

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately. This Circular has been reviewed by UOB Kay Hian Securities (M) Sdn Bhd, being the Principal Adviser to Straits Energy Resources Berhad for the Proposed Acquisitions (as defined herein).

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**STRAITS ENERGY RESOURCES BERHAD**

Registration No. 199601040053 (412406-T)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-**

**PART A**

- I. **PROPOSED ACQUISITION BY STRAITS MARINE FUELS & ENERGY SDN BHD ("SMF"), A WHOLLY-OWNED SUBSIDIARY OF TMD ENERGY LIMITED ("TMDL"), WHICH IS A WHOLLY-OWNED SUBSIDIARY OF STRAITS, OF 4,500,000 ORDINARY SHARES IN TUMPUAN MEGAH DEVELOPMENT SDN BHD ("TMD") ("TMD SHARE(S")), REPRESENTING THE REMAINING 30% EQUITY INTEREST IN TMD, FROM DATO' MOHD SUHAIMI BIN HASHIM AND GOO YONG SING HELD EQUALLY FOR A PURCHASE CONSIDERATION OF RM9,720,989 (EQUIVALENT TO USD2,085,557) TO BE SATISFIED ENTIRELY BY THE ISSUANCE OF 3,474,934 NEW ORDINARY SHARES IN TMDL ("TMDL SHARE(S))" ("PROPOSED ACQUISITION OF TMD"); AND**
- II. **PROPOSED ACQUISITION BY SMF OF 49,000 ORDINARY SHARES IN STRAITS MARINE SERVICES PTE LTD ("SMS") ("SMS SHARE(S")), REPRESENTING THE REMAINING 49% EQUITY INTEREST IN SMS, FROM PLATINUM GATE CAPITAL PTE LTD FOR A PURCHASE CONSIDERATION OF RM3,324,902 (EQUIVALENT TO USD713,330) TO BE SATISFIED ENTIRELY BY THE ISSUANCE OF 1,188,543 NEW TMDL SHARES ("PROPOSED ACQUISITION OF SMS").**

**(COLLECTIVELY REFERRED TO AS THE "PROPOSED ACQUISITIONS")**

**PART B**

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF STRAITS IN RELATION TO THE PROPOSED ACQUISITION OF SMS**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser*

**UOBKayHian**

**UOB KAY HIAN SECURITIES (M) SDN BHD**

Registration No. 199001003423 (194990-K)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

*Independent Adviser*



**ASIA EQUITY RESEARCH SDN BHD**

Registration No. 201401027762 (1103848-M)  
(Licensed to provide advisory in corporate finance and investment advice)

The resolutions in respect of the above Proposed Acquisitions will be tabled at the Extraordinary General Meeting ("EGM") of the Company which will be conducted on a fully virtual basis through live streaming and online meeting platform at TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via Remote Participation and Electronic Voting ("RPV") facilities at <https://tiih.online> on Thursday, 30 May 2024 at 10.00 a.m. or any adjournment thereof for the purpose of considering and if thought fit, passing with or without modification, the resolutions so as to give effect to the Proposed Acquisitions. The Notice of EGM together with the Proxy Form is enclosed in this Circular.

A member entitled to attend, participate, speak and vote remotely at the EGM via the RPV facilities provided, is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Proxy Form should be lodged at the office of the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or you have the option to lodge the proxy appointment electronically via TIIH Online at <https://tiih.online> not less than 48 hours before the time holding the EGM or at any adjournment thereof.

Please refer to the procedures as set out in the Administrative Guide issued to all shareholders for the electronic lodgement of Proxy Form and on the conduct of the EGM.

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

Last date and time for lodging the Proxy Form : Tuesday, 28 May 2024 at 10.00 a.m.

Date and time of the EGM : Thursday, 30 May 2024 at 10.00 a.m.

This Circular is dated 15 May 2024

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## DEFINITIONS

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

|   |   |
|---|---|
| "Act"                                       | : The Companies Act 2016  |
| "AER" or the "Independent Adviser"          | : Asia Equity Research Sdn Bhd (Registration No.: 201401027762 (1103848-M)), being the Independent Adviser for the Proposed Acquisition of SMS  |
| "AUP Report"                                | : Agreed-upon procedures for verification on the unaudited consolidated statements, which comprise the statements of financial position and the statements of comprehensive income for SMS Group for the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023, prepared by Moore Stephens Associates PLT |
| "Board"                                     | : The Board of Directors of Straits   |
| "Bursa Securities"                          | : Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))  |
| "Captain Tony" or the "Interested Director" | : Tony Tan Han (Chen Han)   |
| "Circular"                                  | : This circular dated 15 May 2024 in relation to the Proposed Acquisitions  |
| "Consideration Shares"                      | : TMD Consideration Shares and SMS Consideration Shares, collectively   |
| "Dato' Suhaimi"                             | : Dato' Mohd Suhaimi bin Hashim   |
| "Director(s)"                               | : The director(s) of Straits and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act, 2007   |
| "EGM"                                       | : Extraordinary general meeting of Straits  |
| "EPS"                                       | : Earnings per share  |
| "FPE"                                       | : Financial period ended/ ending  |
| "FYE"                                       | : Financial year ended/ ending  |
| "IFRS"                                      | : International Financial Reporting Standards   |
| "Listing Requirements"                      | : ACE Market Listing Requirements of Bursa Securities   |
| "LPD"                                       | : 30 April 2024, being the latest practicable date prior to the printing and despatch of this Circular  |
| "MFRS"                                      | : Malaysian Financial Reporting Standards   |
| "Mr. Goo"                                   | : Goo Yong Sing   |
| "NA"  | : Net assets attributable to the owners of the Company  |
| "P/B"                                       | : Price-to-book   |
| "PAT"                                       | : Profit after taxation   |
| "PBT"                                       | : Profit before taxation  |

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**DEFINITIONS (CONT'D)**

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|                                     |   |   |
|-------------------------------------|---|---|
| "Platinum Gate" or the "SMS Vendor" | : | Platinum Gate Capital Pte Ltd (Singapore Registration No.: 201909377M)  |
| "Proposed Acquisition of SMS"       | : | Proposed acquisition by SMF of 49,000 SMS Shares, representing 49% equity interest in SMS for a purchase consideration of RM3,324,902 (equivalent to USD713,330)  |
| "Proposed Acquisition of TMD"       | : | Proposed acquisition by SMF of 4,500,000 TMD Shares, representing 30% equity interest in TMD for a purchase consideration of RM9,720,989 (equivalent to USD2,085,557)   |
| "Proposed Acquisitions"             | : | Proposed Acquisition of TMD and Proposed Acquisition of SMS, collectively   |
| "Purchase Considerations"           | : | TMD Purchase Consideration and SMS Purchase Consideration, collectively   |
| "RM" and "sen"                      | : | Ringgit Malaysia and sen, respectively  |
| "RPT"                               | : | Related party transaction pursuant to Rule 10.08 of the Listing Requirements  |
| "SGD"                               | : | Singapore Dollar  |
| "SMF" or the "Purchaser"            | : | Straits Marine Fuels & Energy Sdn Bhd (Registration No.: 201801043557 (1305589-T))  |
| "SMF Group"                         | : | SMF and its subsidiaries, collectively  |
| "SMS"                               | : | Straits Marine Services Pte Ltd (Singapore Registration No.: 201913019N)  |
| "SMS Group"                         | : | SMS and its subsidiary, collectively  |
| "SMS Purchase Consideration"        | : | Purchase consideration of RM3,324,902 (equivalent to USD713,330) for the Proposed Acquisition of SMS to be satisfied by the SMS Consideration Shares  |
| "SMS Restructuring SSA"             | : | Conditional shares sale and purchase agreement dated 28 December 2023 entered into by SMF (i.e. purchaser) and TMDEL with Straits (i.e. vendor) (as supplemented by a letter dated 29 April 2024 executed between SMF, TMDEL and Straits) for the proposed acquisition by SMF of 51,000 SMS Shares, representing 51% of the equity interest in SMS for a purchase consideration of RM3,460,612 (equivalent to USD742,445) to be satisfied entirely via the issuance of 1,237,055 new TMDEL Shares. The SMS Restructuring SSA was completed on 24 January 2024 |
| "SMS Sale Share(s)"                 | : | 49,000 SMS Shares which is the subject matter of the Proposed Acquisition of SMS  |
| "SMS Share(s)"                      | : | Ordinary share(s) in SMS  |
| "SMS SSA"                           | : | Conditional shares sale and purchase agreement dated 7 February 2024 (as supplemented by the SMS SSA Supplemental Letter) entered into by SMF and TMDEL with Platinum Gate in respect of the Proposed Acquisition of SMS  |

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**DEFINITIONS (CONT'D)**


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|                                  |                 |  |
|----------------------------------|-----------------|--|
| "SMS SSA Supplemental Letter"    | :               | The letter dated 29 April 2024 executed by SMF, TMDEL and Platinum Gate to supplement the SMS SSA  |
| "SMS Share(s)"                   | Consideration : | 1,188,543 new TMDEL Share(s) to be allotted and issued to Platinum Gate to be determined by TMDEL at a later date within 12 months from the completion date of the SMS SSA   |
| "SSAs"                           | :               | TMD SSA and SMS SSA, collectively  |
| "Straits" or the "Company"       | :               | Straits Energy Resources Berhad (Registration No.: 199601040053 (412406-T))  |
| "Straits Group" or the "Group"   | :               | Straits and its subsidiaries, collectively   |
| "Straits Share(s)" or "Share(s)" | :               | Ordinary share(s) in Straits   |
| "TMD"                            | :               | Tumpuan Megah Development Sdn Bhd (Registration No.: 200701040866 (798898-A))  |
| "TMDEL"                          | :               | TMD Energy Limited (Registration No.: 404183), a wholly-owned subsidiary of Straits  |
| "TMDEL Share(s)"                 | :               | Ordinary share(s) in TMDEL   |
| "TMD Group"                      | :               | TMD and its subsidiaries, collectively   |
| "TMD Purchase Consideration"     | :               | Purchase consideration of RM9,720,989 (equivalent to USD2,085,557) for the Proposed Acquisition of TMD to be satisfied by the TMD Consideration Shares   |
| "TMD Restructuring SSA"          | :               | Conditional shares sale and purchase agreement dated 28 December 2023 entered into by SMF (i.e. purchaser) and TMDEL with Straits (i.e. vendor) (as supplemented by a letter dated 29 April 2024 executed between SMF, TMDEL and Straits) for the proposed acquisition by SMF of 10,500,000 TMD Shares, representing 70% of the equity interest in TMD for a purchase consideration of RM22,682,307 (equivalent to USD4,866,299) to be satisfied entirely via the issuance of 8,108,179 new TMDEL Shares. The TMD Restructuring SSA was completed on 24 January 2024 |
| "TMD Sale Share(s)"              | :               | 4,500,000 TMD Shares which is the subject matter of the Proposed Acquisition of TMD  |
| "TMD Share(s)"                   | :               | Ordinary share(s) in TMD   |
| "TMD SSA"                        | :               | Conditional shares sale and purchase agreement dated 7 February 2024 (as supplemented by the TMD SSA Supplemental Letter) entered into by SMF and TMDEL with the Vendors of TMD in respect of the Proposed Acquisition of TMD  |
| "TMD SSA Supplemental Letter"    | :               | The letter dated 29 April 2024 executed by SMF, TMDEL and the Vendors of TMD to supplement the TMD SSA   |
| "TMD Share(s)"                   | Consideration : | 3,474,934 new TMDEL Share(s) to be allotted and issued to the Vendors of TMD to be determined by TMDEL at a later date within 12 months from the completion date of the TMD SSA  |

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**DEFINITIONS (CONT'D)**

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"UOBKH" or the "Adviser" : UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))

"USD" : United States Dollar

"Vendors of TMD" : Dato' Suhaimi and Mr. Goo, collectively

All references to "**you**" or "**your(s)**" in this Circular are made to the shareholders of Straits, who are entitled to attend and vote at the EGM.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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## EXECUTIVE SUMMARY

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

| Key information                      | Description  | Reference to Circular |
|--------------------------------------|--|-----------------------|
| Details of the Proposed Acquisitions | <p><b>Proposed Acquisition of TMD</b></p> <p>The Proposed Acquisition of TMD entails the acquisition by SMF of 4,500,000 TMD Shares, representing the remaining 30% of the equity interest in TMD for the purchase consideration of RM9,720,989 (equivalent to USD2,085,557) to be satisfied entirely via the issuance of 3,474,934 new TMDEL Shares.</p> <p><b>Proposed Acquisition of SMS</b></p> <p>The Proposed Acquisition of SMS entails the acquisition by SMF of 49,000 SMS Shares, representing the remaining 49% of the equity interest in SMS for the purchase consideration of RM3,324,902 (equivalent to USD713,330) to be satisfied entirely via the issuance of 1,188,543 new TMDEL Shares.</p>   | Sections 2 and 3      |
| Rationale and justifications         | <p>The Proposed Acquisitions entails the acquisition of the remaining 30% equity interest in TMD and the remaining 49% equity interest in SMS which would enable Straits to consolidate a higher portion of the equity interest in both TMD and SMS. The Board opines that the additional portion arising from the Proposed Acquisitions will enable Straits Group to enhance the financial performance of the Group.</p> <p>The Proposed Acquisitions present an opportunity for Straits Group to recognize a larger portion of the financial results contribution from TMD and SMS. By having recognize a larger portion of TMD Group and SMS Group's financial results, the Group will stand to benefit immediately from the increased PAT attributable to the owners of the Company, and in turn increasing its EPS. The Board, after taking into consideration the outlook of the maritime industry in Malaysia as set out in <b>Part A, Section 5.3</b> of this Circular, is of the view that TMD Group and SMS Group may be able to contribute to the growth of Straits Group moving forward.</p> | Section 4             |
| Risk factors                         | <p>Pursuant to the Proposed Acquisitions, Straits Group will be exposed to the following risks which include but not limited to, the following:-</p> <ul style="list-style-type: none"> <li>i. Acquisition risk</li> <li>ii. Non-completion of the Proposed Acquisitions</li> <li>iii. Foreign currency risk</li> </ul>  | Section 6             |

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## EXECUTIVE SUMMARY (CONT'D)

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| Key information               | Description  | Reference to Circular |
|-------------------------------|--|-----------------------|
| <b>Approvals required</b>     | <p>The Proposed Acquisitions are subject to the following approvals being obtained:-</p> <ol style="list-style-type: none"> <li>The non-interested shareholders of Straits for the Proposed Acquisition of SMS, at an EGM of the Company to be convened. The highest percentage ratio applicable to the Proposed Acquisition of SMS pursuant to Rule 10.02(g) of the Listing Requirements is 21.44% for the Proposed Acquisition of SMS, calculated based on the net profit of SMS Group against the net profit of Straits Group based on the audited financial statements as at 31 December 2022 (being the latest audited financial statements at the execution date of the SMS SSA);</li> <li>The shareholders of Straits for the Proposed Acquisition of TMD, at an EGM of the Company to be convened. The highest percentage ratio applicable to the Proposed Acquisition of TMD pursuant to Rule 10.02(g) of the Listing Requirements is 41.38% for the Proposed Acquisition of TMD, calculated based on the net profit of TMD Group against the net profit of Straits Group based on the latest audited financial statements as at 31 December 2022 (being the latest audited financial statements at the execution date of the TMD SSA); and</li> <li>Any other relevant authority or party, if required.</li> </ol> <p>The Proposed Acquisition of TMD and Proposed Acquisition of SMS are not inter-conditional upon each other. The Proposed Acquisitions are not conditional upon any other proposals undertaken by the Company.</p> | Section 8             |
| <b>Interested parties</b>     | Save for Captain Tony (who is deemed interested in the Proposed Acquisition of SMS), none of the Directors and/ or major shareholders of Straits and/ or persons connected to them have any interests, whether direct or indirect, in the Proposed Acquisitions.   | Section 9             |
| <b>Board's recommendation</b> | The Board, save for the Interested Director who has abstained from deliberations and voting on the Proposed Acquisition of SMS, recommends that you vote IN FAVOUR of the ordinary resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.  | Section 11            |
| <b>AER's recommendation</b>   | <p>AER is of the opinion that, taken as a whole, the Proposed Acquisition of SMS is <b><u>fair and reasonable and is not detrimental to the interest of the non-interested shareholders and non-interested directors of Straits.</u></b></p> <p>Accordingly, AER <b><u>recommend that the non-interested shareholders and non-interested directors of Straits vote in favour</u></b> of the resolution pertaining to the Proposed Acquisition of SMS to be tabled at the forthcoming EGM.</p>  | Part B                |



**PART A**

**CIRCULAR TO THE SHAREHOLDERS OF STRAITS IN RELATION TO THE PROPOSED  
ACQUISITIONS**



**STRAITS ENERGY RESOURCES BERHAD**

Registration No. 199601040053 (412406-T)  
(Incorporated in Malaysia)

**Registered Office**

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

15 May 2024

**Board of Directors**

Y.A.M. Dato' Seri Tengku Baharuddin Ibni Al-Marhum Sultan Mahmud Al-Muktafi Billah Shah  
(*Non-Independent Non-Executive Chairman*)  
Dato' Sri Ho Kam Choy (*Group Managing Director*)  
Captain Tony Tan Han (Chen Han) (*Executive Director*)  
Dato' Yoong Leong Yan (*Executive Director*)  
Tan Sri Mohd Bakri Bin Mohd Zinin (*Non-Independent Non-Executive Director*)  
Harison Binti Yusoff (*Non-Independent Non-Executive Director*)  
Leong Fook Heng (*Independent Non-Executive Director*)  
Datin Ng Fong Shiang (*Independent Non-Executive Director*)  
Leong Kok Chaw (*Independent Non-Executive Director*)  
Ho Hung Ming (*Alternate Director to Tan Sri Mohd Bakri Bin Mohd Zinin*)  
(*Non-Independent Non-Executive Director*)

**To: The shareholders of Straits**

Dear Sir/ Madam,

- I. PROPOSED ACQUISITION OF TMD; AND**
- II. PROPOSED ACQUISITION OF SMS**

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**1. INTRODUCTION**

On 7 February 2024, UOBKH had, on behalf of the Board, announced the following:-

- (i) SMF and TMDEL had, on 7 February 2024 entered into the TMD SSA with the Vendors of TMD for the proposed acquisition by SMF of 4,500,000 TMD Shares, representing 30% of the equity interest in TMD for a purchase consideration of RM9,720,989 (equivalent to USD2,085,557); and
- (ii) SMF and TMDEL had, on 7 February 2024 entered into the SMS SSA with Platinum Gate for the proposed acquisition by SMF of 49,000 SMS Shares, representing 49% of the equity interest in SMS for a purchase consideration of RM3,324,902 (equivalent to USD713,330).

For the purpose of the SSAs, SMF, TMDEL, Dato' Suhaimi, Mr. Goo and Platinum Gate have mutually agreed to apply the currency exchange rate of USD1.00: RM4.6611.

Pursuant thereto, on 29 April 2024, UOBKH had subsequently, on behalf of the Board, announced that on even date:-

- (i) SMF, TMDEL and the Vendors of TMD had executed the TMD SSA Supplemental Letter for the Proposed Acquisition of TMD to supplement the TMD SSA whereby SMF, TMDEL and the Vendors of TMD have agreed for the payment of the TMD Purchase Consideration to be satisfied entirely via the issuance of 3,474,934 new TMDEL Shares as set out in **Appendix I** of this Circular; and
- (ii) SMF, TMDEL and the SMS Vendor had executed the SMS SSA Supplemental Letter for the Proposed Acquisition of SMS to supplement the SMS SSA whereby SMF, TMDEL and the SMS Vendor have agreed for the payment of the SMS Purchase Consideration to be satisfied entirely via the issuance of 1,188,543 new TMDEL Shares as set out in **Appendix II** of this Circular.

