted for:** | | |
| Dry-docking expenditure | 795,436 | - |

## 31. SIGNIFICANT EVENTS

The significant events during the financial year are as follows:

(i) On 14 June 2019, SMF Begonia Ltd entered into a Memorandum of Agreement ("MOA") to acquire a vessel, namely Antlia for a purchase consideration of USD4,700,000 (equivalent to RM19,563,750) to be satisfied entirely via cash over a period of 61 months from the date of MOA. Antlia subsequently changed its name to SMF Begonia.

(ii) TMD, a 55% subsidiary of the Company had on 26 June 2019 entered into a Provision of Bunkering Services Agreement with Bintulu Port Sdn. Bhd. ("BPSB") within the port limit for a contract period of three (3) years commencing from 1 August 2019 with the option to renew for not more than two (2) years to be mutually agreed upon.

(iii) On 23 August 2019, SAT, a 70% owned subsidiary, entered into an Asset Purchase Agreement ("APA") with Am Alliance Sdn. Bhd. to acquire nineteen (19) used commercial vehicles, comprising of cement tankers for a purchase consideration of RM2,849,000 to be wholly satisfied in cash.

(iv) On 12 September 2019, SMF Ixora Ltd entered into a MOA to acquire a vessel, namely M.T Poseidon for a purchase consideration of USD4,840,000 (equivalent to RM20,449,000) to be satisfied entirely via cash over a period of 60 months from the date of MOA. M.T Poseidon subsequently changed its name to SMF Ixora.

(v) On 1 October 2019, TMD had entered into a Provision of Bunkering Services Agreement with Lumut Maritime Terminal Sdn. Bhd. ("LMTSB") for a contract period of one (1) year commencing from 1 October 2019 with the option to renew for not more than one (1) year to be mutually agreed upon.

(vi) On 3 October 2019, SAT, a 70% owned subsidiary, entered into an APA with the Group's related party, Kee Fatt Motor Works Distributor Sdn Bhd to acquire seven (7) used commercial vehicles for a purchase consideration of RM2,100,000 to be wholly satisfied in cash.

## 32. SUBSEQUENT EVENTS

(i) On 20 January 2020, the Company has received a Letter of Award from Labuan Port Authority for the port management services of Labuan Liberty Terminal in the Federal Territory of Labuan for a period of 6 years, commencing from 1 April 2020. The Company has accepted the Letter of Award on 24 January 2020.

On 24 January 2020, pursuant to the acceptance of the Letter of Award, the Company has proposed to diversify into port management services through proposed subscription of up to 5,100,000 ordinary shares of Megah Port Management Sdn Bhd ("MPMSB"), representing 51% of the enlarged equity interest in MPMSB via the execution of a subscription agreement entered into between the Company, MPMSB and LPM Holdings Sdn. Bhd. ("LHSB") for the purpose to jointly undertake the port management services of Labuan Liberty Terminal in the Federal Territory of Labuan. As at date of this report, this corporate exercise is pending submission to Bursa for its approval, and subsequently shareholders' approval.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
*cont'd*

## 32. SUBSEQUENT EVENTS (cont'd)

(ii) On 10 February 2020, the Company has incorporated a new wholly-owned subsidiary Company known as Straits Port Management Sdn Bhd ("SPM") as an investment holding company to subscribe up to 5,100,000 ordinary shares in MPMSB.

Subsequently on 25 February 2020, SPM has subscribed and paid for 1,530,000 MPMSB shares, representing 51% of the enlarged issued shares of MPMSB. Following the subscription, MPMSB became a 51%-owned subsidiary of SPM, which in turn is a wholly-owned subsidiary of the Company.

(iii) On 21 February 2020, the Company incorporated Beluga Asia Ltd, an indirect wholly-owned subsidiary under the Labuan Companies Act, 1990 via its 55% owned subsidiary, TMD in Labuan.

The issued share capital of the above indirect wholly-owned subsidiary is USD100 comprising of 100 ordinary shares each.

(iv) On 25 February 2020, the Company incorporated SMF Omura Ltd, an indirect wholly-owned subsidiary under the Labuan Companies Act, 1990 via its 67% owned subsidiary, Straits Marine Fuels & Energy Sdn. Bhd. ("SMF") in Labuan.

The issued share capital of the above indirect wholly-owned subsidiary is USD100 comprising of 100 ordinary shares each.

(v) The Coronavirus outbreak ("COVID-19") pandemic has created worldwide business headwinds and a general slowdown that includes the shipping industry. Even though majority portion of the Group's activities are considered as essential operations, it is foreseen that the COVID-19 pandemic may possibly have financial implications to the Group, including the results of the Group and measurement of its assets and liabilities of the Group subsequent to current financial year.

The Group considers the COVID-19 outbreak to be a non-adjusting event subsequent to the reporting date and does not result in any adjustments to the financial statements for the financial year end 31 December 2019.

The Board of Directors of the Company is in the midst of assessing the potential financial impact of the COVID-19 pandemic on the Group's results and are closely monitoring the current turbulent economic conditions to ensure appropriate risk mitigating measures are undertaken to preserve value and protect shareholders' interests.

## 33. MATERIAL LITIGATION / ARBITRATION

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

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

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

Notwithstanding the ongoing arbitration which commenced on 2 May 2017, the Vendor (Raja Ismail Bin Raja Mohamed) via an irrevocable Personal Guarantee dated 30 April 2020 had undertaken to indemnify the Company against the liabilities of TMD arising from the arbitration and shall promptly pay such liabilities upon receipt of a payment demand from the Company and accordingly, no provisions have been made in the financial statements.

# ANALYSIS OF SHAREHOLDINGS

As at 30 April 2020

| | | |
|---|---|---|
| Issued and Fully Paid-up Share Capital | : | RM 104,465,881.37 divided into 650,658,246 units of Ordinary Shares |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | One (1) vote per Ordinary Shares |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No of Shareholders | % | No of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 34 | 1.14 | 1,151 | 0.00 |
| 100 – 1,000 | 344 | 11.56 | 153,249 | 0.02 |
| 1,001 – 10,000 | 869 | 29.20 | 5,861,780 | 0.90 |
| 10,001 – 100,000 | 1,359 | 45.67 | 54,862,900 | 8.43 |
| 100,001 – 32,532,911 (*) | 366 | 12.30 | 383,187,362 | 58.90 |
| 32,532,912 and above (**) | 4 | 0.13 | 206,591,804 | 31.75 |
| Total | 2,976 | 100.00 | 650,658,246 | 100.00 |

Remark : * - Less than 5% of issued shares
** - 5% and above of issued shares

## LIST OF SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE)

| No | Name of Substantial Shareholders | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No of Shares | % | No of Shares | % |
| 1. | Raja Ismail Bin Raja Mohamed | 116,458,333 | 17.90 | - | - |
| 2 | Sturgeon Asia Ltd | 57,464,900 | 8.84 | - | - |
| 3. | Tony Tan Han (Chen Han) | 36,790,438 | 5.65 | - | - |
| 4. | Ang Tun Young | 34,208,200 | 5.26 | - | - |
| 5. | Dato' Sri Ho Kam Choy | 51,380,900 | 7.89 | 58,801,800[(1)] | 9.04 |

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

# ANALYSIS OF SHAREHOLDINGS
As at 30 April 2020
*cont'd*

## LIST OF DIRECTORS' SHAREHOLDINGS

| No | Name of Director | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No of Shares | % | No of Shares | % |
| 1. | YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud | - | - | - | - |
| 2. | Dato' Sri Ho Kam Choy* | 51,380,900 | 7.89 | 58,801,800 | 9.04 |
| 3. | Capt Tony Tan Han (Chen Han) | 36,790,438 | 5.65 | - | - |
| 4. | Ho Fook Meng | 4,000,000 | 0.61 | - | - |
| 5. | Leong Fook Heng | - | - | - | - |
| 6. | Tan Sri Mohd Bakri Bin Zinin | - | - | - | - |

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

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

| No | Name of Shareholders | No of Shares | % |
|---|---|---|---|
| 1. | Raja Ismail Bin Raja Mohamed | 93,541,666 | 14.38 |
| 2. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ho Kam Choy | 42,051,500 | 6.46 |
| 3. | Tony Tan Han (Chen Han) | 36,790,438 | 5.65 |
| 4. | Ang Tun Young | 34,208,200 | 5.26 |
| 5. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Sturgeon Asia Ltd | 31,464,900 | 4.84 |
| 6. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Sturgeon Asia Ltd | 26,000,000 | 4.00 |
| 7. | Yap Poh Onn | 23,105,600 | 3.55 |
| 8. | UOB Kay Hian Nominees (Tempatan) Sdn Bhd<br>UOB Kay Hian Securities (M) Sdn Bhd for Raja Ismail Bin Raja Mohamed (Straits) | 22,916,667 | 3.52 |
| 9. | Kher Wai Har | 17,444,400 | 2.68 |
| 10. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Rithauddin Hussein Jamalatiff Bin Jamaluddin | 16,119,600 | 2.48 |
| 11. | Chung Chin Hiong | 10,887,100 | 1.67 |
| 12. | Chia Bee Chin | 9,748,800 | 1.50 |
| 13. | CBL (Malaysia) Sdn Bhd | 9,392,367 | 1.44 |
| 14. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ho Kam Choy (Margin) | 9,329,400 | 1.43 |
| 15. | Rhb Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for BJS Offshore Sdn Bhd | 8,400,000 | 1.29 |
| 16. | Dharminder Singh A/L Amar Singh | 7,552,200 | 1.16 |