### **Internal restructuring**

For shareholders' information purposes, the Proposed Acquisition of TMD and the Proposed Acquisition of SMS are undertaken in line with the internal restructuring exercise carried out by the Group. Pursuant to the internal restructuring exercise, the Group had undertaken and announced the following proposals:

- i. On 30 November 2023, UOBKH had on behalf of the Board announced that Straits had, on even date entered into a conditional share sale and purchase agreement with TMD for the proposed acquisition of 330,000 ordinary shares in SMF ("**SMF Share(s)**"), representing 33% of the equity interest in SMF for a purchase consideration of RM3,663,619 to be satisfied entirely via cash ("**SMF Acquisition SSA**") ("**SMF Acquisition**"). For avoidance of doubt, the SMF Acquisition had been completed on 1 December 2023 and SMF had become a wholly-owned subsidiary of Straits;
- ii. On 13 December 2023, UOBKH had on behalf of the Board announced that Straits had, on even date, entered into a share sale and purchase agreement with TMDEL for the proposed transfer of 1,000,000 SMF Shares, representing 100% of the equity interest in SMF from Straits to TMDEL for a purchase consideration of RM11,101,874 (equivalent to USD2,381,814) ("**TMDEL Restructuring SSA**"). The TMDEL Restructuring SSA had been completed on 14 December 2023. For shareholders' information, in view that the TMDEL Restructuring SSA is a transfer of SMF shares from Straits to TMDEL (i.e. TMDEL being a wholly-owned subsidiary of Straits), the Company's shareholdings in TMDEL had remained unchanged throughout the TMDEL Restructuring SSA. On 29 April 2024, UOBKH had subsequently, on behalf of the Board, announced that, pursuant to the supplemental letter to the TMDEL Restructuring SSA dated 29 April 2024, the purchase consideration of RM11,101,874 will be satisfied via the issuance of 3,968,556 new TMDEL Shares within 12 months of the completion date of the TMDEL Restructuring SSA;
- iii. On 28 December 2023, UOBKH had on behalf of the Board announced the following:
  - a. SMF had, on even date entered into a conditional share sale and purchase agreement with Straits and TMDEL for the proposed transfer by Straits to SMF of 10 ordinary shares in TMD Straits Ltd ("**TMD Straits**"), representing 100% of the equity interest in TMD Straits for a purchase consideration of RM2,489,812 (equivalent to USD534,168) ("**TMD Straits Restructuring SSA**"). The TMD Straits Restructuring SSA had been completed on 10 January 2024. On 29 April 2024, UOBKH had subsequently, on behalf of the Board, announced that, pursuant to the supplemental letter to the TMD Straits Restructuring SSA dated 29 April 2024, the purchase consideration of RM2,489,812 will be satisfied via the issuance of 890,026 new TMDEL Shares within 12 months of the completion date of the TMD Straits Restructuring SSA;

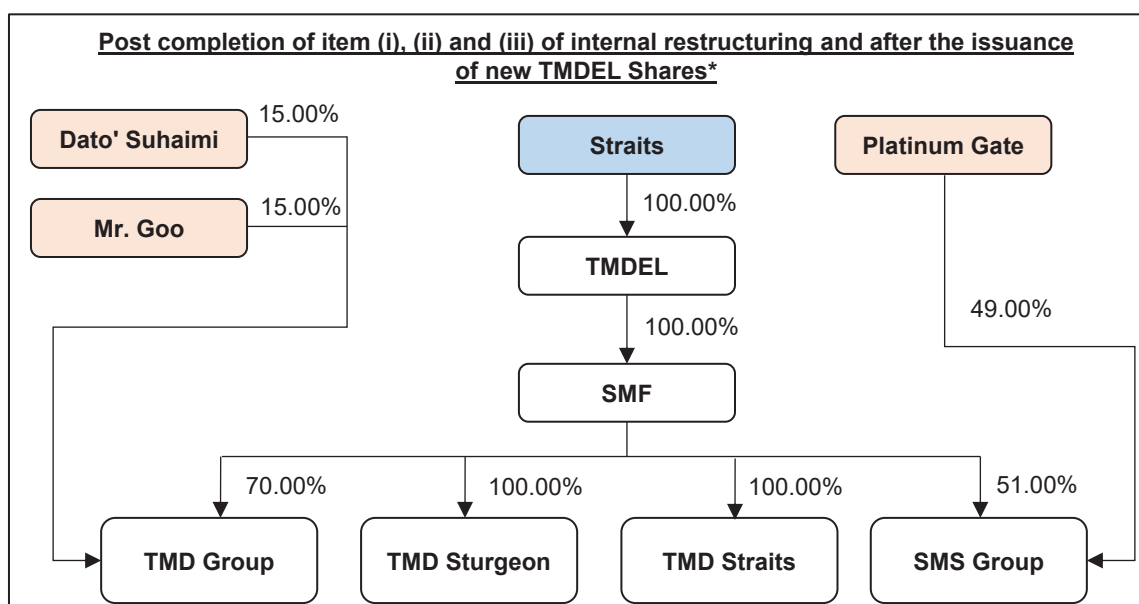
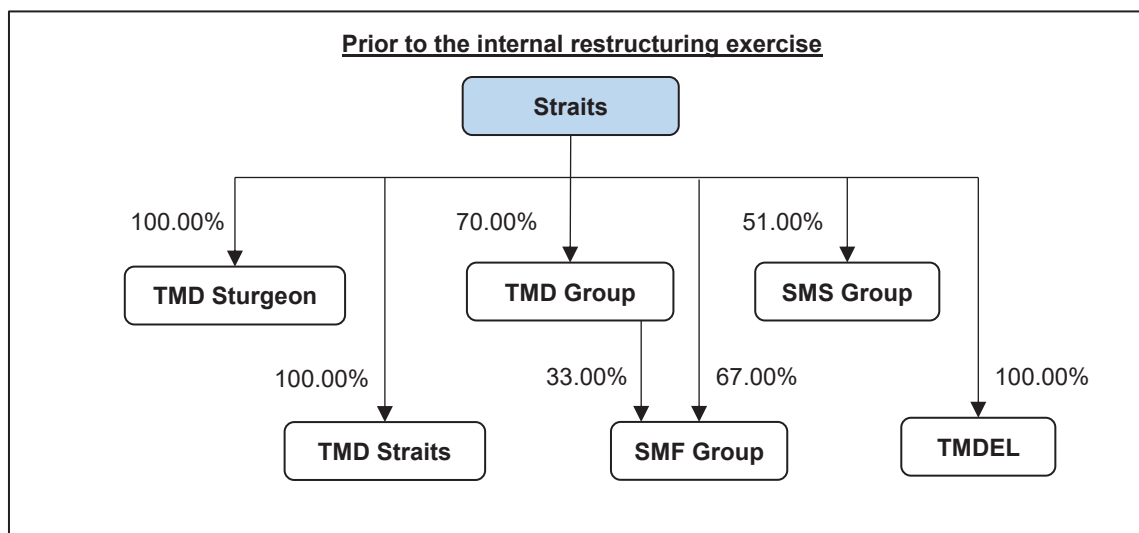
- b. SMF had, on even date entered into a conditional share sale and purchase agreement with Straits and TMDEL for the proposed transfer by Straits to SMF of 10 ordinary shares in TMD Sturgeon Ltd ("**TMD Sturgeon**"), representing 100% of the equity interest in TMD Sturgeon for a purchase consideration of RM3,168,423 (equivalent to USD679,759) ("**TMD Sturgeon Restructuring SSA**"). The TMD Sturgeon Restructuring SSA had been completed on 10 January 2024. On 29 April 2024, UOBKH had subsequently, on behalf of the Board, announced that, pursuant to the supplemental letter to the TMD Sturgeon Restructuring SSA dated 29 April 2024, the purchase consideration of RM3,168,423 will be satisfied via the issuance of 1,132,607 new TMDEL Shares within 12 months of the completion date of the TMD Sturgeon Restructuring SSA;
- c. SMF had, on even date entered into a conditional share sale and purchase agreement with Straits and TMDEL for the proposed transfer by Straits to SMF of 51,000 SMS Shares, representing 51% of the equity interest in SMS for a purchase consideration of RM3,460,612 (equivalent to USD742,445) ("**SMS Restructuring SSA**"). The SMS Restructuring SSA had been completed on 24 January 2024. On 29 April 2024, UOBKH had subsequently, on behalf of the Board, announced that, pursuant to the supplemental letter to the SMS Restructuring SSA dated 29 April 2024, the purchase consideration of RM3,460,612 will be satisfied via the issuance of 1,237,055 new TMDEL Shares within 12 months of the completion date of the SMS Restructuring SSA; and
- d. SMF had, on even date entered into a conditional share sale agreement with Straits and TMDEL for the proposed transfer by Straits to SMF of 10,500,000 TMD Shares, representing 70% of the equity interest in TMD for a purchase consideration of RM22,682,307 (equivalent to USD4,866,299) ("**TMD Restructuring SSA**"). The TMD Restructuring SSA had been completed on 24 January 2024. On 29 April 2024, UOBKH had subsequently, on behalf of the Board, announced that, pursuant to the supplemental letter to the TMD Restructuring SSA dated 29 April 2024, the purchase consideration of RM22,682,307 will be satisfied via the issuance of 8,108,179 new TMDEL Shares within 12 months of the completion date of the TMD Straits Restructuring SSA.

(TMDEL Restructuring SSA, TMD Straits Restructuring SSA, TMD Sturgeon Restructuring SSA, SMS Restructuring SSA and TMD Restructuring SSA together with all the supplemental letters are collectively referred to as the "**Internal Restructuring SSAs**")

The Internal Restructuring SSAs were entered into between Straits (being the ultimate holding company), SMF and TMDEL (both being wholly-owned subsidiaries of Straits) and as such, the Internal Restructuring SSAs were exempted from the requirements under Parts D and E of Chapter 10 of the Listing Requirements, pursuant to Rule 10.02 (j)(iii) of the Listing Requirements.

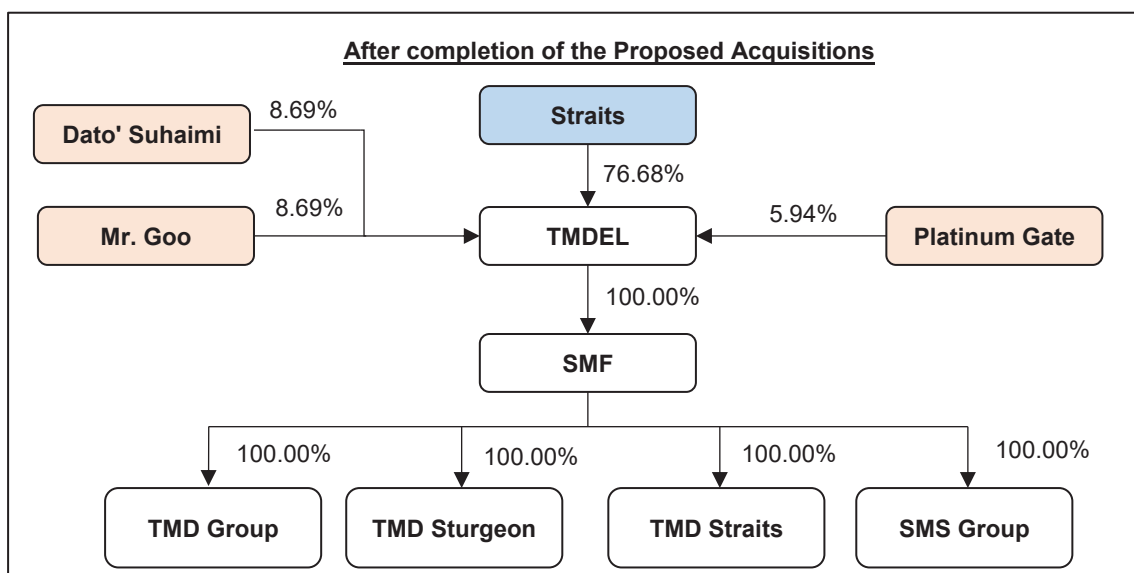
For avoidance of doubt, the Proposed Acquisition of TMD and the Proposed Acquisition of SMS (being the subject matter of this Circular) will enable the Group to achieve its intended corporate structure.

The structure of the Proposed Acquisitions and the internal restructuring is depicted in the following diagrams:-



**Note:-**

The shareholding reflected in the table above is after the full issuance of new TMDEL Shares to satisfy the purchase consideration. Notwithstanding the foregoing, the Board intends to issue the new TMDEL Shares pursuant to the Internal Restructuring SSAs by the third quarter of 2024. For avoidance of doubt, save for the SMF Acquisition, the effective shareholdings of Straits in TMDEL as illustrated above are the same before and after the issuance of TMDEL Shares in relation to the Internal Restructuring SSAs.



The Proposed Acquisition of TMD is not deemed as RPT in accordance to Rule 10.08 of the Listing Requirements. However, the Proposed Acquisition of SMS is deemed as RPT under Rule 10.08 of the Listing Requirements in view that the Proposed Acquisition of SMS involves the interests of Captain Tony who is a director of Straits and director and major shareholder of SMS, via his shareholdings in Platinum Gate. Pursuant thereto, the Board (save for the Interested Director) has appointed AER via appointment letter dated 15 August 2023, to act as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Straits as to whether the Proposed Acquisition of SMS is fair and reasonable so far as the non-interested directors and non-interested shareholders of the Company are concerned, and whether the Proposed Acquisition of SMS is to the detriment of the non-interested shareholders of Straits. For information purposes, the Proposed Acquisitions are not inter-conditional upon each other. Please refer to **Part A, Section 9** of this Circular for details on the interests of directors, major shareholders and/ or persons connected with them.

Details of the Proposed Acquisitions are set out in the ensuing sections of this Circular.

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

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

## 2. DETAILS OF THE PROPOSED ACQUISITION OF TMD

SMF and TMDEL had, on 7 February 2024 entered into the TMD SSA with the Vendors of TMD for the proposed acquisition by SMF of 4,500,000 TMD Shares, representing the remaining 30% of the equity interest in TMD, free from any and all encumbrances for the purchase consideration of RM9,720,989 (equivalent to USD2,085,557).

SMF and TMDEL had subsequently, on 29 April 2024 entered into the TMD SSA Supplemental Letter with the Vendors of TMD to supplement the TMD SSA whereby SMF, TMDEL and the Vendors of TMD have agreed for the payment of the TMD Purchase Consideration to be satisfied entirely via the issuance of 3,474,934 new TMDEL Shares.

As at the LPD, TMD is a 70%-owned subsidiary of SMF, which is an indirect wholly-owned subsidiary of Straits. Upon completion of the Proposed Acquisition of TMD from the Vendors of TMD, TMD will become a wholly-owned subsidiary of SMF.

## 2.1 Information on TMD

TMD was incorporated in Malaysia on 10 December 2007 under the Companies Act, 1965 (and is deemed registered under the Act) as a private limited company. TMD commenced operations in July 2013. The principal activities of TMD are the provision of bunkering services which entail the offering of marine logistics and marine support services to companies mainly in the maritime industry such as oil trading & bunkering services which involves the provision of refuelling marine gas oil and marine fuel oil through vessels to other ships and ocean faring vessels such as container vessels, cargo vessels and oil tankers. In essence, oil bunkering services entails the offering of marine logistics and marine supports services to companies mainly in the field of marine transportation and oil and gas industries. Chartering services involves vessels chartering services for oil trading & bunkering.

As at the LPD, TMD has a total issued share capital of RM15,000,000 comprising 15,000,000 ordinary shares. As at the LPD, TMD does not have any convertible securities.

As at the LPD, the directors of TMD and their direct and indirect shareholdings in TMD are as follows:-

| Name  | Nationality | Designation | <-----Direct-----> |      | <-----Indirect-----> |   |
|---|-------------|-------------|--------------------|------|----------------------|---|
|   |             |             | No. of shares      | %    | No. of shares        | % |
| Y.A.M. Dato' Seri Tengku Baharuddin Ibni Al-Marhum Sultan Mahmud Al-Muktafi Billah Shah | Malaysian   | Director    | -                  | -    | -                    | - |
| Dato' Sri Ho Kam Choy   | Malaysian   | Director    | -                  | -    | -                    | - |
| Raja Ismail bin Raja Mohamed  | Malaysian   | Director    | -                  | -    | -                    | - |
| Ho Hung Ming  | Malaysian   | Director    | -                  | -    | -                    | - |
| Tan Sri Mohd Bakri bin Mohd Zinin   | Malaysian   | Director    | -                  | -    | -                    | - |
| Dato' Suhaimi   | Malaysian   | Director    | 2,250,000          | 15.0 | -                    | - |

As at the LPD, the shareholders of TMD and their direct and indirect shareholdings in TMD are as follows:-

| Name          | Nationality/ Country of incorporation | <-----Direct-----> |      | <-----Indirect-----> |   |
|---------------|---------------------------------------|--------------------|------|----------------------|---|
|               |                                       | No. of shares      | %    | No. of shares        | % |
| Dato' Suhaimi | Malaysian                             | 2,250,000          | 15.0 | -                    | - |
| Mr. Goo       | Malaysian                             | 2,250,000          | 15.0 | -                    | - |
| SMF**1        | Malaysia                              | 10,500,000         | 70.0 | -                    | - |

**Note:-**

<sup>\*1</sup> For information purpose, TMDEL is deemed interested via its shareholding in SMF pursuant to Section 8(4) of the Act. Straits is also deemed interested via its shareholding in TMDEL pursuant to Section 8(4) of the Act.

As at the LPD, TMD has 6 wholly-owned subsidiaries and 2 associate companies, the details of which are as follows:-

| <b>Name</b>   | <b>Date of incorporation</b> | <b>Place of incorporation</b> | <b>Equity interest</b> | <b>Principal activities</b>  |
|---|------------------------------|-------------------------------|------------------------|--|
| <b>Subsidiaries</b>   |                              |                               |                        |  |
| Cavalla Asia Ltd  | 1 June 2018                  | Labuan, Malaysia              | 100%                   | Provision of vessel chartering services  |
| Dolphin Asia Ltd  | 1 June 2018                  | Labuan, Malaysia              | 100%                   | Provision of vessel chartering services  |
| Escolar Asia Ltd  | 1 June 2018                  | Labuan, Malaysia              | 100%                   | Provision of vessel chartering services  |
| Oscar Asia Ltd  | 1 June 2018                  | Labuan, Malaysia              | 100%                   | Provision of vessel chartering services  |
| Phoenix Asia Ltd  | 1 June 2018                  | Labuan, Malaysia              | 100%                   | Provision of vessel chartering services  |
| S3 Asia Ltd   | 1 June 2018                  | Labuan, Malaysia              | 100%                   | Provision of vessel chartering services  |
| <b>Associates</b>   |                              |                               |                        |  |
| Horizon Shipyard Inter Globe (M) Sdn Bhd                          | 10 May 2023                  | Malaysia                      | 20%                    | Repair and maintenance of transport equipment except motorcycles and bicycles          |
| TMD Marine Fuels Sdn Bhd (Formerly known as Falcon Logic Sdn Bhd) | 5 January 2021               | Malaysia                      | 30%                    | Dealing in oil and petroleum products, oil trading, oil bunkering and related services |

Please refer to **Appendix III** of this Circular for further details on TMD.

## **2.2 Basis and justification of arriving at the TMD Purchase Consideration**

The TMD Purchase Consideration was arrived at on a willing-buyer willing-seller basis between SMF and the Vendors of TMD, after taking into consideration the adjusted NA of TMD as at FYE 31 December 2022.

For illustrative purposes, the adjusted NA position after adjusting for the capital contribution by Straits in tranches throughout 2018 for the purpose of providing financial support to TMD for its working capital requirements and a loss incurred from the disposal of an associate of TMD on 30 November 2023 is as follows:-

|  |                   |
|--|-------------------|
|  | <b>RM</b>         |
| NA of TMD                                  | 55,085,291        |
| Less: Capital contribution by Straits      | (22,000,000)      |
| Less: Loss on disposal of associate by TMD | (681,996)         |
| <b>Adjusted NA</b>                         | <b>32,403,295</b> |



The adjusted NA of TMD Group of RM32,403,295 and the purchase consideration of RM9,720,989 for 30% equity in TMD which translates to a P/B ratio of 1.00 times, as illustrated below; and

|  |                     | RM          |
|--|---------------------|-------------|
| Adjusted NA of TMD <sup>*1</sup>               | (i)                 | 32,403,295  |
| NA of the Vendors of TMD's 30% equity interest | (ii)                | 9,720,989   |
| Purchase Consideration                         | (iii)               | 9,720,989   |
| <b>Price-to-book ratio</b>                     | <b>(iii) / (ii)</b> | <b>1.00</b> |

**Note:**

<sup>\*1</sup> For avoidance of doubt, the individual audited financial statements of TMD and each of its subsidiaries are audited as at FYE 31 December 2022. TMD has not prepared any consolidated audited financial statements for FYE 31 December 2022 as it applied the relevant exemptions under Paragraph 4(a) of MFRS 10 which exempts a company from the preparation of a consolidated financial statements. As such, we have denoted the above consolidated TMD Group accounts as unaudited. In view of the above, Straits Group had prepared the unaudited consolidated financial statements of TMD and its subsidiaries (based on their individual audited financial statements as at the execution date of the TMD SSA) and reviewed by the Group's external auditors, namely Moore Stephens Associates PLT.

For shareholders' information, TMD is principally involved in the provision of bunkering services which entails the offering of marine logistics and marine support services to companies mainly in the maritime industry such as oil trading & bunkering services which involves the provision of refuelling marine gas oil and fuel oil through its vessels to other ships. As such, TMD's nature of business is heavily reliant on the assets of the group, namely M.T. Cavalla (owned by Cavalla Asia Ltd), M.T. Dolphin 1 (owned by Dolphin Asia Ltd), M.T. Oscar (owned by Oscar Asia Ltd), M.T. Phoenix (owned by Phoenix Asia Ltd), M.T. Straits 3 (owned by S3 Asia Ltd) and M.T. Escolar (owned by Escolar Asia Ltd), which are used for the daily operations and ongoing business activities. In view of the above, we have used the P/B ratio to reflect the book value of the group's assets. Additionally, the Vendors of TMD intend to remain financially interested in the restructured SMF Group via their shareholdings in TMDEL, pursuant to the Proposed Acquisition of TMD. As such, the use of P/B ratio as the basis for determining the TMD Purchase Consideration would allow the Group to mitigate any risks associated with earnings volatility of TMD.

Pursuant to the above, the TMD Purchase Consideration is deemed reasonable premised on the adjusted NA of TMD, the future prospects of the Group as set out in **Part A, Section 5.4** of this Circular and the rationale and benefits arising from the Proposed Acquisition of TMD as set out in **Part A, Section 4** of this Circular.

## 2.3 Mode of settlement

The TMD Purchase Consideration of RM9,720,989 (equivalent to USD2,085,557) will be fully satisfied via the issuance of 3,474,934 TMD Consideration Shares at RM2.7976 (equivalent to USD0.6002) per TMDEL share within 12 months from the completion date of the TMD SSA in the following manner:-

| Shareholder   | Issue price per TMDEL Share | No. of TMDEL Shares to be issued pursuant to the Proposed Acquisition of TMD | %            |
|---------------|-----------------------------|--|--------------|
| Dato' Suhaimi | RM2.7976                    | 1,737,467  | 8.69         |
| Mr. Goo       | RM2.7976                    | 1,737,467  | 8.69         |
| <b>Total</b>  |                             | <b>3,474,934</b>   | <b>17.38</b> |

As set out above, pursuant to the Proposed Acquisition of TMD, the TMD Purchase consideration amounting to RM9,720,989 (equivalent to USD2,085,557) will be satisfied via the issuance of 3,474,934 new TMDEL Shares at an issue price of RM2.7976 (equivalent to USD0.6002) per TMDEL Share, based on the pro forma NA per TMDEL Share at USD0.6002 per TMDEL Share as at 31 December 2022 after taking into consideration all the internal restructuring exercises as outlined in **Part A, Section 1** of this Circular.

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

### **Information on TMDEL**

TMDEL was incorporated in the Cayman Islands on 17 October 2023 as a private company limited by shares. As at the LPD, the issued and fully paid up capital of TMDEL is USD0.01 comprising 100 ordinary shares. The Company had announced on 21 November 2023, that Straits acquired 100 TMDEL Shares representing 100% of the equity interest in TMDEL from Ogier Global Subscriber (Cayman) Limited for a purchase consideration of RM0.05 (equivalent to USD0.01) satisfied entirely via cash. As at the LPD, TMDEL does not have convertible securities. As at the LPD, TMDEL is a wholly-owned subsidiary of Straits.

As at the LPD, the director of TMDEL and his direct shareholding in TMDEL is as follows:-

| <b>Name</b>           | <b>Nationality</b> | <b>&lt;-----Direct-----&gt;</b> |          | <b>&lt;-----Indirect-----&gt;</b> |          |
|-----------------------|--------------------|---------------------------------|----------|-----------------------------------|----------|
|                       |                    | <b>No. of shares</b>            | <b>%</b> | <b>No. of shares</b>              | <b>%</b> |
| Dato' Sri Ho Kam Choy | Malaysian          | -                               | -        | -                                 | -        |

As at the LPD, TMDEL has 1 wholly-owned subsidiary, 18 indirect subsidiaries and 2 indirect associate companies, the details of which are as follows:-

| <b>Name</b>                | <b>Date of incorporation</b> | <b>Place of incorporation</b> | <b>Equity interest</b> | <b>Principal activities</b>             |
|----------------------------|------------------------------|-------------------------------|------------------------|---|
| <b>Subsidiaries</b>        |                              |                               |                        |   |
| SMF                        | 29 November 2018             | Malaysia                      | 100%                   | Investment holding                      |
| <b>Subsidiaries of SMF</b> |                              |                               |                        |   |
| SMF Begonia Ltd            | 18 February 2019             | Labuan, Malaysia              | 100%                   | Provision of vessel chartering services |
| SMF Ixora Ltd              | 18 February 2019             | Labuan, Malaysia              | 100%                   | Provision of vessel chartering services |
| SMF Omura Ltd              | 25 February 2020             | Labuan, Malaysia              | 100%                   | Provision of vessel chartering services |
| SMF Eden Maritime Ltd      | 18 August 2020               | Labuan, Malaysia              | 100%                   | Provision of vessel chartering services |
| SMF Beluga Ltd             | 21 February 2020             | Labuan, Malaysia              | 51%                    | Provision of vessel chartering services |
| Sierra Pioneer Marine Ltd  | 15 January 2021              | Labuan, Malaysia              | 51%                    | Provision of vessel chartering services |
| Katsu Pioneer Marine Ltd   | 18 May 2021                  | Labuan, Malaysia              | 51%                    | Provision of vessel chartering services |

|   |                  |                  |      |  |
|---|------------------|------------------|------|--|
| TMD   | 10 December 2007 | Malaysia         | 70%  | Provision of bunkering services for marine fuel and petroleum-based products           |
| SMS   | 23 April 2019    | Singapore        | 51%  | Ship management services   |
| TMD Straits Ltd   | 2 December 2016  | Labuan, Malaysia | 100% | Provision of vessel chartering services  |
| TMD Sturgeon Ltd  | 5 December 2016  | Labuan, Malaysia | 100% | Provision of vessel chartering services  |
| <b>Subsidiaries of TMD</b>  |                  |                  |      |  |
| Cavalla Asia Ltd  | 1 June 2018      | Labuan, Malaysia | 100% | Provision of vessel chartering services  |
| Dolphin Asia Ltd  | 1 June 2018      | Labuan, Malaysia | 100% | Provision of vessel chartering services  |
| Escolar Asia Ltd  | 1 June 2018      | Labuan, Malaysia | 100% | Provision of vessel chartering services  |
| Oscar Asia Ltd  | 1 June 2018      | Labuan, Malaysia | 100% | Provision of vessel chartering services  |
| Phoenix Asia Ltd  | 1 June 2018      | Labuan, Malaysia | 100% | Provision of vessel chartering services  |
| S3 Asia Ltd   | 1 June 2018      | Labuan, Malaysia | 100% | Provision of vessel chartering services  |
| <b>Associates of TMD</b>  |                  |                  |      |  |
| Horizon Shipyard Inter Globe (M) Sdn Bhd                          | 10 May 2023      | Malaysia         | 20%  | Repair and maintenance of transport equipment except motorcycles and bicycles          |
| TMD Marine Fuels Sdn Bhd (Formerly known as Falcon Logic Sdn Bhd) | 5 January 2021   | Malaysia         | 30%  | Dealing in oil and petroleum products, oil trading, oil bunkering and related services |
| <b>Subsidiary of SMS</b>  |                  |                  |      |  |
| Straits Maritime Services Pte Ltd                                 | 7 April 2021     | Singapore        | 100% | Provision of shipping services, general cleaning and disinfecting                      |

## 2.4 Source of funds

The TMD Purchase Consideration amounting to RM9,720,989 (equivalent to USD2,085,557) shall be satisfied entirely via the allotment and issuance of 3,474,934 TMD Consideration Shares at RM2.7976 (equivalent to USD0.6002) per TMD Consideration Share to the Vendors of TMD.

## 2.5 Liabilities to be assumed by SMF

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the TMD SSA (as stated in **Appendix I** of this Circular), there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by SMF, Straits and/ or TMDEL arising from the Proposed Acquisition of TMD. For information purposes, the existing liabilities of TMD will be settled by TMD in its ordinary course of business.

## 2.6 Additional financial commitment required

Upon completion of the Proposed Acquisition of TMD, there are no additional financial commitments to be incurred by Straits Group to put the business of TMD on-stream. TMD is already a company within the Straits Group and an ongoing business entity with a historical profit track record as set out in **Section 10** of **Appendix III** of this Circular. Based on the latest audited consolidated financial statements of TMD for the FYE 31 December 2023, TMD Group has recorded a PAT of approximately RM8.29 million.

## 2.7 Original cost and date of investment in TMD

The original cost of investment of the Vendors of TMD in TMD and the date of such investment are set out below:-

| Vendors of TMD | Nature and date of investment | No. of TMD Shares | Cost of investment RM |
|----------------|-------------------------------|-------------------|-----------------------|
| Dato' Suhaimi  | Purchased on 11 December 2019 | 6,750,000         | 2,295,000.00          |
|                | Sold on 3 March 2021          | 2,250,000         | 11,714,647.35         |
|                | Sold on 18 January 2024       | 2,250,000         | 4,860,494.00          |
| Mr. Goo        | Purchased on 18 January 2024  | 2,250,000         | 4,860,494.00          |

## 2.8 Information on the Vendors of TMD

Dato' Suhaimi, a Malaysian aged 63, obtained his Bachelor of Business Administration from the Lyceum of the Philippines University in 1996. He is a Director of multiple private companies.

Mr. Goo, a Malaysian, aged 52 graduated from National Taiwan Ocean University in 1996 with a Bachelor Degree in Shipping & Transport Management. He has over 27 years working experience in supply chain management, sales and marketing, quality assurance and inventory management. He started his career in 1996 with Maxmart Shipping & Trading in Taiwan and he was involved in handling international vessels and cargo brokering for charterers/ traders and ship owners. In 2001, he incorporated Max-Bridge Chartering Sdn Bhd, which was involved in ships management and brokering for small handy vessels within Southeast Asia and Far East Region until 2007.

In December 2007, Mr. Goo operated a partnership business named 2010 Ship Pte Ltd in Singapore that was involved primarily in worldwide bulk carriers operating, focusing in Supramax, Handymax, Panamax and Capesize Vessels, freight support and vessel operation and chartering. Mr. Goo also worked as a General Manager in Sinar Maju Logistik Sdn Bhd from January 2018 till August 2022 where he managed the day to day shipping operations.

## 3. DETAILS OF THE PROPOSED ACQUISITION OF SMS

SMF and TMDEL had, on 7 February 2024 entered into the SMS SSA with Platinum Gate for the proposed acquisition by SMF of 49,000 SMS Shares, representing the remaining 49% of the equity interest in SMS, free from any and all encumbrances for the purchase consideration of RM3,324,902 (equivalent to USD713,330).

SMF and TMDEL had subsequently, on 29 April 2024 entered into the SMS SSA Supplemental Letter with Platinum Gate to supplement the SMS SSA whereby SMF, TMDEL and Platinum Gate have agreed for the payment of the SMS Purchase Consideration to be satisfied entirely via the issuance of 1,188,543 new TMDEL Shares.

As at the LPD, SMS is a 51%-owned subsidiary of SMF, which is an indirect wholly-owned subsidiary of Straits. Upon completion of the Proposed Acquisition of SMS from Platinum Gate, SMS will become a wholly-owned subsidiary of SMF.

### 3.1 Information on SMS

SMS was incorporated in Singapore on 23 April 2019 under the Companies Act 1967 of Singapore as a private limited company. SMS commenced business in April 2019 while its wholly-owned subsidiary, Straits Maritime Services Pte Ltd commenced business in April 2021. SMS and its subsidiary are principally involved in ship management services including the services of technical management, crew management and marine consultancy, provision of shipping agency services which entail the handling of shipments as well as general needs of its customers' vessel ports in Malaysia, general cleaning and disinfecting of customers' vessel. The general cleaning and disinfecting business started during the COVID-19 period where disinfection was a precautionary measure to be undertaken by all vessels. SMS Group operates domestically in Singapore and internationally in the marine services industry in Malaysia, Hong Kong, Thailand, Indonesia and Vietnam.

As at the LPD, SMS has a total issued share capital of SGD100,000 comprising 100,000 ordinary shares. As at the LPD, SMS does not have any convertible securities.

As at the LPD, the directors of SMS and their direct and indirect shareholdings in SMS are as follows:-

| Name         | Designation | Nationality | <-----Direct-----> |   | <-----Indirect*-----> |                    |
|--------------|-------------|-------------|--------------------|---|-----------------------|--------------------|
|              |             |             | No. of shares      | % | No. of shares         | %                  |
| Ho Hung Ming | Director    | Malaysian   | -                  | - | -                     | -                  |
| Captain Tony | Director    | Singaporean | -                  | - | 49,000                | 49.0 <sup>*1</sup> |

**Notes:-**

\* Calculated based on Section 8(4) of the Act.

<sup>\*1</sup> Deemed interested via his shareholding in Platinum Gate (i.e. 80%).

As at the LPD, the shareholders of SMS and their direct and indirect shareholdings in SMS are as follows:-

| Name              | Country of incorporation | <-----Direct-----> |      | <-----Indirect*-----> |   |
|-------------------|--------------------------|--------------------|------|-----------------------|---|
|                   |                          | No. of shares      | %    | No. of shares         | % |
| SMF <sup>*1</sup> | Malaysia                 | 51,000             | 51.0 | -                     | - |
| Platinum Gate     | Singapore                | 49,000             | 49.0 | -                     | - |

**Notes:-**

\* Calculated based on Section 8(4) of the Act.

<sup>\*1</sup> SMF is a wholly-owned subsidiary of TMDEL, which is a wholly-owned subsidiary of Straits. For information purpose, TMDEL is deemed interested via its shareholding in SMF. Straits is also deemed interested via its shareholding in TMDEL.

As at the LPD, SMS has 1 wholly-owned subsidiary and no associate company, the details of which are as follows:-

| Name                              | Date of incorporation | Place of incorporation | Equity interest | Principal activities  |
|-----------------------------------|-----------------------|------------------------|-----------------|---|
| <b>Subsidiary</b>                 |                       |                        |                 |   |
| Straits Maritime Services Pte Ltd | 7 April 2021          | Singapore              | 100%            | Provision of shipping services, general cleaning and disinfecting |

Please refer to **Appendix IV** of this Circular for further details on SMS.

### 3.2 Basis and justification of arriving at the SMS Purchase Consideration

The SMS Purchase Consideration was arrived at on a willing-buyer willing-seller basis between SMF and Platinum Gate, after taking into consideration the following:-

- (i) the unaudited consolidated NA of SMS Group as at 31 December 2022 of RM6,785,514 and the purchase consideration of RM3,324,902 for 49% equity in SMS which translates to a P/B ratio of 1.00 times, as illustrated below:-

|   |                     | RM          |
|---|---------------------|-------------|
| Consolidated NA of SMS <sup>*1</sup>      | (i)                 | 6,785,514   |
| NA of Platinum Gate's 49% equity interest | (ii)                | 3,324,902   |
| Purchase Consideration                    | (iii)               | 3,324,902   |
| <b>Price-to-book ratio</b>                | <b>(iii) / (ii)</b> | <b>1.00</b> |

**Note:**

<sup>\*1</sup> For avoidance of doubt, the individual audited financial statements of SMS and its subsidiary are audited as at FYE 31 December 2022. SMS has not prepared any consolidated audited financial statements for FYE 31 December 2021 and FYE 31 December 2022 as it applied the relevant exemptions under Paragraph 4(a) of IFRS 10 which exempts a company from the preparation of a consolidated financial statements. As such, we have denoted the above consolidated SMS Group accounts as unaudited. In view of the above, Straits Group had prepared the unaudited consolidated financial statements of SMS and its subsidiary (based on their individual audited financial statements as at the execution date of the SMS SSA) and reviewed by the Group's external auditors, namely Moore Stephens Associates PLT.

For shareholder's information the application of the P/B ratio method is a reasonable and fair practise for vendors in order to determine purchase price. The P/B of 1.00 time would translate to the SMS Purchase Consideration being equal to its book value. Please refer to **Section 6.2** of Part B of this Circular for further details on the evaluation of the basis of arriving at the SMS Purchase Consideration. Additionally, the approach to determine the SMS Purchase Consideration and the issue price per share for each TMDEL Share at RM2.7976 per share (equivalent to USD0.6002) to the SMS Vendor is based on the pro forma NA per TMDEL Share at USD0.6002 per TMDEL Share as at 31 December 2022. As such, the SMS Purchase Consideration as well as the issue price per TMDEL Share translate to a P/B ratio of 1.00 time; and

- (ii) the rationale and benefits arising from the Proposed Acquisition of SMS, further details of which are set out in **Part A, Section 4** of this Circular.

For shareholders' information, Platinum Gate intends to remain financially interested in the restructured SMF Group via its shareholdings in TMDEL, pursuant to the Proposed Acquisition of SMS. As such, the use of P/B ratio as the basis for determining the SMS Purchase Consideration would allow the Group to mitigate any risks associated with earnings volatility of SMS.

The Board (save for the Interested Director) is of the view that the Purchase Consideration is justifiable after taking into consideration the following factors:-

- (i) The Purchase Consideration represents a P/B ratio of 1.00 time to the consolidated NA of SMS Group as at 31 December 2022, based on the value accorded to the 49% equity interest in SMS Group of RM3,324,902; and
- (ii) the rationale and benefits arising from the Proposed Acquisition of SMS, further details of which are set out in **Part A, Section 4** of this Circular.

### 3.3 Mode of settlement

The SMS Purchase Consideration of RM3,324,902 (equivalent to USD713,330) will be fully satisfied via the issuance of 1,188,543 SMS Consideration Shares at RM2.7976 (equivalent to USD0.6002) per TMDEL Share within 12 months from the completion date of the SMS SSA in the following manner:-

| Shareholder   | Issue price per TMDEL Share | No. of TMDEL Shares to be issued pursuant to the Proposed Acquisition of SMS | %    |
|---------------|-----------------------------|--|------|
| Platinum Gate | RM2.7976                    | 1,188,543  | 5.94 |

As set out above, pursuant to the Proposed Acquisition of SMS, the SMS Purchase consideration amounting to RM3,324,902 (equivalent to USD713,330) will be satisfied via the issuance of 1,188,543 new TMDEL Shares at an issue price of RM2.7976 (equivalent to USD0.6002) per TMDEL share, based on the pro forma NA per TMDEL Share at USD0.6002 per TMDEL Share as at 31 December 2022 after taking into consideration all the internal restructuring exercises as outlined in **Part A, Section 1** of this Circular.