# ANALYSIS OF SHAREHOLDINGS
As at 30 April 2020
*cont'd*

**LIST OF THIRTY (30) LARGEST SHAREHOLDERS (cont'd)**

| No | Name of Shareholders | No of Shares | % |
|---|---|---|---|
| 17. | Yong Chean Peng | 5,482,000 | 0.84 |
| 18. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tiong Chiong Kui (851902) | 5,000,000 | 0.77 |
| 19. | Public Invest Nominees (Tempatan) Sdn Bhd<br>Exempt An For Phillip Securities Pte Ltd (Clients) | 4,469,000 | 0.70 |
| 20. | Ho Fook Meng | 4,000,000 | 0.61 |
| 21. | Low Han Kee | 4,000,000 | 0.61 |
| 22. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Yong Chean Peng (7005057) | 3,650,000 | 0.56 |
| 23. | RHB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Koon Poh Tat | 3,600,000 | 0.55 |
| 24. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Rithauddin Hussein Jamalatiff Bin Jamaluddin (Margin) | 3,433,100 | 0.53 |
| 25. | Amanahraya Trustees Berhad<br>MIDF Amanah Strategic Fund | 3,234,600 | 0.50 |
| 26. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Yong Chean Peng (MY3079) | 3,000,000 | 0.46 |
| 27. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ng Kim Huat (E-KLC) | 3,000,000 | 0.46 |
| 28. | Yap Poh Soon | 2,919,100 | 0.45 |
| 29. | Chia Kim Har | 2,600,000 | 0.40 |
| 30. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chia Kee Siong | 2,500,000 | 0.38 |

# ANALYSIS OF WARRANT HOLDINGS
As at 30 April 2020

| | | |
|---|---|---|
| No. of Warrant Issued | : | 183,952,000 |
| No. of Warrant Exercised | : | 30,684,500 |
| No. of Warrant Unexercised | : | 153,267,500 |
| Maturity Date | : | 10 August 2022 |
| Voting Rights | : | The warrant holders do not have any voting rights in any general meeting of the Company until and unless such holders of warrants exercise their warrants into ordinary shares of the Company. |

## DISTRIBUTION OF WARRANT HOLDINGS

| Size of Warrant Holdings | No of Warrant Holders | % of Warrant Holders | No of Warrants Unexercised | % of Unexercised Warrant |
|---|---|---|---|---|
| 1 – 99 | 6 | 0.71 | 540 | 0.00 |
| 100 – 1,000 | 31 | 3.70 | 11,160 | 0.01 |
| 1,001 – 10,000 | 127 | 15.16 | 862,800 | 0.56 |
| 10,001 – 100,000 | 437 | 52.15 | 20,477,600 | 13.36 |
| 100,001 – 7,663,374 (*) | 236 | 28.16 | 114,207,200 | 74.52 |
| 7,663,375 and above (**) | 1 | 0.12 | 17,708,200 | 11.55 |
| Total | 838 | 100.00 | 153,267,500 | 100.00 |

Remark : * - Less than 5% of issued warrants
** - 5% and above of issued warrants

## LIST OF SUBSTANTIAL WARRANT HOLDERS (5% AND ABOVE)

| No | Name of Substantial Shareholders | No of Warrants | % |
|---|---|---|---|
| 1. | Ang Tun Young | 17,708,200 | 11.55 |

# ANALYSIS OF WARRANT HOLDINGS

As at 30 April 2020

*cont'd*

## LIST OF DIRECTORS' WARRANT HOLDINGS

| | | Direct | | Indirect | |
|---|---|---|---|---|---|
| No | Name of Director | No of Warrant | % | No of Warrant | % |
| 1. | YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud | - | - | - | - |
| 2. | Dato' Sri Ho Kam Choy | 1,779,700 | 1.16 | 5,464,900* | 3.57 |
| 3. | Capt Tony Tan Han (Chen Han) | - | - | - | - |
| 4. | Ho Fook Meng | 1,000,000 | 0.65 | - | - |
| 5. | Leong Fook Heng | - | - | - | - |
| 6. | Tan Sri Mohd Bakri Bin Zinin | - | - | - | - |

* Deemed interest by virtue of his shareholdings in Sturgeon Asia Ltd

## LIST OF THIRTY (30) LARGEST WARRANT HOLDERS

| No | Name of Warrant Holders | No of Warrants Held | % of Issued Warrant |
|---|---|---|---|
| 1. | Ang Tun Young | 17,708,200 | 11.55 |
| 2. | Chung Chin Hiong | 7,084,100 | 4.62 |
| 3. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Sturgeon Asia Ltd | 5,464,900 | 3.57 |
| 4. | Lim Yuen Sing | 4,402,600 | 2.87 |
| 5. | Leow Chee Kian | 4,007,900 | 2.61 |
| 6. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tee Boon Kee (STF) | 3,000,000 | 1.96 |
| 7. | Chin Lee Hong | 2,296,100 | 1.50 |
| 8. | Chen Fook Wah | 2,123,000 | 1.38 |
| 9. | Cheong Chee Yip | 2,076,000 | 1.35 |
| 10. | Tee Kheng Ean @ Tee Cheng Yan | 1,800,000 | 1.17 |
| 11. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ho Kam Choy | 1,779,700 | 1.16 |
| 12. | Lai Siew Min | 1,700,000 | 1.11 |
| 13. | HLIB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Loh Kim Lan (CCTS) | 1,550,000 | 1.01 |
| 14. | Amsec Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Jayeskumar A/L Chamanlal Rugnath | 1,535,000 | 1.00 |
| 15. | Chen Fook Wah | 1,343,100 | 0.88 |
| 16. | Kong Woon Hoon | 1,329,500 | 0.87 |
| 17. | Activest Sdn. Bhd | 1,299,900 | 0.85 |
| 18. | Marc Lee Shi Lin | 1,268,700 | 0.83 |

# ANALYSIS OF WARRANT HOLDINGS
As at 30 April 2020
*cont'd*

**LIST OF THIRTY (30) LARGEST WARRANT HOLDERS (cont'd)**

| No | Name of Warrant Holders | No of Warrants Held | % of Issued Warrant |
|---|---|---|---|
| 19. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tan Chin Hooi (MP0137) | 1,200,000 | 0.78 |
| 20. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Rajinder Singh A/L Kuldip Singh (E-KLC) | 1,160,000 | 0.76 |
| 21. | Yap Poh Onn | 1,151,700 | 0.75 |
| 22. | Chua Geik Looi | 1,100,000 | 0.72 |
| 23. | Ranjit Singh A/L Harchand Singh | 1,100,000 | 0.72 |
| 24. | Yap Swee Sang | 1,081,800 | 0.71 |
| 25. | Ho Fook Meng | 1,000,000 | 0.65 |
| 26. | Chun Soo Chin | 928,900 | 0.61 |
| 27. | Teo Yong Chuan @ Teo Yeng Hock | 900,000 | 0.60 |
| 28. | Benjamin Tee Chin Keat | 879,800 | 0.57 |
| 29. | AMSEC Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account - Ambank (M) Berhad For Yow Fook Leong (Smart) | 865,000 | 0.56 |
| 30. | Sathasivam A/L Jaganathan | 850,000 | 0.55 |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Third (23rd) Annual General Meeting ("AGM") of the Company will be conducted through live streaming from the Broadcast Venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on **Monday, 22 June 2020 at 10.30 a.m** for the purpose of considering and if thought fit, passing the following business with or without modifications:

**AGENDA**

**ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the Financial Year Ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon. — Please refer to Explanatory Note 1

2. To re-elect the following Directors who retire in accordance with Clause 21.6 of the Constitution of the Company and being eligible, offers themselves for re-election:-

   2.1 Dato' Sri Ho Kam Choy — Ordinary Resolution 1

   2.2 Mr. Leong Fook Heng — Ordinary Resolution 2

3. To re-elect the following Directors who retire in accordance with Clause 21.10 of the Constitution of the Company and being eligible, offers themselves for re-election:-

   3.1 YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud — Ordinary Resolution 3

   3.2 Puan Harison Binti Yusoff — Ordinary Resolution 4

4. To approve the payment of Directors' Fee up to an amount of RM 486,000.00 for the period from 1 July 2020 until 30 June 2021. — Ordinary Resolution 5

5. To approve the payment of Directors' Benefits to the Non-Executive Directors up to an amount of RM 176,000.00 for the period from 1 July 2020 until 30 June 2021. — Ordinary Resolution 6

6. To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration. — Ordinary Resolution 7

**SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions:

7. **Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016** — Ordinary Resolution 8

   "THAT subject always to the Act, the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other Governmental/Regulatory Authorities, where such approval is necessary, authority be and is hereby given to the Directors of the Company, pursuant to Sections 75 and 76 of the Act, to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being;

# NOTICE OF ANNUAL GENERAL MEETING
*cont'd*

AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company."

8. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** Ordinary Resolution 9

"THAT, subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company and the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements, approval be and is hereby given to the Company and its subsidiaries to enter into all transactions involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Group ("Related Parties") as described in the Circular to Shareholders dated 21 May 2020 ("Recurrent RPTs") provided that such transactions are:-

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the day-to-day operations;

(iii) carried out in the ordinary course of business and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(iv) are not to the detriment of the minority shareholders.

("RRPT Mandate").