The issue price of RM2.7976 (equivalent to USD0.6002) per SMS Consideration Share was computed based on the SMS Purchase Consideration of RM3,324,902 divided by 1,188,543 SMS Consideration Shares, representing 5.94% of enlarged issued shares of TMDEL to be held by Platinum Gate, post completion of the Proposed Acquisition of SMS.

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

### 3.4 Source of funds

The SMS Purchase Consideration amounting to RM3,324,902 (equivalent to USD713,330) shall be satisfied entirely via the allotment and issuance of 1,188,543 SMS Consideration Shares at RM2.7976 (equivalent to USD0.6002) per TMD Consideration Share to the SMS Vendor.

### 3.5 Liabilities to be assumed by SMF

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the SMS SSA (as set out in **Appendix II** of this Circular), there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by SMF, Straits and/ or TMDEL arising from the Proposed Acquisition of SMS. For information purposes, the existing liabilities of SMS will be settled by SMS in its ordinary course of business.



### 3.6 Additional financial commitment required

Upon completion of the Proposed Acquisition of SMS, there are no additional financial commitments to be incurred by Straits Group to put the business of SMS on-stream. SMS is already a company within the Straits Group and an ongoing business entity with a historical profit track record as set out in **Section 10 of Appendix IV** of this Circular. Based on the unaudited consolidated financial statements of SMS Group for the FYE 31 December 2023, SMS Group has recorded a PAT of approximately RM2.15 million.

### 3.7 Original cost and date of investment in SMS

The original cost of investment of the SMS Vendor in SMS and the date of such investment are set out below:-

| SMS Vendor    | Nature and date of investment | No. of SMS Shares | Cost of investment SGD |
|---------------|-------------------------------|-------------------|------------------------|
| Platinum Gate | Purchased on 23 April 2019    | 49                | 49                     |
|               | Purchased on 17 May 2019      | 48,951            | 48,951                 |

### 3.8 Information on the SMS Vendor

Platinum Gate was incorporated in Singapore on 22 March 2019 under the Companies Act 1967 of Singapore as an exempt private limited company and is principally involved as an investment holding company.

As at the LPD, Platinum Gate has a total issued share capital of SGD100,000 comprising 100,000 ordinary shares. As at the LPD, Platinum Gate does not have any convertible securities.

As at the LPD, the directors and shareholders of Platinum Gate and their direct and indirect shareholding in Platinum Gate are as follows:-

| Name             | Designation              | Nationality | <-----Direct-----> |      | <-----Indirect-----> |   |
|------------------|--------------------------|-------------|--------------------|------|----------------------|---|
|                  |                          |             | No. of shares      | %    | No. of shares        | % |
| Djie Kwang Liong | Director/<br>Shareholder | Singaporean | 20,000             | 20.0 | -                    | - |
| Captain Tony     | Director/<br>Shareholder | Singaporean | 80,000             | 80.0 | -                    | - |

## 4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED ACQUISITIONS

Straits Group is principally involved in investment holding, oil bunkering and shipping related services, port operation and facility management services, inland transportation and logistics services, ship-to-ship operation services and telecommunication & networking services.

As set out in **Part A, Sections 2 and 3** of this Circular, as at the LPD, TMD and SMS are both 70%-owned and 51%-owned subsidiaries of SMF, respectively, which is an indirect wholly-owned subsidiary of Straits. TMD Group is principally involved in bunkering services for marine fuel & petroleum-based products and vessel chartering services whereas SMS Group is principally involved in ship management, provision of shipping services, general cleaning and disinfecting. The Proposed Acquisitions entails the acquisition of the remaining 30% equity interest in TMD and the remaining 49% equity interest in SMS which would enable Straits to consolidate a higher portion of the equity interest in both TMD and SMS as illustrated in the diagram in **Part A, Section 1** of this Circular. The Board opines that the additional portion arising from the Proposed Acquisitions will enable Straits Group to enhance the financial performance of the Group.



In addition, the Proposed Acquisition of TMD and Proposed Acquisition of SMS will be settled via the issuance of new TMDEL Shares, in which the TMD Consideration Shares and SMS Consideration Shares will be allotted to Dato' Suhaimi, Mr. Goo and Platinum Gate at a later date within 12 months from the completion of the TMD SSA and SMS SSA, respectively. In view that the Purchase Considerations are to be satisfied by the issuance of new TMDEL Shares, it would allow Straits Group to enhance its asset base without entirely relying on internally generated fund and/ or bank borrowings, and to allow the Group to conserve its cash flow position. Upon issuance of the new TMDEL Shares, Dato' Suhaimi, Mr. Goo and Platinum Gate will become shareholders in TMDEL. Accordingly, the Vendors of TMD and SMS Vendor will remain financially interested in the restructured SMF Group after the Proposed Acquisitions, which therefore serves to further align their interests to the business of Straits Group after the completion of the Proposed Acquisitions.

Upon completion of the Proposed Acquisitions, TMD and SMS will become wholly-owned subsidiaries of SMF which is an indirect wholly-owned subsidiary of Straits until such time the TMDEL Shares are issued to Dato' Suhaimi, Mr. Goo and Platinum Gate. Therefore, the Proposed Acquisitions present an opportunity for Straits Group to recognize a larger portion of the financial results contribution from TMD Group and SMS Group. By having recognize a larger portion of TMD Group and SMS Group's financial results, the Group will stand to benefit immediately from the increased PAT attributable to the owners of the Company, and in turn increasing its EPS, as set out in **Part A, Section 7.3** of this Circular. Barring any unforeseen circumstances, the Board, after taking into consideration the outlook of the maritime industry in Malaysia as set out in **Part A, Section 5.3** of this Circular, is of the view that TMD Group and SMS Group may be able to contribute to the growth of Straits Group moving forward.

## **5. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS**

### **5.1 Overview and outlook of the Malaysian economy**

Global growth is projected to moderate in 2023 and 2024 following slow growth in advanced economies; volatile financial market due to tightening monetary policy; prolonged geopolitical tensions; and increasing climatic changes. Nevertheless, inflation continues to soften as markets head towards supply chain stabilisation. In addition, world trade is projected to moderate in 2023 in line with weaker global demand. However, global trade is expected to increase in 2024 in tandem with improved trade activity in advanced economies, and emerging market and developing economies (EMDEs).

In the case of Malaysia, the economy continued to expand amid these persistent challenges in the external environment. During the first half of 2023, gross domestic product ("GDP") posted a growth of 4.2% supported by resilient domestic demand, in particular private expenditure. The services sector, the largest contributor to the economy, continued to lead growth following higher tourist arrivals and improved consumer spending. The construction sector continued to expand in tandem with the acceleration of infrastructure projects and realisation of investment in non-residential and residential developments. These developments helped to cushion the negative impact from the external sector following slow external demand, particularly from Malaysia's major trading partners.

For 2024, the economy is projected to grow within the range of 4% to 5%. The growth is envisaged to be broad-based, led by the services sector as intermediate and final services groups are anticipated to rise further driven by sustained domestic consumption and improved export activities. The retail trade, accommodation and restaurants as well as communication segments are expected to increase in line with consumption trend, while the wholesale trade segment and transport and storage subsector will benefit from higher trade-related activities. On the demand side, growth will be buoyed by strong private sector expenditure and improving global demand. The encouraging performance of private sector is partly due to the Government's deliberate efforts to accelerate a more vibrant and dynamic private sector by providing a conducive business and investment environment, underpinned by the implementation of comprehensive Ekonomi MADANI framework as well as policies and blueprints such as the National Energy Transition Roadmap ("**NETR**") and New Industrial Master Plan 2030 (NIMP 2030). Meanwhile, consumer spending is envisaged to be robust supported by improved labour market conditions.

*(Source: Economic Outlook 2024, Ministry of Finance Malaysia)*

For 2024, growth of the Malaysian economy is expected to trend higher, lifted by the recovery in exports and resilient domestic expenditure. Household spending will be supported by continued growth in employment and wages. Tourist arrivals and spending are expected to improve further. Moreover, investment activity would be supported by continued progress of multi-year projects in both the private and public sectors, and the implementation of catalytic initiatives under national master plans. Budget 2024 measures will also provide additional support to economic activity. GDP grew by 3% in 4Q 2023. Overall 2023 growth normalised to 3.7% (2022: 8.7%).

*(Source: BNM Quarterly Bulletin Vol. 38 No. 4, Bank Negara Malaysia)*

The Malaysian economy continued to show strength and resilience in 2023. Despite the challenging external environment, the economy grew by 3.7%. This was supported by resilient domestic demand, a rebound in tourism and improvement in labour market conditions.

*(Source: Economic & Monetary Review 2023, Bank Negara Malaysia)*

## **5.2 Overview and outlook of the oil & gas economy**

The forecast for 2023 world oil demand growth remains unchanged from the previous assessment at 2.5 million barrels per day ("**mb/d**"). Minor data revisions are made in the first quarter of 2023 ("**1Q23**") to the third quarter of 2023 ("**3Q23**") for Organisation for Economic Co-operation and Development ("**OECD**") and China to accommodate for the latest received data. Also, the demand forecast for OECD Americas in 4Q23 is adjusted upward, reflecting better-than-expected improvements in oil demand. Similarly, the demand forecast for China and the Middle East is adjusted slightly upwards, following data showing improvements in oil demand.

The global oil demand growth forecast for 2024 remains unchanged at 2.2 mb/d, with the OECD growing by around 0.3 mb/d and the non-OECD by about 2.0 mb/d. In 1Q24, oil demand is expected to grow by 2.0 mb/d year-on-year ("**y-o-y**"). Total world oil demand is anticipated to reach 104.4 mb/d in 2024, bolstered by strong air travel demand and healthy road mobility, including on-road diesel and trucking, as well as healthy industrial, construction and agricultural activities in non-OECD countries. Similarly, capacity additions and petrochemical margins in non-OECD countries – mostly in China and the Middle East – are expected to contribute to oil demand growth. However, this forecast is subject to many uncertainties, including global economic developments.

The initial forecast for global oil demand growth in 2025 shows robust growth of 1.8 mb/d, y-o-y. The OECD is expected to grow by 0.1 mb/d, y-o-y, while demand in the non-OECD is forecast to increase by 1.7 mb/d.

Oil demand in OECD Asia Pacific recovered by 105 tb/d, y-o-y, in October from zero growth seen in September. The demand recovery was supported by requirements for jet/ kerosene and liquified petroleum gas ("**LPG**") amid healthy air travel recovery and healthy petrochemical feedstock requirements.

Jet/ kerosene led oil demand growth in October by 71 tb/d, y-o-y, strong across all three major consuming countries in the region. A report from the International Air Travel Association ("**IATA**") Air Passenger Market Analysis shows that in October the Asia Pacific region witnessed ongoing growth in passenger traffic as international RPKs in the region made modest progress of 0.6% from September to October 2023, but still stood 19.5% away from total recovery. After prolonged dismal performance, petrochemical feedstock demand in the region has shown signs of recovery, with LPG expanding by 36 tb/d, y-o-y, while naphtha inched up by 30 thousand barrels per day ("**tb/d**").

Looking ahead to 1H24, the region's economy is expected to grow modestly, though still below 2023 growth figures, with variations among countries. Forward-looking indicators – including services and manufacturing purchasing manager's index ("**PMIs**") – also vary among major oil-consuming countries in the region. Steady air traffic recovery, along with healthy driving activity and petrochemical industry operations, are anticipated to support modest oil demand growth of 24 tb/d y-o-y on average in 1H24.

*(Source: OPEC Monthly Oil Market Report – January 2024)*

In 2023, world oil demand increased by 2.5 mb/d, y-o-y, to average 102.2 mb/d, surpassing pre-pandemic levels for the first time. In terms of main regions, the OECD saw an increase of about 90,000 b/d, y-o-y, to average 45.8 mb/d, though the region's demand remained below pre-pandemic levels. The non-OECD posted y-o-y growth of about 2.4 mb/d to average 56.4 mb/d, surpassing pre-pandemic levels for the second consecutive year.

In terms of petroleum products, demand for jet fuel grew by a healthy 1.0 mb/d, y-o-y, in 2023 and gasoline requirements grew by 700,000 b/d, y-o-y. LPG saw a rise of 400,000 b/d, y-o-y, largely supported by residential sector requirements for heating and cooking. Gasoil/ diesel and residual fuels grew by 200,000 b/d, y-o-y, each, while global naphtha demand was flat, y-o-y.

OECD Asia-Pacific recorded a decline of 29,000 b/d, y-o-y, in 2023, with the biggest declines seen in Japan and South Korea, which faced economic headwinds over much of the year. However, demand was supported by an air travel recovery amid solid road mobility.

The world liquids supply rose by 1.7 mb/d in 2023 to average 101.8 mb/d. OPEC crude production decreased by 700,000 b/d, y-o-y, to average 27.0 mb/d. The oil and gas upstream industry saw rising investment in both OPEC and non-OPEC countries, while crude oil prices dropped by around 17 per cent, y-o-y. Liquids output from non-OPEC producers rose by 2.4 mb/d, y-o-y. OPECNGLs and unconventional liquids output averaged 5.4 mb/d, representing growth of about 50,000 b/d, y-o-y.

*(Source: OPEC Annual Report 2023)*

### **5.3 Overview and outlook of the maritime industry in Malaysia**

In 2023, oil cargo distances reached long-term highs, driven by disruptions from the war in Ukraine. Crude oil and refined products travelled longer distances, as the Russian Federation sought new export markets for its cargo and Europe looked for alternative energy suppliers. Shipments of grains travelled longer distances in 2023 than any other year on record. Although grain shipments from Ukraine resumed in 2022 thanks to the Black Sea Initiative, several grain-importing countries had to rely on alternative grain exporters. They are instead buying from the United States of America, or Brazil, which requires longer hauls.

Containerized trade distances have tumbled since 2020 but increased marginally in 2023. Intra-Asian containerized trade, which accounts for the majority of intraregional trade, saw its share increase over the years. As intra-Asian trade is carried over shorter distances, the average distances travelled per ton of container cargo of global containerized trade are relatively low. The predominance of intra-Asian containerized trade flows reflects global manufacturing patterns with China continuing to serve as the leader in global manufacturing, supported by neighbouring East Asian countries. It also reflects the growing participation of several East Asian countries in regional and global value chains.

Seaborne trade, both in tons and in ton-miles declined in 2022. In 2023 and 2024 ton-miles are projected to grow more than tons, reflecting growth in distances travelled, with the gap between the two reducing in 2024. Closely monitoring trends in ton-miles is essential to understand if a long-term shift in the geography of shipping and trade is at play. This assessment also involves examining key factors such as the impact of the war in Ukraine on trading and shipping patterns, the pursuit of energy security, and the adoption of low-carbon energy sources. These elements are significantly influencing trade flows and the demand for shipping services. Growth in distances travelled of oil cargo reflects structural shifts in the energy production and distribution sectors and imbalances in supply and demand. The shale revolution in the United States, coupled with the lifting of the crude oil export ban in 2015, led to an increase in oil cargo shipments from the United States to Asia.

At the same time, the growing refining capacity in Asia has increased demand for crude oil shipments from the Atlantic basin. Meanwhile, demand for refined oil products in Asia, especially China, and exports of refined oil products from Asia have also changed the direction of flows and distances travelled. As for dry bulk shipments, large consumption in China of iron ore, coal and grains and minor bulks used in steel production have been a major driver in dry bulk trade shipments and distances travelled with many of these commodities being sourced from the Argentina, Brazil and United States. Since 2022, a gap is observed between ton and ton-mile growth in the case of oil and oil products, and coal. Growth in ton-miles seems to have been heightened by the war in Ukraine in the case of these three products. In 2023, refined oil products, LPG and crude oil trade are expected to witness the largest increases in ton-miles that exceed growth in trade volumes.

*(Source: Review of Maritime Transport 2023, United Nations Conference on Trade and Development)*

The transportation and storage subsector expanded by 15.2% in the first half of 2023, attributed to the increase in passenger traffic, particularly in land and air transport segments, as well as supporting activities related to airports and highway operations. The growth of the land and air transport segments was mainly driven by robust tourism-related activities following higher traffic volume in toll highways and airports, which increased by 7% to 456 million vehicles and 90.7% to 40.4 million passengers, respectively. In the second half of 2023, the subsector is expected to increase by 13.7%, supported by the land transport segment, particularly road and rail transports on the back of state elections, festivities, and school holidays. The performance of air cargo is anticipated to moderate due to softer performance in global trade, which is offset by the notable performance of air passenger traffic, in tandem with the additional number of flights to several main and new routes such as Istanbul, Okinawa, and Tashkent. The water transport segment is forecast to grow at a slower rate, however, it remains a significant contributor to the growth of the subsector. Overall, the subsector is projected to rise by 14.5% in 2023.

The transportation and storage subsector is forecast to grow by 7.4% in 2024, supported by all segments following the expansion in rail, highway, port, and airport activities, as well as buoyant external demand. The land transport segment is anticipated to increase propelled by the improvement in frequencies of rail services, as well as higher traffic volume at all main highways. Likewise, the air transport segment is projected to rise following higher passenger traffic induced by competitive airfares, as airlines increase their capacity and flight frequencies. Meanwhile, the water transport segment is expected to remain steady, backed by the expansion in cargo and container handling capacity. Furthermore, the commencement of the Malaysia Maritime Single Window, a unified digital platform by the end of 2023, is expected to enhance port's competitiveness and further facilitate shipping services. The platform serves as a one-stop portal for the single submission of documents related to maritime regulatory and port services.

(Source: *Belanjawan 2024 - Economic Outlook 2024*, Ministry of Finance Malaysia)

#### 5.4 Prospects of the Group

At present, Straits Group is mainly involved in investment holding, oil bunkering and shipping related services, port operation and facility management services, inland transportation and logistics services, ship-to-ship operation services and telecommunication & networking services. The segmental breakdown of which is as follows:-

|   | <-----Audited FYE 31 December-----> |                |                |                |
|---|-------------------------------------|----------------|----------------|----------------|
|   | 2020<br>RM'000                      | 2021<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 |
| Revenue                                     | 675,316                             | 1,319,023      | 3,110,751      | 2,917,299      |
| Oil bunkering and shipping related services | 662,791                             | 1,301,868      | 3,086,176      | 2,886,116      |
| PBT   | 6,467                               | 9,677          | 10,016         | 8,790          |
| PAT attributable to owners of the Company   | 2,840                               | 4,303          | 6,158          | 7,071          |

The Group intends to undertake the Proposed Acquisitions in order to acquire the remaining 30% equity interest in TMD and 49% equity interest in SMS to enable SMF Group to recognize a larger portion of the earnings of TMD Group and SMS Group as well as obtain larger control of TMD and SMS.

The Proposed Acquisitions will allow SMF Group to obtain larger control of TMD Group and SMS Group, which will provide the Group with greater flexibility in the planning and implementation of long-term strategies for its bunkering and ship management service segment to enhance its growth potential. Such strategies may involve the expansion of services offering, or the rationalization and/ or reorganization of TMD Group and SMS Group's operations.

The Board opines that in view of TMD Group and SMS Group's financial performance in the recent years, the Group may have the potential to pursue additional growth opportunities within the bunkering and ship management services segment. Such expansions may include the expansion of its client base to other international countries, the expansion of its services offering to clients from other industries, the streamlining of its operations, or the increase in its workforce and output to undertake larger scale projects. With Straits Group's existing expertise and resources in the bunkering and ship management services segment, the Board is of the view that obtaining full control of TMD Group and SMS Group will provide the Group with greater flexibility to potentially enhance the operations and profitability of its bunkering and ship management services segment.

Furthermore, the Board opines that acquisition of the remaining 30% equity interest in TMD and 49% equity interest in SMS, may potentially improve the financial performance of the Group moving forward as it would allow the Group to capture a larger portion of the PAT generated by TMD Group and SMS Group, consequently leading to an improvement in the Group's financial performance.

Therefore, the Board, is of the opinion that based on the overview and outlook of the oil & gas industry and maritime industry as set out in **Part A, Sections 5.2 and 5.3** of this Circular, the Proposed Acquisitions may potentially contribute positively to the Group's future earnings.

*(Source: Management of Straits)*

## **6. RISK FACTORS**

The potential risk factors that may arise from the Proposed Acquisitions, which may not be exhaustive, are set out below:-

### **6.1 Acquisition risk**

There is no assurance that the anticipated benefits of the Proposed Acquisitions will be realized after the completion of the Proposed Acquisitions. Accordingly, there can be no assurance that the anticipated benefits from the Proposed Acquisitions will be realized, and the enlarged Straits Group will be able to generate sufficient returns vis-à-vis its further investment in TMD and SMS to offset the associated costs arising from the Proposed Acquisitions.

Notwithstanding the foregoing, Straits will constantly monitor the progress and performance of TMD and SMS and to leverage on its management expertise to effectively manage the operations of TMD and SMS.

### **6.2 Non-completion of the Proposed Acquisitions**

The completion of the Proposed Acquisitions is subject to, amongst others, the fulfilment of the conditions precedent as disclosed in **Appendix I and Appendix II** of this Circular. In the event any of the conditions precedent are not fulfilled, the Proposed Acquisitions may not be completed, which may result in the failure of the Group to achieve the objectives and benefits of the Proposed Acquisitions.

Notwithstanding that, the Board and management of the Company shall use their best endeavours to ensure every effort is taken to procure all necessary approvals to satisfy the conditions precedent within the stipulated timeframe.

### **6.3 Foreign currency risk**

The reporting currency of SMS is in SGD and some of TMD's subsidiaries (incorporated in Labuan) are in USD whilst the reporting currency of Straits is in RM. For reporting purposes, any adverse changes in SGD and USD may result in foreign currency translation differences. No assurance can be given that any future significant exchange rate fluctuations or changes in foreign exchange control regulations will not have a material adverse impact on Straits' operating results and financial conditions.

The management of Straits will continue to monitor the Group's foreign currency exposures and will take the necessary steps to minimize exchange rate exposures whenever deemed appropriate, for example, implementing a hedging policy.



## 7. EFFECTS OF THE PROPOSED ACQUISITIONS

### 7.1 Share capital and substantial shareholding structure

The Proposed Acquisitions do not have any effect on the issued share capital and substantial shareholding structure of Straits as the purchase consideration for all transactions do not involve any issuance of new Straits Shares.

### 7.2 NA per Share and gearing level

Based on the latest audited consolidated financial statements of Straits Group for the FYE 31 December 2023 and assuming after the Proposed Acquisitions having taken place, the pro forma effects of the Proposed Acquisition of TMD and Proposed Acquisition of SMS, respectively (on a standalone basis) on the NA per Share and gearing level of the Group are set out as follows:-

|                               | <b>Audited as at 31<br/>December 2023<br/>RM'000</b> | <b>After the<br/>Proposed<br/>Acquisition of<br/>TMD<br/>RM'000</b> | <b>After the<br/>Proposed<br/>Acquisition of<br/>SMS<br/>RM'000</b> |
|-------------------------------|--|---|---|
| Share capital                 | 152,495  | 152,495   | 152,495   |
| Reserves                      | 8,399  | 8,399   | 8,399   |
| Retained earnings             | 16,710   | 19,460 <sup>*1</sup>  | 17,891 <sup>*2</sup>  |
| <b>Shareholders' fund/ NA</b> | <b>177,604</b>                                       | <b>180,354</b>  | <b>178,785</b>  |
| Non-controlling interests     | 14,230   | 11,379  | 12,949  |
| <b>Total equity</b>           | <b>191,833</b>                                       | <b>191,733</b>  | <b>191,734</b>  |
| No. of Shares ('000)          | 994,462  | 994,462   | 994,462   |
| NA per Share (RM)             | 0.18   | 0.18  | 0.18  |
| Total borrowing (RM'000)      | 123,316  | 123,316   | 123,316   |
| Gearing level (times)         | 0.69   | 0.68  | 0.69  |

**Note:-**

<sup>\*1</sup> After deducting estimated expenses of RM50,000 in relation to the Proposed Acquisition of TMD.

<sup>\*2</sup> After deducting estimated expenses of RM50,000 in relation to the Proposed Acquisition of SMS.

For illustrative purposes, assuming the completion of the Proposed Acquisition of TMD and Proposed Acquisition of SMS, the pro forma effects of the Proposed Acquisitions on the NA per Share and gearing level of the Group are as follows:-

|                               | <b>Audited as at 31 December<br/>2023<br/>RM'000</b> | <b>After the Proposed<br/>Acquisition of TMD and<br/>Proposed Acquisition of<br/>SMS<br/>RM'000</b> |
|-------------------------------|--|---|
| Share capital                 | 152,495  | 152,495   |
| Reserves                      | 8,399  | 8,399   |
| Retained earnings             | 16,710   | 20,741 <sup>*1</sup>  |
| <b>Shareholders' fund/ NA</b> | <b>177,604</b>                                       | <b>181,635</b>  |
| Non-controlling interests     | 14,230   | 10,099  |
| <b>Total equity</b>           | <b>191,833</b>                                       | <b>191,734</b>  |
| No. of Shares ('000)          | 994,462  | 994,462   |
| NA per Share (RM)             | 0.18   | 0.18  |
| Total borrowing (RM'000)      | 123,316  | 123,316   |
| Gearing level (times)         | 0.69   | 0.68  |

**Note:-**

<sup>\*1</sup> After deducting estimated expenses of RM100,000 in relation to the Proposed Acquisitions.

### 7.3 Earnings and EPS

Upon completion of the Proposed Acquisitions, TMD and SMS will become wholly-owned subsidiaries of SMF. It is expected that the earnings of the Group will be enhanced and the EPS will be improved when the profits attributable to Straits Group are realized from the Proposed Acquisitions.

Assuming that the Proposed Acquisitions had been completed on 1 January 2023, being the beginning of the latest audited FYE 31 December 2023 of Straits, the effects of the Proposed Acquisitions on the earnings and EPS of Straits Group are as follows:-

|  | <b>Audited FYE<br/>31 December<br/>2023<br/>RM'000</b> | <b>After the<br/>Proposed<br/>Acquisitions<br/>RM'000</b> |
|--|--|---|
| PAT attributable to owners of the Company  | 7,071  | 7,071   |
| Add: Share of profit from 30% additional equity interest in TMD Group pursuant to the Proposed Acquisition of TMD              | -  | 2,486   |
| Add: Share of profit from 49% additional equity interest in SMS Group pursuant to the Proposed Acquisition of SMS              | -  | 1,052   |
| Less: Share of profit from Dato' Suhaimi, Mr. Goo and Platinum Gate's equity interest in TMDEL after the Proposed Acquisitions | -  | (2,935)   |
| Less: Estimated expenses in relation to the Proposed Acquisitions  | -  | (100)   |
|  | <b>7,071</b>   | <b>7,574</b>  |
| No. of Shares in issue ('000)  | 994,462  | 994,462   |
| <b>EPS (sen)</b>   | <b>0.71</b>  | <b>0.76</b>   |

Notwithstanding the above, the impact of the Proposed Acquisitions on the earnings and EPS of Straits Group moving forward will depend on the future earnings generated from TMD Group and SMS Group.

### 7.4 Convertible Securities

As at the LPD, Straits does not have any convertible securities.

## 8. APPROVALS REQUIRED

The Proposed Acquisitions are subject to the following approvals being obtained:-

- The non-interested shareholders of Straits for the Proposed Acquisition of SMS, at an EGM of the Company to be convened. The highest percentage ratio applicable to the Proposed Acquisition of SMS pursuant to Rule 10.02(g) of the Listing Requirements is 21.44% for the Proposed Acquisition of SMS, calculated based on the net profit of SMS Group against the net profit of Straits Group based on the audited financial statements as at 31 December 2022 (being the latest audited financial statements as at the execution date of the SMS SSA);



- ii. The shareholders of Straits for the Proposed Acquisition of TMD, at an EGM of the Company to be convened. The highest percentage ratio applicable to the Proposed Acquisition of TMD pursuant to Rule 10.02(g) of the Listing Requirements is 41.38% for the Proposed Acquisition of TMD, calculated based on the net profit of TMD Group against the net profit of Straits Group based on the audited financial statements as at 31 December 2022 (being the latest audited financial statements as at the execution date of the TMD SSA); and
- iii. Any other relevant authority or party, if required.

The Proposed Acquisitions are not inter-conditional upon each other. The Proposed Acquisitions are not conditional upon any other proposals undertaken by the Company.

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

Save as disclosed below, none of the Directors and/ or major shareholders of Straits and/ or persons connected to them have any interests, whether direct or indirect, in the Proposed Acquisitions.

Captain Tony is deemed interested in the Proposed Acquisition of SMS by virtue of him being the Executive Director of Straits as well as a director and indirect major shareholder of SMS, via his shareholding in Platinum Gate. He is also a director and 80% shareholder of the SMS Vendor, namely Platinum Gate.

Captain Tony's direct and indirect shareholdings in Straits as at the LPD are set out below:-

| Name         | <-----Direct interest-----> |      | <-----Indirect interest-----> |   |
|--------------|-----------------------------|------|-------------------------------|---|
|              | No. of shares               | %    | No. of shares                 | % |
| Captain Tony | 36,790,438                  | 3.70 | -                             | - |

Accordingly, the Interested Director has abstained and will continue to abstain from deliberating and voting on the Proposed Acquisition of SMS at the relevant Board meetings. Additionally, the Interested Director will abstain from voting in respect of its direct and/ or indirect shareholdings, if any, in the Company on the resolutions pertaining to the Proposed Acquisition of SMS to be tabled at the EGM. Further, the Interested Director will abstain and has undertaken to ensure that persons connected with him will abstain from voting in respect of their respective direct and/ or indirect shareholdings in Straits, if any, on the resolution pertaining to the Proposed Acquisition of SMS at a forthcoming EGM.

## 10. TOTAL AMOUNT TRANSACTED WITH RELATED PARTY(IES) IN THE PRECEDING 12 MONTHS

Save for the Proposed Acquisition of SMS and the recurrent related party transactions of a revenue nature which are necessary for the day-to-day operations of our Group as set out in the circular to our shareholders dated 30 April 2024, Straits Group has not entered into any other RPT with the Interested Director during the 12 months preceding the LPD.

## 11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Director who has abstained from deliberations and voting on the Proposed Acquisition of SMS), having considered all aspects of the Proposed Acquisitions, including but not limited to the salient terms of the TMD SSA, SMS SSA, basis and justification of arriving at the Purchase Considerations, rationale and justification for the Proposed Acquisitions, and the financial effects of the Proposed Acquisitions, is of the opinion that the Proposed Acquisitions are in the best interest of the Company. In addition, the Board (save for the Interested Director in respect to the Proposed Acquisition of SMS) is of the opinion that the Proposed Acquisition of SMS will not be detrimental to the interests of the non-interested shareholders of the Company.

Accordingly, the Board (save for the Interested Director who has abstained from deliberations and voting on the Proposed Acquisition of SMS) recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.

## 12. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of Straits, namely Leong Fook Heng, Tan Sri Mohd Bakri bin Mohd Zinin and Datin Ng Fong Shiang, after taking into consideration the advice of the Independent Adviser, is of the opinion that the Proposed Acquisition of SMS is:-

- i. in the best interest of the Company;
- ii. fair, reasonable and on normal commercial terms; and
- iii. not detrimental to the interest of the non-interested shareholders of Straits.

In forming its views, the Audit Committee of Straits has taken into consideration, amongst others, the following:-

- i. the rationale and justification for the Proposed Acquisition of SMS;
- ii. the salient terms of the SMS SSA;
- iii. the basis and justification for arriving at the SMS Purchase Consideration;
- iv. the effects of the Proposed Acquisition of SMS; and
- v. the future prospects of SMS.

## 13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Acquisitions are expected to be completed in the second quarter of 2024.

| Timeline        | Events  |
|-----------------|---|
| End May 2024    | Convening of EGM to obtain shareholders' approvals for the Proposed Acquisitions  |
| Early June 2024 | Fulfilment of all conditions precedent for the SSAs for the Proposed Acquisitions |
| Mid June 2024   | Completion of the Proposed Acquisitions   |

## 14. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisitions (being the subject matter in this Circular), the Board is not aware of any other outstanding proposals, which have been announced but not yet completed as at the LPD.

## **15. EGM**

The EGM, the notice of which is enclosed in this Circular, will be conducted on a fully virtual basis through live streaming and online meeting platform at TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via Remote Participation and Electronic Voting ("**RPV**") facilities at <https://tiih.online> on Thursday, 30 May 2024 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposed Acquisitions.

If you are unable to attend, participate, speak and vote remotely at the EGM via the RPV facilities provided, you are entitled to appoint a proxy or proxies to attend, participate, speak and vote on your behalf. As such, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, at the Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or you have the option to lodge the proxy appointment electronically via TIIH Online at <https://tiih.online> not less than 48 hours before the time holding the EGM or at any adjournment thereof.

Please refer to the procedures as set out in the Administrative Guide to Shareholders for the electronic lodgement of Proxy Form. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

## **16. FURTHER INFORMATION**

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

Yours faithfully,  
For and on behalf of the Board  
**STRAITS ENERGY RESOURCES BERHAD**

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

**PART B**

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF STRAITS  
IN RELATION TO THE PROPOSED ACQUISITION OF SMS**

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## EXECUTIVE SUMMARY

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Set out hereunder is an executive summary which serves to highlight some of the salient points arising from AER's independent evaluation of the Proposed Acquisition of SMS. The non-interested shareholders of Straits ("**Non-Interested Shareholders**") are advised to read and understand the contents of the Independent Advice Letter ("**IAL**") and the entirety of Part A of this Circular, including the appendices thereof, for more comprehensive information, evaluation and recommendation on the Proposed Acquisition of SMS before voting on the resolution pertaining to the Proposed Acquisition of SMS at the forthcoming EGM.

### 1. INTRODUCTION

On 7 February 2024, UOBKH had, on behalf of the Board, announced the following:-

- (i) SMF and TMDEL had, on 7 February 2024 entered into the TMD SSA with the Vendors of TMD for the proposed acquisition by SMF of 4,500,000 TMD Shares, representing 30% of the equity interest in TMD for a purchase consideration of RM9,720,989 (equivalent to USD2,085,557); and
- (ii) SMF and TMDEL had, on 7 February 2024 entered into the SMS SSA with Platinum Gate for the proposed acquisition by SMF of 49,000 SMS Shares, representing 49% of the equity interest in SMS for a purchase consideration of RM3,324,902 (equivalent to USD713,330).

Pursuant thereto, on 29 April 2024, UOBKH had subsequently, on behalf of the Board, announced that SMF and TMDEL had executed the following letters in regards to the Proposed Acquisitions:-

- (i) SMF, TMDEL and the Vendors of TMD had executed the TMD SSA Supplemental Letter for the Proposed Acquisition of TMD to supplement the TMD SSA whereby SMF, TMDEL and the Vendors of TMD have agreed for the payment of the TMD Purchase Consideration to be satisfied entirely via the issuance of 3,474,934 new TMDEL Shares as set out in **Appendix I** of this Circular; and
- (ii) SMF, TMDEL and the SMS Vendor had executed the SMS SSA Supplemental Letter for the Proposed Acquisition of SMS to supplement the SMS SSA whereby SMF, TMDEL and the SMS Vendor have agreed for the payment of the SMS Purchase Consideration to be satisfied entirely via the issuance of 1,188,543 new TMDEL Shares as set out in **Appendix II** of this Circular.

The Proposed Acquisition of TMD is a non-RPT in accordance to Rule 10.08 of the Listing Requirements.

The Proposed Acquisition of SMS is deemed as RPT under Rule 10.08 of the Listing Requirements in view that the Proposed Acquisition of SMS involves the interests of the Interested Director.

Pursuant thereto, the Board (save for the Interested Director) has appointed AER via appointment letter dated 15 August 2023, to act as the Independent Adviser to advise the non-interested Directors and Non-Interested Shareholders of Straits as to whether the Proposed Acquisition of SMS is fair and reasonable solely in respect of the non-interested directors and Non-Interested Shareholders, and whether the Proposed Acquisition of SMS is to the detriment of the Non-Interested Shareholders of Straits.

## 2. EVALUATION OF THE PROPOSED ACQUISITION OF SMS

In evaluating the Proposed Acquisition of SMS, we have taken into consideration the following:

| Section in the IAL | Area of evaluation                            | AER's Commentary   |
|--------------------|---|--|
| Section 6.1        | Rationale for the Proposed Acquisition of SMS | <p>The rationale for the Proposed Acquisition of SMS by your Board are as follows:-</p> <ol style="list-style-type: none"> <li>1. As at LPD, SMF owns 51% in SMS. Upon completion of the Proposed Acquisition of SMS, SMF shall own 100% in SMS.</li> <li>2. The Proposed Acquisition of SMS shall enable Straits to increase Straits's effective interest and to consolidate 76.68% of the equity interest in SMS. The Proposed Acquisition of SMS is to be paid entirely via the issuance of new TMDEL Shares to the SMS Vendor.</li> <li>3. Proforma financial effects<br/>As illustrated in the proforma financial effects of <b>Part A, Section 7</b> of this Circular, SMS reported a consolidated PAT of RM2.15 million (unaudited <sup>Note 1</sup>) for FYE 31 December 2023. The Proposed Acquisitions have the effect of increasing the EPS from 0.71 sen to 0.76 sen.</li> </ol> <p>Note 1- the individual audited financial statements of SMS and its subsidiary are audited for the past 4 financial years up to FYE 31 December 2023. SMS has not prepared any consolidated audited financial statements for FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023 as it applied the relevant exemptions under Paragraph 4(a) of IFRS 10 which exempts a company from the preparation of a consolidated financial statements. In view of the above, Straits Group have denoted the SMS Group accounts as unaudited. Additionally, Straits Group had prepared the unaudited consolidated financial statements of SMS and its subsidiary (based on their individual audited financial statements) and reviewed by the Group's external auditors, namely Moore Stephens Associates PLT.</p> <ol style="list-style-type: none"> <li>4. SMS and its subsidiaries are involved in ship management services, provision of shipping services, general cleaning and disinfecting. The business of SMS Group complements the existing business of Straits Group.</li> </ol> <p>We are of the opinion that the rationale for the Proposed Acquisition of SMS is <b>reasonable</b> and <b>not detrimental</b> to the Non-Interested Shareholders.</p> |

| Section in the IAL | Area of evaluation  | AER's Commentary  |
|--------------------|---|---|
| Section 6.2        | Evaluation of the basis of arriving at the SMS Purchase Consideration | <p>The Proposed Acquisition of 49% equity interest in SMS is a non-controlling block. We have performed a fair value appraisal to determine the fair value of SMS using the Dividend Discount Model (DDM). Based on the application of the DDM, the fair equity interest for 49% in SMS shall translate to a value of RM4,625,000. The SMS Purchase Consideration represents a <u>discount</u> of 28.1% to its fair value determined at RM4,625,000. The key assumptions being used in the DDM are based on an annual dividend pay-out of 50%, cost of equity of 10.71% (determined using the Capital Asset Pricing Model) and an assumed annual sustainable growth rate of 0%.</p> |

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**EXECUTIVE SUMMARY (Cont'd)**