AND THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at that meeting, the authority is renewed; or

(b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held pursuant to Section 340 of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by a resolution passed by shareholders in a general meeting;

whichever is earlier; and the aggregate value of the Recurrent RPTs be disclosed in the annual report of the Company.

9. **Proposed Diversification of The Existing Principal Activities of Straits Inter Logistics Berhad ("Straits" Or "The Company") And Its Subsidiaries To Include Port Management And Related Business Activities ("Proposed Diversification")** Ordinary Resolution 10

"**THAT**, subject to the approvals of all relevant authorities and/ or parties being obtained, approval be and is hereby given to the Company and its subsidiaries to diversify its existing principal activities to include port management and related business activities as described in the Circular to Shareholders dated 21 May 2020;

# NOTICE OF ANNUAL GENERAL MEETING
*cont'd*

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

10. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

BY ORDER OF THE BOARD

**WAN HASLINDA BINTI WAN YUSOFF (MAICSA 7055478)**
SSM PC No : 202008002798

**SANGAR NALLAPPAN (MACS 01413)**
SSM PC No : 202008002985

Company Secretaries

Port Klang
Dated : 21 May 2020

**Notes:-**

1. **IMPORTANT NOTICE**

   As part of the initiatives to curb the spread of Coronavirus Disease 2019 ("COVID-19"), the Twenty-Third (23rd) AGM will be conducted through live streaming and online remote voting using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd.

   Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 23rd AGM using the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

   The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Since the 23rd AGM will be conducted via RPV, Shareholders are **STRONGLY DISCOURAGED** to attend the 23rd AGM in person at the Broadcast Venue on the day of the meeting as the Company shall strictly comply and implement all the Government and/or relevant authorities' directives and guidelines on public gatherings or events which may be issued from time to time.

   **Please read these Notes carefully and follow the procedures in the Information Guide to Shareholders on 23rd AGM in order to participate remotely via RPV.**

2. For the purpose of determining a member who shall be entitled to participate in the 23rd AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Section 34(1) of the SICDA to issue a General Meeting Record of Depositors. Only a depositor whose name appears on the **Record of Depositors as at 15 June 2020** shall be entitled to participate in this AGM via RPV.

# NOTICE OF ANNUAL GENERAL MEETING
*cont'd*

3. A member who is entitled to participate in this AGM via RPV, is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorized representative to participate in his/her place. A proxy may but need not be a member of the Company. A member may appoint more than one (1) proxy to participate instead of the member at the general meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.

4. Where a Member is an Authorised Nominee, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds to which shares in the Company standing to the credit of the said account.

5. Where a Member of the Company is an Exempt Authorised Nominee which holds Deposited Securities in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

6. Pursuant to Paragraph 8.31A (1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 23rd AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling/e-polling process and verify the results of the poll respectively.

7. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal, or under the hand of two (2) authorised officers, one of whom shall be a director or of its attorney duly authorised in writing. The Directors may but shall not be bound to require evidence of the of any such attorney or officer.

8. A Shareholder who has appointed a proxy or attorney or authorised representative to attend, participate and vote at this Annual General Meeting via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online.

   **Please follow the Procedures for RPV in the Information Guide to Shareholders.**

9. Shareholders who appoint proxies or attorney or authorised representative(s) to participate in the 23rd AGM via remote participation and voting facilities ("**RPV**") must ensure that the duly executed proxy forms are deposited at the office of the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Wilayah Persekutuan **or** the Customer Service Centre at Unit G-3, Ground Floor, Vertical podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or alternatively, you have the option to lodge the proxy appointment electronically via TIIH Online at https://tiih.online or email to is.enquiry@my.tricorglobal.com **not less than 48 hours before the time holding the AGM.**

   **Please refer to Information Guide to Shareholders for submission of electronic Proxy Form.**

10. The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/ or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and authorisation of all persons whose personal data you have disclosed and/ or processed in connection with the foregoing

**EXPLANATORY NOTES TO THE AGENDA:-**

**Item 1 of the Agenda**

This item is meant for discussion only. The provisions of Section 340 (1) of the Companies Act, 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such this Agenda item is not a business which requires a resolution to be put to vote by Shareholders.

# NOTICE OF ANNUAL GENERAL MEETING
*cont'd*

**Item 4 and 5 of the Agenda – Ordinary Resolution 5 & 6**

Section 230 (1) of the Companies Act 2016, provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 23rd AGM on the Directors' fees and benefit in two (2) separate resolutions.

The payment of the Directors' Fees for the period from 1 July 2020 until 30 June 2021 will only be made if the proposed resolution 5 has been approved at the 23rd AGM of the Company.

In determining the estimated total amount of Directors' Benefit, the Board had considered various factors which include amongst others, the number of scheduled and Special Board meetings, scheduled and Special Board Committee meetings as well as the number of Non-Executive Directors (NEDs) involved in these meetings.