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| Section in the IAL | Area of evaluation   | AER's Commentary   |
|--------------------|--|--|
|                    |  | <p>The SMS Purchase Consideration shall translate to an implied P/B multiple of 1.0 time, based on the consolidated NA of SMS as at FYE 31 December 2022.</p> <p>The SMS Purchase Consideration shall translate to an implied Price-to-Earnings multiple of <u>2.5 times</u>, based on the consolidated PAT of SMS as at FYE 31 December 2022. As a cross-check, we noted that the trailing Price-to-Earnings for Straits was between <u>14.7 times to 23.0 times</u> for the duration of one year between 30 April 2023 to 30 April 2024. We noted the implied Price-to-Earnings multiple of the SMS Purchase Consideration is at a discount to the traded trailing Price-to-Earnings multiple for Straits and we are of the opinion that this is reasonable.</p> <p>We conclude that the SMS Purchase Consideration is <b><u>fair, reasonable</u></b> and <b><u>not detrimental</u></b> to the interests of the Non-Interested Shareholders.</p>   |
| Section 6.3        | Evaluation of the manner of settlement of the SMS Purchase Consideration | <p>The SMS Purchase Consideration shall be paid to the SMS Vendor within 12 months from the completion date. The timing of payment is reasonable as payment is only made after completion.</p> <p>The mode of payment by SMF to SMS Vendor pursuant to the SMS SSA Supplemental Letter with Platinum Gate to supplement the SMS SSA whereby SMF, TMDEL and Platinum Gate have agreed for the payment of the SMS Purchase Consideration to be satisfied entirely via the issuance of 1,188,543 new TMDEL Shares.</p> <p>The approach to determine the SMS Purchase Consideration is based on the NA of SMS Group as at 31 December 2022.</p> <p>The approach adopted to determine the issue price of each new TMDEL Share is at RM2.7976 per TMDEL Share (equivalent to <i>USD0.6002</i>) to the Vendors of TMD and SMS Vendor is based on the pro forma NA per TMDEL Share at <i>USD0.6002</i> per Share as at 31 December 2022.</p> <p>As both approaches to determine the valuation of SMS Purchase Consideration and the valuation of each TMDEL Shares to be received by SMS Vendor, is on the same basis of valuation (the NA approach of one time multiple), we conclude that the issue price at RM2.7976 per share is <b><u>fair, reasonable</u></b> and <b><u>not detrimental</u></b> to the Non-Interested Shareholder.</p> |

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**EXECUTIVE SUMMARY (Cont'd)**


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| Section in the IAL | Area of evaluation   | AER's Commentary   |
|--------------------|--|--|
| Section 6.4        | Salient terms of the SMS SSA   | We are of the view that the salient terms of the SMS SSA and SMS SSA Supplemental Letter are on normal commercial terms for transactions of such nature and the said terms are <b><u>reasonable</u></b> and <b><u>not detrimental</u></b> to the interests of the Non-Interested Shareholders.   |
| Section 6.5        | Effects of the Proposed Acquisition of SMS on issued share capital and substantial shareholders' shareholdings | The Proposed Acquisition of SMS <u>does not have any effect</u> on the issued share capital and substantial shareholding structure of Straits as the settlement of the SMS Purchase Consideration does not involve any issuance of new ordinary shares in Straits.   |
|                    | Effects of the Proposed Acquisition of SMS on NA and gearing   | <p><b>Effects on NA</b><br/>The Proposed Acquisition of SMS <u>does not have any effect</u> on NA of Straits Group.</p> <p><b>Effects on gearing</b><br/>The Proposed Acquisition of SMS <u>does not have any effect</u> on the gearing of Straits Group.</p>  |
|                    | Effects of the Proposed Acquisition of SMS on Earnings and EPS   | <p><b>Effects on Earnings</b><br/>On the illustration prepared based on a proforma basis using the historical consolidated PAT of SMS for FYE 31 December 2023, the Proposed Acquisition of SMS will contribute positively to the future earnings of Straits Group as SMS has been a profitable entity in the last three years.</p> <p><b>Effects on EPS</b><br/>The Proposed Acquisition of SMS is expected to increase EPS of Straits Group.</p> |
|                    | Overall  | Taken as a whole, we are of the view that the overall financial effect of the Proposed Acquisition of SMS is <b><u>reasonable and not detrimental</u></b> to the interests of the Non-Interested Shareholders.   |

| Section in the IAL | Area of evaluation                                       | AER's Commentary   |
|--------------------|--|--|
| Section 6.6        | Risk factors relating to the Proposed Acquisition of SMS | The Proposed Acquisition of SMS may not be proceeded due to events that lead to termination of the SMS SSA such as parties of the SMS SSA are not able to meet the conditions precedent and the SMS SSA is terminated by either party. Nevertheless, your Company will endeavour to ensure that all the conditions precedent of the SMS SSA are met within the stipulated timeframe to facilitate the completion of the Proposed Acquisition of SMS. |



### **3. CONCLUSION AND RECOMMENDATION**

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

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

Accordingly, we recommend the Non-Interested Shareholders to **vote in favour** of the ordinary resolution pertaining to the Proposed Acquisition of SMS that is to be tabled at the Company's forthcoming EGM.

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**15 May 2024**

**To: The Non-Interested Shareholders**

Dear Sir/Madam,

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF STRAITS IN RELATION TO THE PROPOSED ACQUISITION OF SMS**

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

**1. INTRODUCTION**

On 7 February 2024, UOBKH had, on behalf of the Board, announced the following:-

- i. SMF and TMDEL had, on 7 February 2024 entered into the TMD SSA with the Vendors of TMD for the Proposed Acquisition of SMS by SMF of 4,500,000 TMD Shares, representing 30% of the equity interest in TMD for a purchase consideration of RM9,720,989 (equivalent to USD2,085,557); and
- ii. SMF and TMDEL had, on 7 February 2024 entered into the SMS SSA with Platinum Gate for the Proposed Acquisition of SMS by SMF of 49,000 SMS Shares, representing 49% of the equity interest in SMS for a purchase consideration of RM3,324,902 (equivalent to USD713,330).

Pursuant thereto, on 29 April 2024, UOBKH had subsequently, on behalf of the Board, announced that SMF and TMDEL had executed the following letters in regards to the Proposed Acquisitions: -

- (i) SMF, TMDEL and the Vendors of TMD had executed the TMD SSA Supplemental Letter for the Proposed Acquisition of TMD to supplement the TMD SSA whereby SMF, TMDEL and the Vendors of TMD have agreed for the payment of the TMD Purchase Consideration to be satisfied entirely via the issuance of 3,474,934 new TMDEL Shares as set out in **Appendix I** of this Circular; and
- (ii) SMF, TMDEL and the SMS Vendor had executed the SMS SSA Supplemental Letter for the Proposed Acquisition of SMS to supplement the SMS SSA whereby SMF, TMDEL and the SMS Vendor have agreed for the payment of the SMS Purchase Consideration to be satisfied entirely via the issuance of 1,188,543 new TMDEL Shares as set out in **Appendix II** of this Circular.

The Proposed Acquisition of TMD is not a RPT in accordance to Rule 10.08 of the Listing Requirements.

The Proposed Acquisition of SMS is deemed a RPT transaction pursuant to Paragraph 10.08 of the Listing Requirements in view that the Proposed Acquisition of SMS involves the interests of Captain Tony, who is deemed interested in the Proposed Acquisition of SMS, by virtue of him being the Executive Director of Straits as well as a director and indirect major shareholder of SMS and also a director and 80% shareholder of Platinum Gate. Details of the interests of the Directors and major shareholders of Straits and/ or persons connected to them in relation to the Proposed Acquisition of SMS are set out in **Part A, Section 9** of this Circular.

Accordingly, the Board had, on 15 August 2023, appointed AER as the Independent Adviser to provide the non-interested directors of the Company and the Non-Interested Shareholders with:

- (a) comments as to whether the Proposed Acquisition of SMS:
  - (i) is fair and reasonable as far as the Non-Interested Shareholders are concerned; and
  - (ii) is to the detriment of the Non-Interested Shareholders,and such opinion must set out the reasons for, the key assumptions made, and the factors taken into consideration in forming that opinion.
- (b) advise the Non-Interested Shareholders on whether they should vote in favour of the Proposed Acquisition of SMS; and
- (c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in (a) and (b) above.

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

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

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

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

## **2. CREDENTIALS, EXPERIENCE AND EXPERTISE OF AER**

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

The past credentials, professional experiences, and expertise of AER where AER had been appointed as an Independent Adviser in the past two (2) years prior to the date of this IAL include the following transactions:

- a. proposed disposal of 27,000,001 ordinary shares in Lumut Naval Shipyard Sdn Bhd ("LUNAS") for a cash consideration of RM 1 and the waiver of trade receivables owing by LUNAS to Boustead Heavy Industries Corporation Berhad and its relevant subsidiaries of approximately RM 334.73 million pursuant to a proposed intercompany trade receivable settlement agreement in which the independent advice letter was issued on 15 April 2024.
- b. proposed acquisition and novation of lease by MTrustee Berhad, being the trustee for and on behalf of Hektar Real Estate Investment Trust, of KYS College in Melaka for a purchase consideration of RM150,000,000 in which the independent advice letter was issued on 21 December 2023.
- c. proposed debt settlement by Toyo Ventures Holdings Bhd with the creditors involving the interest of the interested shareholders, in which the independent advice letter was issued on 28 November 2023.
- d. proposed acquisition by Pacific Trustees Berhad, acting as the trustee for and on behalf of KIP Real Estate Investment Trust, of KIP Mall for a purchase consideration of RM80,000,000 to be satisfied by cash in which the independent advice letter was issued on 5 September 2023.
- e. proposed business venture between Brilliant Forward Sdn Bhd, a wholly owned subsidiary of Land & General Berhad ("L&G") and a director of L&G, to develop a parcel of leasehold land in which the independent advice letter was issued on 10 August 2023.
- f. proposed acquisition by Matang Berhad of two semi-detached factory and warehouse, with a one and half storey office building for a purchase consideration of RM33,000,000 to be satisfied by cash and newly issued shares of Matang, to seek the approval from the non-interested shareholders of Matang, in which the independent advice letter was issued on 15 May 2023.
- g. proposed debt settlement by Euro Holdings Bhd with creditors that involves the interest of interested directors in the proposed debt settlement, to seek the approval from the non-interested shareholders of Euro Holdings Bhd. The independent advice letter was issued and dated 13 April 2023.
- h. proposed debt settlement by Nexgram Holdings Bhd with creditors which involves the interest of interested directors. In seeking the approval from the non-interested shareholders of Nexgram Holdings Bhd, an independent advice letter was issued on 7 March 2023.
- i. proposed debt settlement by Asdion Bhd with creditors involving the interest of interested directors in the proposed debt settlement. In seeking the approval from the non-interested shareholders of Asdion Bhd, an independent advice letter was issued and dated 20 December 2022.
- j. proposed variation by Pertama Digital Berhad to remove a condition in the supplemental share sale agreements in which the independent advice letter was issued on 26 July 2022.
- k. proposed acquisition by Gets Global Berhad of 38% equity interest in One Glove Venture Sdn Bhd from BT Capital Sdn Bhd for a purchase consideration of RM89,356,233 in which the independent advice letter was issued on 22 June 2022.
- l. proposed disposal by Sinmah Capital Berhad of the entire equity interest in SM Broilers Sdn Bhd to F.C.H Holdings Sdn Bhd for a disposal consideration of RM2,900,000 in which the independent advice letter was issued on 13 June 2022.
- m. proposed disposal by LYC Medicare Sdn Bhd, a wholly owned subsidiary of LYC Healthcare Berhad of a 25% entire equity interest in LYC Medicare (Singapore) Pte Ltd to Kenanga Investors Berhad for a disposal consideration of SGD12,918,466 to be satisfied entirely via cash in a single transaction and the independent advice letter was issued on 1 June 2022.

Premised on the above, AER is capable and competent and has the relevant experience in carrying out its role and responsibilities as an independent adviser to advise the non-interested directors of the Company and Non-Interested Shareholders in relation to the Proposed Acquisition of SMS.

### **3. DECLARATION OF CONFLICT OF INTEREST**

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

AER does not have any professional relationship with Straits in the past two (2) years preceding the date of this IAL except being mandated to act as an Independent Adviser in the Proposed Acquisition of SMS.

### **4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED ACQUISITION OF SMS**

AER was not involved in the formulation and structuring of the Proposed Acquisition of SMS and/or any deliberations and negotiations pertaining to the terms and conditions of the Proposed Acquisition of SMS. AER's scope as the Independent Adviser is limited to expressing an opinion on the fairness and reasonableness of the Proposed Acquisition of SMS and whether the transaction is to the detriment of the Non-Interested Shareholders, based on the following sources of information and documents:

- (a) information contained in Part A of this Circular, and the appendices enclosed therein.
- (b) other relevant information, documents, confirmations, and representations provided to us by the Board and management of Straits.
- (c) discussions and consultations with the management of Straits.
- (d) the SMS SSA; and
- (e) other publicly available information that we consider relevant for our evaluation.

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

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

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

The Non-Interested Shareholders should note that the views expressed by AER herein are, amongst others, based on the current economic, market, industry, regulatory, monetary, social-political, and other conditions prevailing up to the LPD. Such conditions may change over a short period of time which may adversely affect amongst others, the financial and operational conditions of the Group. Accordingly, our evaluation and opinion in this IAL do not consider information, events and conditions arising or may occur after the LPD. Our advice should be considered in the context of the entirety of this IAL.

In rendering our advice, we had taken note of pertinent issues which we believe are necessary and of importance to an assessment of the implications of the Proposed Acquisition of SMS and are of general concern to the Non-Interested Shareholders. As such:

- (a) our evaluation and recommendation contained herein are based on the assessment of the fairness and reasonableness of the Proposed Acquisition of SMS. Comments or points of consideration which may be commercially oriented such as the rationale, financial effects, potential benefits and prospects of the Proposed Acquisition of SMS are included for our overall evaluation as we deem necessary for disclosure purposes to enable the Non-Interested Shareholders to consider and form their views in a more holistic manner thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Acquisition of SMS.
- (b) our views and advice as contained in this IAL only cater to the Non-Interested Shareholders at large and not to any Non-Interested Shareholder individually or any specific group of Non-Interested Shareholders. Hence, in carrying out our evaluation, we have not given due consideration to the specific investment objectives, risk profiles, financials and tax situations and particular needs of any individual Non-Interested Shareholder or any specific group of Non-Interested Shareholders; and
- (c) we advise that any individual Non-Interested Shareholder or any group of Non-Interested Shareholders who are in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition of SMS in the context of their individual investment objectives, risk profiles, financials and tax situations or needs, to consult their respective stockbrokers, bankers, solicitors, accountants, or other professional advisers immediately.

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## 5. DETAILS OF THE PROPOSED ACQUISITION OF SMS

The summary of the Proposed Acquisition of SMS extracted from Part A of this Circular.

- 5.1 The Proposed Acquisition of SMS is deemed a RPT pursuant to Rule 10.08 of the Listing Requirements, by virtue of him being the Executive Director of Straits as well as a director and indirect major shareholder of SMS via his shareholding in Platinum Gate. He is also a director and 80% shareholder of the SMS Vendor, namely Platinum Gate.
- 5.2 The Proposed Acquisition of SMS involves the acquisition of the 49% equity interest in SMS from the SMS Vendor (Platinum Gate) for a sum of RM3,324,902.
- 5.3 **Diagram 1** shown below solely for illustration purpose, the shareholding structure of SMS under Straits Group where SMF holds 51% and the remaining 49% is held by the Platinum Gate (SMS Vendor), as at LPD before the Proposed Acquisition of SMS.
- 5.4 As at LPD, shareholders and directors of Platinum Gate are as follows: -

As at the LPD, Platinum Gate has a total issued share capital of SGD100,000 comprising 100,000 ordinary shares. As at the LPD, Platinum Gate does not have any convertible securities.

| Name             | Designation              | Nationality | No. of shares | Percentage held |
|------------------|--------------------------|-------------|---------------|-----------------|
| Djie Kwang Liong | Director/<br>Shareholder | Singaporean | 20,000        | 20.0%           |
| Captain Tony     | Director/<br>Shareholder | Singaporean | 80,000        | 80.0%           |

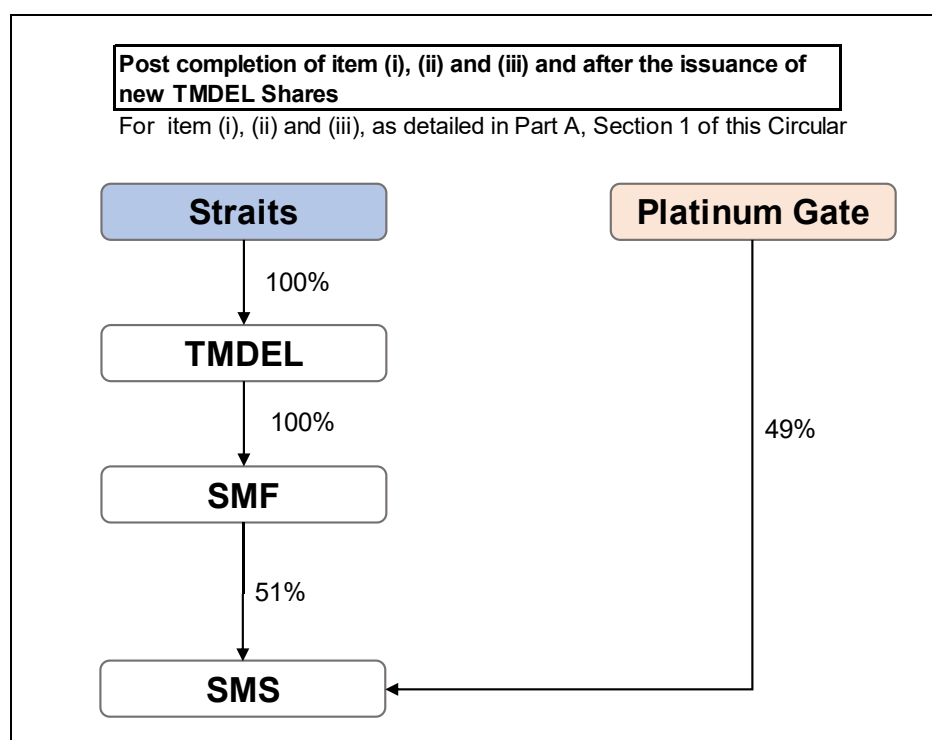


Diagram 1

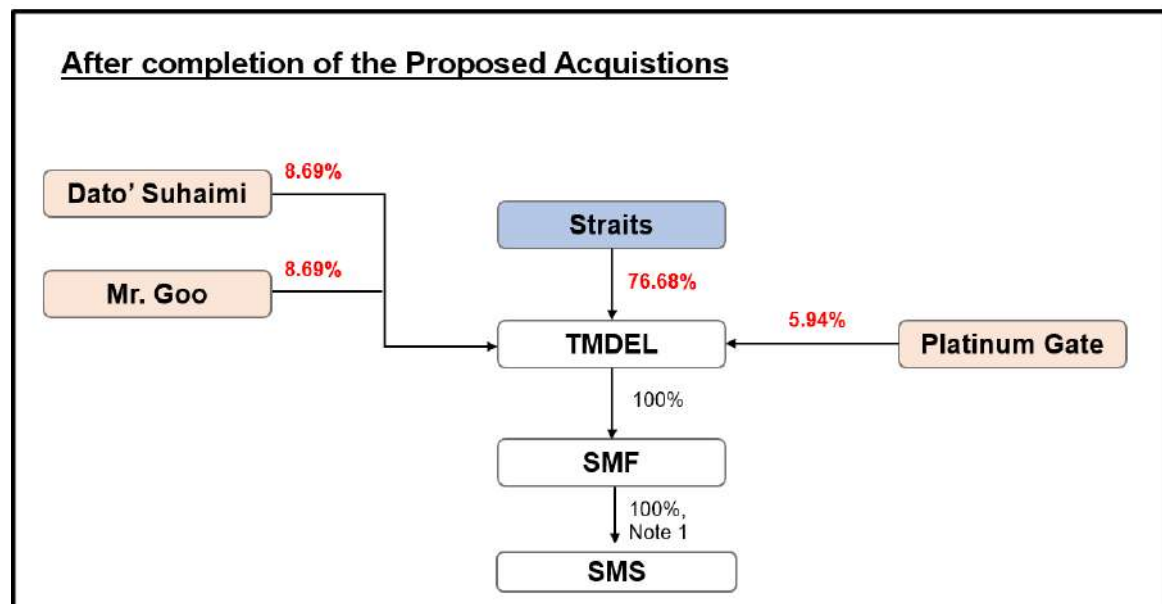


5.5 The SMS SSA provides for the SMS Purchase Consideration to be settled by SMF (Purchaser) to the SMS Vendor within 12 months from the Completion Date, at the election of TMDEL in its absolute discretion-

- (i) the allotment and issuance of the new TMDEL Shares (SMS Consideration Shares). See Note 1 below
- (ii) cash. If the SMS Purchase Consideration is settled entirely in the form of cash, there shall be no dilution of shares at TMDEL.
- (iii) combination of both. See note 1 below

**Note 1**

Subsequently on 29 April 2024, SMF and TMDEL had entered a SMS SSA Supplemental Letter with Platinum Gate to supplement the SMS SSA whereby SMF, TMDEL and Platinum Gate have agreed for the payment of the SMS Purchase Consideration to be satisfied entirely via the issuance of 1,188,543 new TMDEL Shares. (Source: **Part A, Section 3** of this Circular). As illustrated from the diagram below, upon completion of both Proposed Acquisition of TMD and Proposed Acquisition of SMS, Straits equity interest shall be 76.68%, with 5.94% held by SMS Vendor and 17.38% held by Vendors of TMD.