The estimated sum of RM 176,000.00 is for Directors' Benefits for the period from 1 July 2020 until 30 June 2021. The payment of the directors' benefit will be made on monthly basis and/or as and when incurred if the Proposed Resolution 6 has been passed at the 23rd AGM. The Board is of the view that it is fair and equitable for the Directors to be paid on a monthly basis and/or as and when incurred, given that they have duly discharged their duties and responsibilities and provided their services to the Company throughout the said period.

**Item 7 of the Agenda - Ordinary Resolution 8**

**Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016**

The Company had in its 22nd AGM held on 19 June 2019, obtained its Shareholders' approval for the renewal of the general mandate for issuance of shares pursuant to Section 75 & 76 of the Companies Act, 2016 (the Act).

The Company did not issue any new ordinary shares pursuant to this mandate as at the date of this Notice.

The proposed Ordinary Resolution No: 8 is a renewal of the mandate to issue shares under Section 75 and 76 of the Companies Act 2016. If passed, it will allow the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued capital of the Company but not exceeding 20% of the issued share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

A renewal for the said mandate is sought to avoid any delay and cost involved in convening such a general meeting. Should the mandate be exercised, the Directors will utilise the proceeds raised for funding current and/or future investment projects, working capital, acquisition, issuance of shares as settlement of purchase consideration and/or such other applications they may in their absolute discretion deem fit.

**Item 8 of the Agenda - Ordinary Resolution 9**

**Proposed Renewal of Shareholders' Mandate**

The proposed Resolution 9, if passed, will provide a renewed mandate for the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

This mandate shall lapse at the conclusion of the next Annual General Meeting unless authority for the renewal is obtained from the shareholders of the Company at a general meeting.

Please refer to the Circular to Shareholders dated 21 May 2020 on the Proposed Renewal of Shareholders' Mandate for further information.

# NOTICE OF ANNUAL GENERAL MEETING
*cont'd*

**Item 9 of the Agenda – Ordinary Resolution 10**

**Proposed Diversification of the existing principal activities of Straits and its Subsidiaries to include Port Management and Related Business Activities ("Proposed Diversification")**

The proposed Resolution 10, if passed, Straits and its Subsidiaries will diversify its existing principal activities to include port management and related business activities.

Please refer to the Circular to Shareholders dated 21 May 2020 on the Proposed Diversification for further information.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.29 (2) of the ACE Market listing Requirement)

No individual is standing for election as Director at the forthcoming Twenty-Third Annual General Meeting of the Company

# INFORMATION GUIDE TO SHAREHOLIDERS ON 23RD ANNUAL GENERAL MEETING

Date : Monday, 22 June 2020
Time : 10.30 a.m.
Broadcast Venue : Tricor Boardroom, Unit 30-1, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur

**MODE OF MEETING**

In view of the Coronavirus Disease 2019 (“COVID-19”) pandemic and the Company’s measure to curb the spread of COVID-19, the 23rd Annual General Meeting (“AGM”) will be conducted through live streaming and online remote voting using the Remote Participation and Voting facilities (“RPV”) provided by Tricor Investor & Issuing House Services Sdn. Bhd. This is line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Shareholders are **STRONGLY DISCOURAGED** to attend the 23rd AGM in person at the Broadcast Venue on the day of the meeting as the Company shall strictly comply and implement all the Government and/or relevant authorities’ directives and guidelines on public gatherings or events which may be issued from time to time.

**REMOTE PARTICIPATION AND VOTING FACILITIES (“RPV”)**

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “participate”) remotely at the 23rd AGM using the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

Shareholders who appoint proxies or attorney or authorised representative(s) to participate via RPV in the 23rd AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Saturday, 20 June 2020 at 10.30 a.m.**

A Shareholder who has appointed a proxy or attorney or authorised representative to attend, participate and vote at this Annual General Meeting via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online.

As the 23rd AGM will be conducted via RPV, members who are unable to participate in this AGM may appoint the Chairperson of the meeting as his/her proxy and indicate the voting instructions in the proxy form.

**PROCEDURES FOR RPV**

Shareholders/proxies/corporate representatives/attorneys who wish to participate the 23rd AGM remotely using the RPV are to follow the requirements and procedures as summarized below:

| | Procedure | Action |
|---|---|---|
| | **BEFORE THE AGM DAY** | |
| (a) | Register as a user with TIIH Online | • Using your computer, access the website at https://tiih.online. Register as a user under the “e-Services”. Refer to the tutorial guide posted on the homepage for assistance.<br>• If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online. |