**Note 1**

Upon completion of the Proposed Acquisition of SMS by SMF, the equity interest of SMF in SMS shall increase from 51% to 100%.

## 6. EVALUATION OF THE PROPOSED ACQUISITION OF SMS

In evaluating the Proposed Acquisition of SMS, we have taken into consideration the following factors in forming our opinion:

| Factors  | Section reference in IAL |
|--|--------------------------|
| Rationale for the Proposed Acquisition of SMS                            | 6.1                      |
| Evaluation of the basis of arriving at the SMS Purchase Consideration    | 6.2                      |
| Evaluation of the manner of settlement of the SMS Purchase Consideration | 6.3                      |
| Salient terms of the SMS SSA   | 6.4                      |
| Effects of the Proposed Acquisition of SMS                               | 6.5                      |
| Risk factors relating to the Proposed Acquisition of SMS                 | 6.6                      |

### 6.1 Rationale for the Proposed Acquisition of SMS

We take note of the rationale for the Proposed Acquisition of SMS and the Proposed Acquisition of TMD, as set out in **Part A, Section 4** of this Circular.

*As set out in Part A, Sections 2 and 3 of this Circular, as at the LPD, TMD and SMS are both 70%-owned and 51%-owned subsidiaries of SMF, respectively, which is an indirect wholly-owned subsidiary of Straits. TMD Group is principally involved in bunkering services for marine fuel & petroleum-based products and vessel chartering services whereas SMS Group is principally involved in ship management, provision of shipping services, general cleaning and disinfecting. The Proposed Acquisitions entails the acquisition of the remaining 30% equity interest in TMD and the remaining 49% equity interest in SMS which would enable Straits to consolidate a higher portion of the equity interest in both TMD and SMS as illustrated in the diagram in Part A, Section 1 of this Circular. The Board opines that the additional portion arising from the Proposed Acquisitions will enable Straits Group to enhance the financial performance of the Group.*

*In addition, the Proposed Acquisition of TMD and Proposed Acquisition of SMS will be settled via the issuance of new TMDEL Shares, in which the TMD Consideration Shares and SMS Consideration Shares will be allotted to Dato' Suhaimi, Mr. Goo and Platinum Gate at a later date within 12 months from the completion of the TMD SSA and SMS SSA, respectively. In view that the Purchase Considerations are to be satisfied by the issuance of new TMDEL Shares, it would allow Straits Group to enhance its asset base without entirely relying on internally generated fund and/ or bank borrowings, and to allow the Group to conserve its cash flow position. Upon issuance of the new TMDEL Shares, Dato' Suhaimi, Mr. Goo and Platinum Gate will become shareholders in TMDEL. Accordingly, the Vendors of TMD and SMS Vendor will remain financially interested in the restructured SMF Group after the Proposed Acquisitions, which therefore serves to further align their interests to the business of Straits Group after the completion of the Proposed Acquisitions.*

*Upon completion of the Proposed Acquisitions, TMD and SMS will become wholly-owned subsidiaries of SMF which is an indirect wholly-owned subsidiary of Straits until such time the TMDEL Shares are issued to Dato' Suhaimi, Mr. Goo and Platinum Gate. Therefore, the Proposed Acquisitions present an opportunity for Straits Group to recognise a larger portion of the financial results contribution from TMD and SMS. By having recognize a larger portion of TMD Group and SMS Group's financial results, the Group will stand to benefit immediately from the increased PAT attributable to the owners of the Company, and in turn increasing its EPS, as set out in Part A, Section 7.3 of this Circular. Barring any unforeseen circumstances, the Board, after taking into consideration the outlook of the maritime industry in Malaysia as set out in Part A, Section 5.3 of this Circular, is of the view that TMD Group and SMS Group 100% may be able to contribute to the growth of Straits Group moving forward.*

#### AER's Commentary

Prior to the Proposed Acquisition of SMS, Straits through its indirect wholly owned subsidiary, i.e. SMF, has an equity interest of 51% in SMS. Upon completion of the Proposed Acquisition of SMS, Straits' effective interest in SMS shall increase to 76.68%.

As the Proposed Acquisition of SMS and TMD are to be paid entirely by the issuance of new TMDEL Shares to Vendors of TMD and SMS Vendor, Straits's ownership in TMDEL is diluted to 76.68% being 17.38% of TMDEL Shares being held by Vendors of TMD and 5.94% of TMDEL Shares shall be held by SMS Vendor.

We are of the opinion that the rationale for the Proposed Acquisition of SMS is **reasonable** and **not detrimental** to the Non-Interested Shareholders for following reasons: -

- (i) It allows Straits to consolidate a higher percentage of future SMS earnings from 51% to 76.78%.
- (ii) it would allow Straits Group to enhance its asset base without entirely relying on internally generated fund and/ or bank borrowings, and to allow the Group to conserve its cash flow position as the payment to the SMS Vendor is by the issuance of new TMDEL Shares.

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

As stated in **Part A, Section 3.2** of this Circular, the SMS Purchase Consideration is arrived at based on:-

- (i) willing-buyer willing-seller basis between SMF and Platinum Gate,
- (ii) the unaudited consolidated NA of SMS Group as at 31 December 2022 of RM6,785,514 and the SMS Purchase Consideration of RM3,324,902 for 49% equity in SMS which translates to a P/B ratio of 1.00 times. Platinum Gate intends to remain financially interested in the restructured SMF Group via its shareholdings in TMDEL, pursuant to the Proposed Acquisition of SMS. As such, the use of P/B ratio as the basis for determining the SMS Purchase Consideration would allow the Group to mitigate any risks associated with earnings volatility of SMS.

### AER's Commentary

SMS was incorporated in Singapore on 23 April 2019 under the Companies Act 1967 of Singapore as a private limited company. SMS and its subsidiary are principally involved in ship management services including the services of technical management, crew management and marine consultancy, provision of shipping agency services which entail the handling of shipments as well as general needs of its customers' vessel ports in Malaysia, general cleaning and disinfecting of customers' vessel.

SMS has one wholly-owned subsidiary, Straits Maritime Services Pte Ltd which was incorporated in Singapore on 7 April 2021 under the Companies Act 1967 of Singapore as a private limited company principally in the provision of shipping services, general cleaning and disinfecting.

Straits through SMF owns 51% equity interest in SMS, which is a controlling block. Pursuant to the Proposed Acquisition of SMS, SMF shall acquire 49% equity interest in SMS. The equity stake of a non-controlling block is best appraised using valuation approach such as Dividend Discount Method ("DDM") as it focuses on the company's value to an investor who doesn't exercise control, which aligns with the non-controlling block position. Based on our review, we noted that for the past three financial years, SMS did not declare any dividend despite that SMS had reported profits for FYE 31 December 2020 to FYE 31 December 2022. As a cross-check on the SMS Purchase Consideration using the DDM approach, we have assumed that the annual dividend payout to be 50%, which represents the middle value, as SMF do not have a stated dividend policy.

Below are the key summary financial highlights of the consolidated financial information of SMS Group, as extracted from **Appendix IV** of this Circular except for net margin and return of equity, which is computed from the information.

| No. | Description                              | FYE 31 December 2021<br>RM'000 | FYE 31 December 2022<br>RM'000 |
|-----|--|--------------------------------|--------------------------------|
| 1   | Revenue                                  | 5,174                          | 7,329                          |
| 2   | PAT attributable to owners of the parent | 1,644                          | 2,695                          |
| 3   | Shareholders' fund / NA                  | 3,804                          | 6,786                          |

| No. | Description            | FYE 31 December 2021<br>RM'000 | FYE 31 December 2022<br>RM'000 |
|-----|------------------------|--------------------------------|--------------------------------|
| 4   | Cash and bank balances | 1,931                          | 2,275                          |
| 5   | Total borrowings       | -                              | 2,651                          |
| 6   | Net margin             | 31.8%                          | 36.8%                          |
| 7   | Return of equity, %    | 43.2%                          | 39.7%                          |

For the value of SMS determined using the constant-growth DDM or also known as the Gordon model <sup>(1)</sup> we have applied the formula below:-

|                   |   |  |
|-------------------|---|--|
| Fair value of SMS | = | $\frac{\text{Assumed next year's dividend}^{(\text{note 1})}}{\text{Cost of equity}^{(\text{note 2})} - \text{assumed growth rate of dividend}^{(\text{note 3})}}$ |
|-------------------|---|--|

<sup>(1)</sup> In 1956, Gordon along with Eli Shapiro, published a method for valuing a stock or business, now known as the Gordon growth model.

Based on the application of the DDM with the key assumptions as listed below, the fair equity interest for 49% in SMS shall translate to the value of RM4,625,000. The SMS Purchase Consideration represents a discount of 28.1% to its fair value determined at RM4,625,000. Hence, we conclude that the SMS Purchase Consideration adopted by the board to derive the SMS Purchase Consideration of RM3,324,902 for 49% equity in SMS which translates to a P/B ratio of 1.00 times, is **fair, reasonable** and **not detrimental** to the Non-Interested Shareholders.

Tabulated below are the workings for the DDM of 49% equity interest in SMS:-

| Dividend discount model  |        | RM '000  |                     |
|--|--------|--|---------------------|
| Consolidated PAT of SMS  |        |  | 2,695               |
| Dividend payout (Note 1)   | 50%    |  |                     |
| Next year dividend   |        |  | 1,348               |
| Growth rate, g (Note 3)  | 0%     |  |                     |
| Cost of equity (Note 2)  | 10.71% |  |                     |
| Dividend Discount Model  | =      | $\frac{\text{Next year dividend} \times (1 + g)}{\text{Cost of equity} - g}$ |                     |
|  | =      | $\frac{1,348 \times 1.00}{10.71\% - 0.0\%}$                                  |                     |
|  | =      | $\frac{1,348}{10.71\%}$  |                     |
| Fair value of 100% equity interest in SMS  | =      | 12,586   |                     |
| Fair value for 49% equity interest in SMS, before illiquidity discount                     | =      | 6,167  | =12,586 x 49%       |
| Less Illiquidity discount (Note 4)   |        | 25%  |                     |
| Fair value for 49% equity interest in SMS, after illiquidity discount of a private company |        | <b>4,625</b>   | = 6,167 x (1 - 25%) |
| <b>Appraised by AER</b>  |        |  |                     |

#### Notes

Note 1 – Next year dividend is assumed to be the consolidated profit after tax of SMS for FYE 31 December 2022 multiplied by its assumed annual dividend pay-out of 50%.

Note 2 – Cost of equity of Straits is extracted from Bloomberg determined on 30 April 2024, which is based on the following key inputs:-

- (a) Annual expected market return of 10.498%
- (b) Annual risk-free rate of 3.859%
- (c) Levered beta of 0.731
- (d) An assumed specific risk of 2.0%.

Note 3

Annual sustainable growth rate is assumed to be 0%.

Note 4 – Discount for Lack of Marketability (“**DLOM**”) is assumed to be 25%. SMS is a private company and not listed on any exchange and hence it is illiquid as compared to a company that is listed. Based on empirical studies by various authors, the appropriate range of DLOM could range from 20% to 30%. We applied an average of the range at 25%.

### 6.2.1 Implied P/B multiple

We have also performed cross check to SMS Purchase Consideration by computing its implied P/B which is equivalent to 1.0 time. The basis of applying the P/B as a cross check is that it is reasonable and common practise for any vendor to ask for a minimum asking price that is based on P/B of 1.0 time. The P/B of 1.0 time means that the SMS Purchase Consideration is equal to its book value, we conclude that the SMS Purchase Consideration is **fair, reasonable** and **not detrimental** to the Non-Interested Shareholders.

Workings: -

| Item no. |   | RM               | Description   |
|----------|---|------------------|---------------|
| 1        | SMS Purchase Consideration                              | 3,324,902        | P             |
| 2        | Consolidated NA of SMS Group as at FYE 31 December 2022 | 6,785,514        | 100% of NA    |
| 3        | 49% of the consolidated NA of SMS Group                 | 3,324,902        | B = 49% of NA |
| 4        | Implied P/B multiple                                    | <b>1.0 times</b> | P/B           |

### 6.2.2 Implied Price-to-Earnings multiple

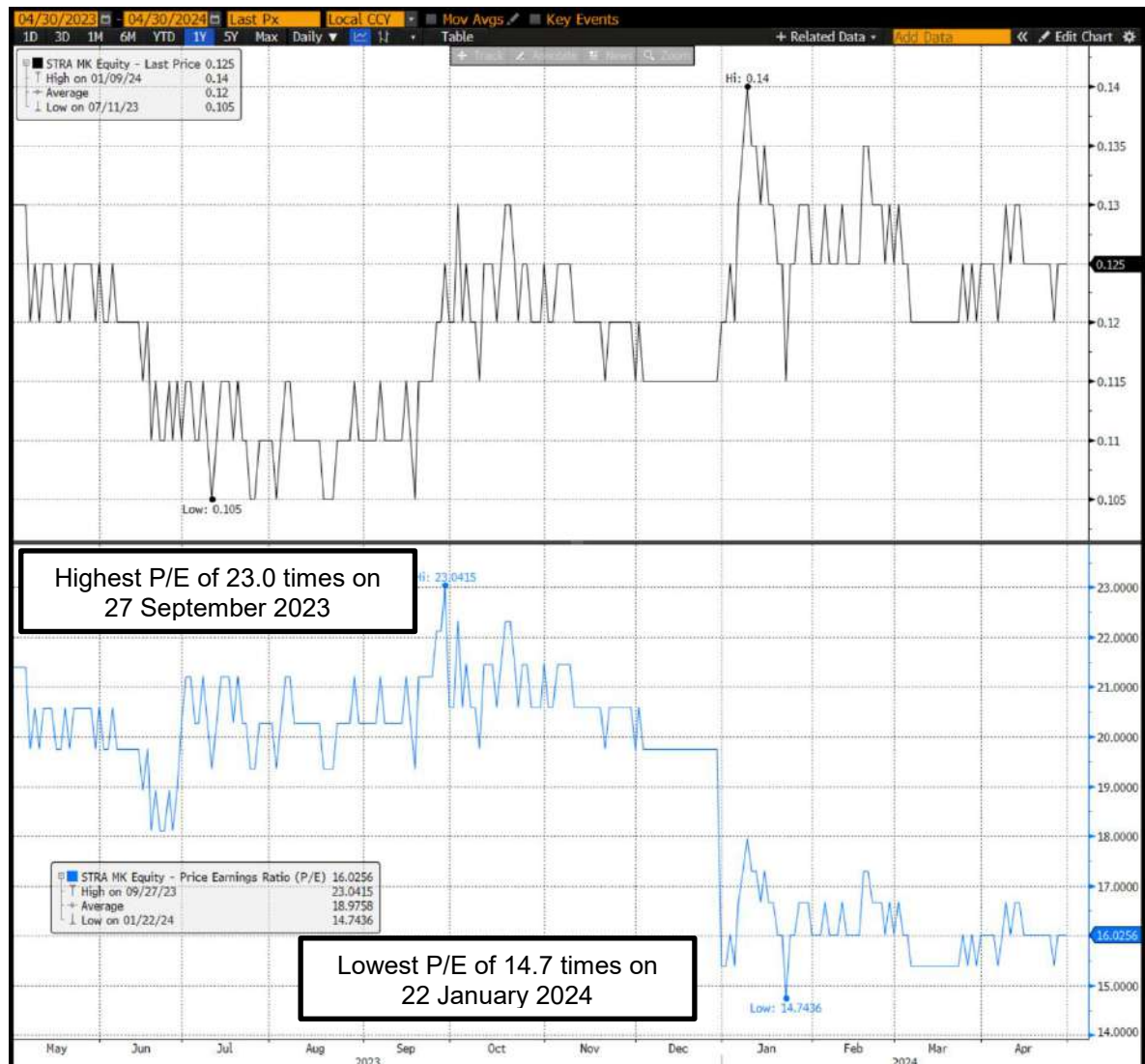
We performed additional cross-checks to comply with recommended valuation practices to use at least two approaches to cross check an appraised value. We also performed a cross check to SMS Purchase Consideration by computing its implied Price-to-Earnings which is equivalent to 2.5 times <sup>Note 1</sup>. We noted that the implied Price-to-Earnings for Straits was between 14.7 times to 23.0 times for the duration of one year between 30 April 2023 to 30 April 2024 <sup>Note 2</sup>. As the implied Price-to-Earnings of SMS Purchase Consideration is at a **discount** of the historical Price-to-Earnings of Straits, it can be interpreted that the Company is purchasing SMS at a lower P/E as compared with the implied traded P/E of Straits, which is an advantage to the Company. We conclude that the SMS Purchase Consideration is **fair, reasonable** and **not detrimental** to the Non-Interested Shareholders.

Workings for Note 1: -

| Item no. |  | RM               | Description    |
|----------|--|------------------|----------------|
| 1        | SMS Purchase Consideration                             | 3,324,902        | P              |
| 2        | Consolidated PAT of SMS Group for FYE 31 December 2022 | 2,695,000        | 100% of PAT    |
| 3        | 49% of the consolidated PAT of SMS Group               | 1,320,550        | E = 49% of PAT |
| 4        | Implied Price-to-Earnings multiple                     | <b>2.5 times</b> | P/E            |

Note 2 – Plot of historical last trading prices of Straits for the duration of one year between 30 April 2023 to 30 April 2024 and its corresponding Price-to-Earnings multiple during the same period.

It is noted the period from 30 April 2023 to 30 April 2024 (being the LPD), the lowest and highest implied Price-to-Earnings for Straits was between 14.7 times to 23.0 times with the corresponding closing market price of Straits of RM0.115 per share and RM0.125 per share on 22 January 2024 and 27 September 2023, respectively.



Source: Bloomberg Finance

### 6.2.3 Comparable Companies

As an additional cross-checking exercise, we also seek to compare with other companies that are similar to Straits (**“Comparable Companies”**).

Straits is an investment holding company with principal activities in the following areas:-

- Oil bunkering and shipping related services – in this segment, Straits services included oil trading and bunkering services, vessels management services, chartering services and shipping agency services,
- Inland transportation services,
- Cargo transportation services,
- Port operation and facility management services,
- Others.