# INFORMATION GUIDE TO SHAREHOLIDERS ON 23RD ANNUAL GENERAL MEETING

*cont'd*

**PROCEDURES FOR RPV (cont'd)**

| | Procedure | Action |
|---|---|---|
| (b) | Submit your request | • **Registration is open from 10.30 a.m. Thursday, 21 May 2020 up to 10.30 a.m. Saturday, 20 June 2020.**<br>• Login with your user ID and password and select the corporate event: "**(REGISTRATION) STRAITS 23rd AGM**.<br>• Read and agree to the Terms & Conditions and confirm the Declaration.<br>• Select "Register for Remote Participation and Voting"<br>• Review your registration and proceed to register<br>• System will send an e-mail to notify that your registration for remote participation is received and will be verified.<br>• After verification of your registration against the General Meeting Record of Depositors as at 15 June 2020, the system will send you an e-mail to approve or reject your registration for remote participation. |
| | **ON THE DAY OF THE AGM** | |
| (c) | Login to TIIH Online | • Login with your user ID and password for remote participation at the 23rd AGM at any time from **10.10 a.m.** i.e. 20 minutes before the commencement of the AGM on **Monday, 22 June 2020 at 10.30 a.m..** |
| (d) | Participate through Live Streaming | • Select the corporate event: **"(LIVE STREAM MEETING) STRAITS 23RD AGM"** to engage in the proceedings of the 23rd AGM remotely.<br>• If you have any question for the Chairperson/ Board, you may use the query box to transmit your question. The Chairperson/ Board will endeavor to respond to questions submitted by remote participants during the 23rd AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting. |
| (e) | Online Remote Voting | • Voting session commences **from 11.00 a.m. on Monday, 22 June 2020** until a time when the Chairperson announces the completion of the voting session of the 23rd AGM.<br>• Select the corporate event: **"(REMOTE VOTING) STRAITS 23rd AGM".**<br>• Read and agree to the Terms & Conditions and confirm the Declaration.<br>• Select the CDS account that represents your shareholdings.<br>• Indicate your votes for the resolutions that are tabled for voting.<br>• Confirm and submit your votes. |
| (f) | End of remote participation | • Upon the announcement by the Chairperson on the closure of the 23rd AGM, the live streaming will end. |

**Note to users of the RPV facilities:**

1. Should your application to join the meeting be approved, we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.

2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.

3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

# INFORMATION GUIDE TO SHAREHOLIDERS ON 23RD ANNUAL GENERAL MEETING

*cont'd*

## ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your proxy form electronically via Tricor's TIIH Online website are summarised below:

| | Procedure | Action |
|---|---|---|
| (a) | Register as a User with TIIH Online | • Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance.<br>• If you are already a user with TIIH Online, you are not required to register again. |
| (b) | Proceed with submission of Proxy Form | • After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.<br>• Select the corporate event: "Submission of Proxy Form".<br>• Read and agree to the Terms & Conditions and confirm the Declaration<br>• Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.<br>• Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy.<br>• Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.<br>• Review and confirm your proxy(s) appointment.<br>• Print proxy form for your record. |

## PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the 23rd AGM via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to login, pose questions and submit electronically no later than **Saturday, 20 June 2020 at 10.30 a.m..** The Board will endeavor to answer the questions received at the AGM.

## NO DOOR GIFT/FOOD VOUCHER

There will be **no distribution** of door gifts or food vouchers for the 23rd AGM since the meeting will being conducted on virtual basis.

Straits Inter Logistics Berhad would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

## ENQUIRY

If you have any enquiries on the above, kindly contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

**Tricor Investor & Issuing House Services Sdn Bhd**

| | | |
|---|---|---|
| General Line | : | 603-2783 9299 |
| Fax Number | : | 603-2783 9222 |
| Email | : | is.enquiry@my.tricorglobal.com |
| Contact persons | : | Ms. Shanti Renganathan<br>+603-2783 7971; email: Santhi.Renganathan@my.tricorglobal.com<br>Encik Mohamad Khairudin<br>+603-2783 7973; email: Mohamad.Khairudin@my.tricorglobal.com |

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## STRAITS INTER LOGISTICS BERHAD
*Company No. 199601040053 (412406-T)*

| | |
|---|---|
| **CDS Account No** | |
| **Number of Ordinary Share(s) held** | |

I/We ______________________________________________
(FULL NAME OF SHAREHOLDER AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

NRIC No. /Company No. ____________________ of ______________________________

______________________________________________
(FULL ADDRESS)

being a member of STRAITS INTER LOGISTICS BERHAD hereby appoint :

**FIRST PROXY**

| **Full Name of Proxy in capital letters** | | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **Number of Shares** | **Percentage** |
| **NRIC No/Passport No** | | | |

and

**SECOND PROXY**

| **Full Name of Proxy in capital letters** | | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **Number of Shares** | **Percentage** |
| **NRIC No/Passport No** | | | |

# to put on a separate sheet where there are more than two (2) proxies

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies on my/our behalf at the Twenty-Third (23$^{rd}$) Annual General Meeting ("AGM") of the Company which will be conducted through live streaming from the Broadcast Venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur on **Monday, 22 June 2020 at 10.30 a.m**, on the following resolutions referred to in the Notice of 23$^{rd}$ AGM.

My/our proxy is to vote as indicated below:-

| Resolution No | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| Ordinary Resolution 1 | To re-elect Dato' Sri Ho Kam Choy as Director of the Company | | |
| Ordinary Resolution 2 | To re-elect Mr. Leong Fook Heng as Director of the Company | | |
| Ordinary Resolution 3 | To re-elect YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud as Director of the Company | | |
| Ordinary Resolution 4 | To re-elect Puan Harison Binti Yusoff as Director of the Company | | |
| Ordinary Resolution 5 | To approve the payment of Directors' Fee up to an amount of RM 486,000.00 for the period from 1 July 2020 until 30 June 2021 | | |
| Ordinary Resolution 6 | To approve the payment of Directors' Benefits to the Non-Executive Directors up to an amount of RM 176,000.00 for the period from 1 July 2020 until 30 June 2021 | | |
| Ordinary Resolution 7 | To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration | | |
| Ordinary Resolution 8 | Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016 | | |
| Ordinary Resolution 9 | Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | | |
| Ordinary Resolution 9 | Proposed Diversification | | |

Please indicate with an "X" in the appropriate space how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.

Dated this __________ day of ______________________ 2020

______________________________
[Signature/Common Seal of Shareholder (s)]

** Delete if not applicable*

FOLD THIS FLAP FOR SEALING

Notes:-

1. **IMPORTANT NOTICE**

   As part of the initiatives to curb the spread of Coronavirus Disease 2019 ("COVID-19"), the Twenty-Third (23rd) AGM will be conducted through live streaming and online remote voting using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd.

   Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 23rd AGM using the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

   The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Since the 23rd AGM will be conducted via RPV, Shareholders are **STRONGLY DISCOURAGED** to attend the 23rd AGM in person at the Broadcast Venue on the day of the meeting as the Company shall strictly comply and implement all the Government and/or relevant authorities' directives and guidelines on public gatherings or events which may be issued from time to time.

   **Please read these Notes carefully and follow the procedures in the Information Guide to Shareholders on 23rd AGM in order to participate remotely via RPV.**

2. For the purpose of determining a member who shall be entitled to participate in the 23rd AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Section 34(1) of the SICDA to issue a General Meeting Record of Depositors. Only a depositor whose name appears on the **Record of Depositors as at 15 June 2020** shall be entitled to participate in this AGM via RPV.

3. A member who is entitled to participate in this AGM via RPV, is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorized representative to participate in his/her place. A proxy may but need not be a member of the Company. A member may appoint more than one (1) proxy to participate instead of the member at the general meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.

4. Where a Member is an Authorised Nominee, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds to which shares in the Company standing to the credit of the said account.

5. Where a Member of the Company is an Exempt Authorised Nominee which holds Deposited Securities in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

6. Pursuant to Paragraph 8.31A (1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 23rd AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling/e-polling process and verify the results of the poll respectively.

PLEASE FOLD HERE

**Affix stamp**

**STRAITS INTER LOGISTICS BERHAD**
**C/O SHARE REGISTRAR**
Tricor Investor & Issuing House Services Sdn Bhd,
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Wilayah Persekutuan

PLEASE FOLD HERE

7. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal, or under the hand of two (2) authorised officers, one of whom shall be a director or of its attorney duly authorised in writing. The Directors may but shall not be bound to require evidence of the of any such attorney or officer.

8. A Shareholder who has appointed a proxy or attorney or authorised representative to attend, participate and vote at this Annual General Meeting via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online.

   **Please follow the Procedures for RPV in the Information Guide to Shareholders.**

9. Shareholders who appoint proxies or attorney or authorised representative(s) to participate in the 23rd AGM via remote participation and voting facilities ("**RPV**") must ensure that the duly executed proxy forms are deposited at the office of the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Wilayah Persekutuan **or** the Customer Service Centre at Unit G-3, Ground Floor, Vertical podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, you have the option to lodge the proxy appointment electronically via TIIH Online at https://tiih.online or email to is.enquiry@my.tricorglobal.com **not less than 48 hours before the time holding the AGM.**

   **Please refer to Information Guide to Shareholders for submission of electronic Proxy Form.**

10. The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/ or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and authorisation of all persons whose personal data you have disclosed and/ or processed in connection with the foregoing

NAVIGATING
POSSIBILITIES


B-07-06 Plaza Mont' Kiara
2, Jalan Kiara
Mont' Kiara
50480 Kuala Lumpur
Malaysia

T:+603 6419 1266
W:www.straits-interlogistics.com
E:admin-kl@straits-interlogistics.com