From our research, other listed companies that are involved in similar business are very much larger and listed in other overseas exchanges, hence **may not** be suitable comparable companies. However, for readers understanding, we have presented for **illustration only**.



| Currency in Ringgit Malaysia, MYR                                 |                            |                  |                              |  |                    | Latest audited accounts available |                    |                     |  |                                   | Altman Z-Score | Current shares outstanding, million |
|---|----------------------------|------------------|------------------------------|--|--------------------|-----------------------------------|--------------------|---------------------|--|-----------------------------------|----------------|-------------------------------------|
| Item number   | Comparable Companies       | Ticker           | Share price on 30 April 2024 | Market capitalisation as on 30 April 2024, million (E) | Financial year end | Revenue, million                  | PAT/(LAT), million | Net assets, million | Short and long term debts, million (D) | Cash and cash equivalent, million |                |                                     |
| 1   | GLOBAL SHIP LEASE INC-CL A | GSL US Equity    | 108.58                       | 3,820.6  | 31/12/2023         | 3,077.3                           | 1,388.6            | 5,436.3             | 3,729.0                                | 636.4                             | 1.58           | 35.2                                |
| 2   | TORM PLC-A                 | TRMDA DC Equity  | 164.89                       | 15,453.2   | 31/12/2023         | 6,933.4                           | 2,956.3            | 7,646.9             | 4,874.9                                | 1,356.9                           | 3.49           | 86.2                                |
| 3   | AVANCE GAS HOLDING LTD     | Avance SS Equity | 69.28                        | 5,364.3  | 31/12/2023         | 1,606.6                           | 746.0              | 2,771.4             | 2,262.0                                | 603.3                             | 2.25           | 77.4                                |
| 4   | DANAOS CORP                | DAC US Equity    | 364.99                       | 7,116.2  | 31/12/2023         | 4,439.8                           | 2,628.1            | 13,844.9            | 1,855.2                                | 1,247.6                           | 3.16           | 19.5                                |
| 5   | SFL CORP LTD               | SFL US Equity    | 63.59                        | 8,741.6  | 31/12/2023         | 3,430.7                           | 382.8              | 4,770.8             | 11,778.3                               | 759.6                             | 0.51           | 125.7                               |
|   | Total                      |                  |                              | 40,496   |                    | 19,488                            | 8,102              | 34,470              |  |                                   |                |                                     |
|   | Average                    |                  |                              |  |                    |                                   |                    |                     | 4,900                                  | 920.8                             | 2.2            |                                     |
|   | Median                     |                  |                              |  |                    |                                   |                    |                     | 3,729                                  | 759.6                             | 2.2            |                                     |
| By AER. Source: Bloomberg and annual reports as at Valuation Date |                            |                  |                              |  |                    |                                   |                    |                     |  |                                   |                |                                     |

| Item number   | Comparable Companies       | Exchange   | Adjusted beta - weekly for 2 years | - (1+(Debt/Equity)x(1-effective tax)) | Unlevered beta | Net margin, % | ROE, % | Gearing (D)/(D+E) | trailing P/E | trailing P/B | trailing EV/EBITDA | P/S |
|---|----------------------------|------------|------------------------------------|---------------------------------------|----------------|---------------|--------|-------------------|--------------|--------------|--------------------|-----|
| 1   | GLOBAL SHIP LEASE INC-CL A | New York   | 0.8446                             | 1.97460                               | 0.4277         | 45.1%         | 25.5%  | 40.7%             | 2.8          | 0.70         | 3.5                | 1.2 |
| 2   | TORM PLC-A                 | Copenhagen | 0.6122                             | 1.31351                               | 0.4661         | 42.6%         | 38.7%  | 38.9%             | 5.2          | 2.02         | 4.9                | 2.2 |
| 3   | AVANCE GAS HOLDING LTD     | Stockholm  | 0.5598                             | 1.42102                               | 0.3940         | 46.4%         | 26.9%  | 44.9%             | 7.2          | 1.94         | 6.8                | 3.3 |
| 4   | DANAOS CORP                | New York   | 0.7445                             | 1.19813                               | 0.6214         | 59.2%         | 19.0%  | 11.8%             | 2.7          | 0.51         | 2.4                | 1.6 |
| 5   | SFL CORP LTD               | New York   | 0.7040                             | 2.29607                               | 0.3066         | 11.2%         | 8.0%   | 71.2%             | 22.8         | 1.83         | 9.4                | 2.5 |
|   | Total                      |            |                                    |                                       |                |               |        |                   |              |              |                    |     |
|   | Average                    |            |                                    |                                       | 0.44315        | 40.9%         | 23.6%  | 41.5%             | 8.1          | 1.4          | 5.4                | 2.2 |
|   | Median                     |            |                                    |                                       | 0.42775        | 45.1%         | 25.5%  | 40.7%             | 5.2          | 1.8          | 4.9                | 2.2 |
|   | Minimum                    |            |                                    |                                       | 0.30660        | 11.2%         | 8.0%   | 11.8%             | 2.7          | 0.5          | 2.4                | 1.2 |
|   | Maximum                    |            |                                    |                                       | 0.62135        | 59.2%         | 38.7%  | 71.2%             | 22.8         | 2.0          | 9.4                | 3.3 |
| By AER. Source: Bloomberg and annual reports as at Valuation Date |                            |            |                                    |                                       |                |               |        |                   |              |              |                    |     |

## Notes

- Altman's Z-Score = 1.2 \* (Working capital / Tangible assets) + 1.4 \* (Retained earnings / Tangible assets) + 3.3 \* (EBIT / Tangible assets) + 0.6 \* (Market value of equity / Total liabilities) + (Revenue / Tangible assets)

Altman Z- Score Indicates the probability of a company filing for bankruptcy within the next two years. The higher the value, the lower the probability of bankruptcy. A score below 1.8 indicates presence of financial stress. A score above 3 indicates bankruptcy is unlikely. Altman's Z-Score is only available on publicly listed companies with all the requisite fundamentals for the model

- Trailing P/E is the market capitalisation on 30 April 2024 divided by PAT.
- Trailing P/B is the market capitalisation on 30 April 2024 divided by net assets.
- Trailing EV/EBITDA is the enterprise value divided by the annual EBITDA.
- Trailing P/S is the market capitalisation on 30 April 2024 divided by revenue.

We noted that the traded P/E is between 2.7 times to 22.8 times. When compared with the implied P/E of SMS Purchase Consideration of 2.5 times, it is **discount** to the range.

We noted that the traded P/B is between 0.5 times to 2.0 times. When compared with the implied P/B of SMS Purchase Consideration of 1.0 times, it is **within** the range.

Our overall conclusion is that the SMS Purchase Consideration is **fair, reasonable** and **not detrimental** to the Non-Interested Shareholders based on our evaluation under the preceding sections which includes the use of DDM, implied P/B, implied P/E and comparison with Comparable Companies.

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**6.3 Evaluation of the manner of settlement of the SMS Purchase Consideration and the issuance of 1,188,543 new TMDEL Shares based on issuance price of RM2.7976 (equivalent to USD0.6002) per TMDEL Share**

The manner of settlement of the SMS Purchase Consideration is set out in **Part A, Section 3.3** of this Circular and in **Appendix II, Section 3**— Salient terms of the SMS SSA of this Circular.

| <b>Shareholder</b> | <b>Issue price per TMDEL Share</b> | <b>No. of TMDEL Shares to be issued pursuant to the Proposed Acquisition of SMS</b> | <b>%</b> |
|--------------------|------------------------------------|---|----------|
| Platinum Gate      | RM2.7976                           | 1,188,543   | 5.94     |

*As set out above, pursuant to the Proposed Acquisition of SMS, the SMS Purchase consideration amounting to RM3,324,902 will be satisfied via the issuance of 1,188,543 new TMDEL Shares at an issue price of RM2.7976 (equivalent to USD0.6002) per TMDEL Share, based on the pro forma NA per TMDEL Share at USD0.6002 per TMDEL Share as at 31 December 2022 after taking into consideration all the internal restructuring exercises as outlined in **Part A, Section 1** of this Circular.*

*The issue price of RM2.7976 (equivalent to USD0.6002) per SMS Consideration Share was computed based on the SMS Purchase Consideration of RM3,324,902 divided by 1,188,543 SMS Consideration Shares, representing 5.94% of enlarged issued shares of TMDEL to be held by Platinum Gate, post completion of the Proposed Acquisition of SMS.*

Note: As extracted from **Part A, Section 3.3** of this Circular

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

Note: As extracted from **Part A, Section 3.3** of this Circular

**AER's Commentary**

**Timing of payment of the SMS Purchase Consideration to the SMS Vendor**

We noted that the entire payment of the SMS Purchase Consideration shall be paid to the SMS Vendor within 12 months from the SMS SSA Completion Date in accordance with the terms and conditions of the SMS SSA.

We conclude that the manner of the settlement of the SMS Purchase Consideration by the Company in terms of timing is common commercial practice and hence, it is **reasonable** and **not detrimental** to the interests of the Non-Interested Shareholders.

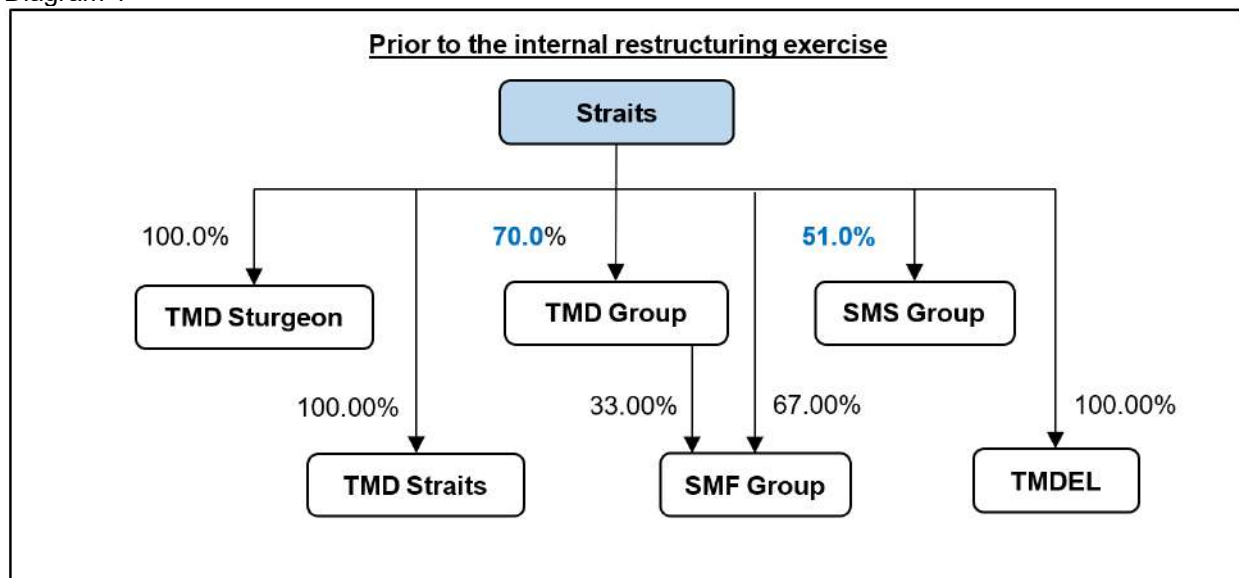
**Mode of payment by SMF (Purchaser) to SMS Vendor**

We noted that the mode of settlement is via the issuance of 1,188,543 TMDEL Shares at an issue price of RM2.7976 (equivalent to USD0.6002) per TMDEL Share, based on the pro forma NA per TMDEL Share at USD0.6002 per TMDEL Share as at 31 December 2022 after taking into consideration all the internal restructuring exercises as outlined in **Part A, Section 1** of this Circular.

As extracted from **Part A, Section 1** of this Circular, prior to the internal restructuring exercise, Straits effective interest in TMD Group and SMS Group were 70% and 51% respectively. The Vendors of TMD and SMS Vendor held the remaining 30% equity interest in TMD and remaining 49% equity interest in SMS, respectively

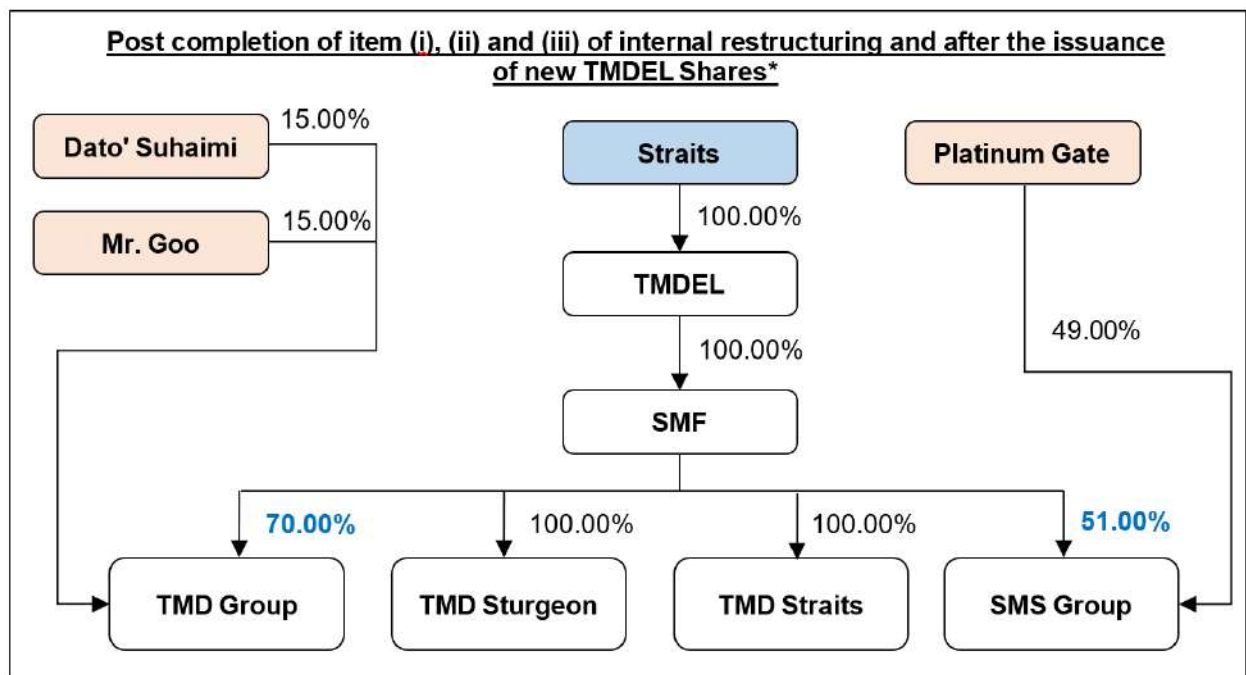


Diagram 1



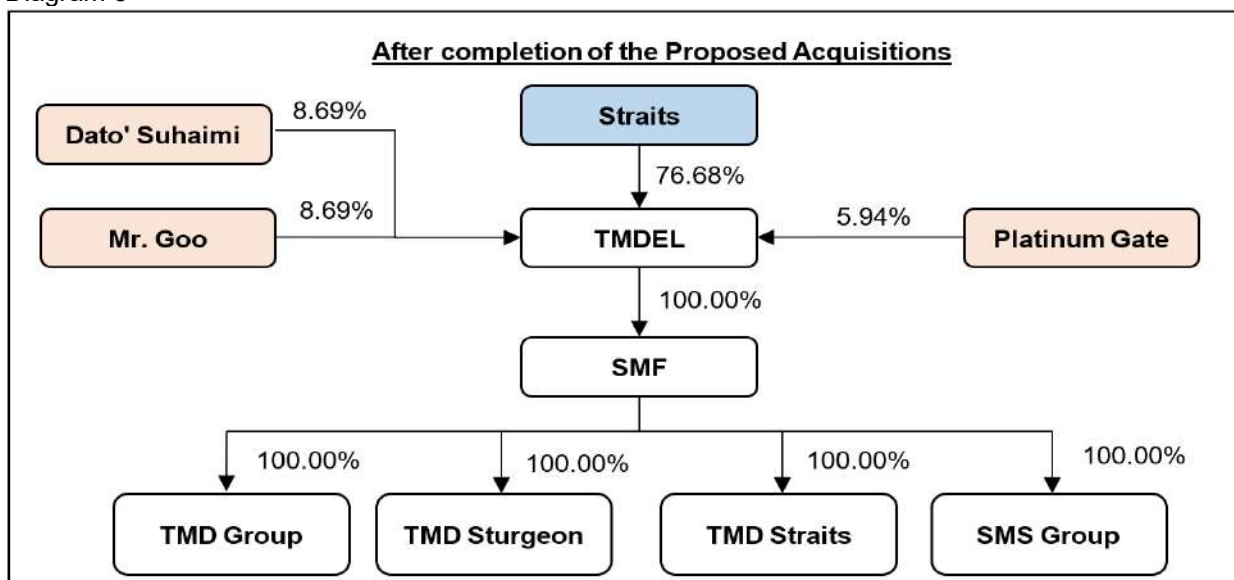
Following the issuance of new TMDEL Shares of the post completion internal restructuring, as detailed under item (i), item (ii) and item (iii) of **Part A, Section 1** of this Circular, it has the effect of maintaining Straits's effective ownership in TMD Group and SMS Group at 70% and 51% respectively, as illustrated in diagram 2 below.

Diagram 2



Following the proforma illustration in diagram 3 below, of the acquisition of the remaining 30% equity interest in TMD Group and remaining 49% equity interest in SMS Group shall be completed the issuance of new TMDEL Shares at RM2.7976 per share (equivalent to USD0.6002) to the Vendors of TMD and SMS Vendor on a same issue price per share basis, *based on the pro forma NA per TMDEL Share at USD0.6002 per TMDEL Share as at 31 December 2022.*

Diagram 3



The approach adopted to determine the issue price per share for each new TMDEL Share at RM2.7976 per share (equivalent to USD0.6002) to the Vendors of TMD and SMS Vendor is based on the pro forma NA per TMDEL Share at USD0.6002 per TMDEL Share as at 31 December 2022. As both approaches to determine the valuation of SMS Purchase Consideration and the valuation of TMDEL's shares to be received by SMS Vendor, is on the **same basis** of valuation (the NA approach of one time multiple for TMD Surgeon, TMD Straits and SMS Group, and the adjusted NA approach for SMF and TMD Group), we conclude that the issue price at RM2.7976 per share is **fair, reasonable** and **not detrimental** to the Non-Interested Shareholder.

The issue price of RM2.7976 for each new TMDEL Share to be issued to the SMS Vendor and Vendors of TMD are exactly the same, and hence it is reasonable and not detrimental as the number of new TMDEL Shares all the vendors to arrive at the number of TMDEL Shares to SMS Vendor and Vendors of TMD are computed in the similar manner. The workings of the computation to arrive at the issue price RM2.7976 for each new TMDEL Share is presented under **Appendix 1** of this IAL.

Illustration for comparison that the issue price is the same for both Proposed Acquisition of SMS and Proposed Acquisition of TMD

| Item number | SMS Purchase Consideration<br>$A = B \times C$ | SMS Consideration Share (B) | Issue price of each new TMDEL's Share (C)                                | % ownership in TMDEL | Source                                      |
|-------------|--|-----------------------------|--|----------------------|---|
| 1           | RM3,324,902                                    | 1,188,543 new TMDEL Share   | at RM2.7976 per new TMDEL Share<br><b>See Appendix 1 on the workings</b> | 5.94%                | <b>Part A, Section 3.3</b> of this Circular |

| Item number | TMD Purchase Consideration<br>$A = B \times C$ | TMD Consideration Share (B) | Issue price of each new TMDEL's Share (C)                                | % ownership in TMDEL | Source                                      |
|-------------|--|-----------------------------|--|----------------------|---|
| 2           | RM9,720,989                                    | 3,474,934 new TMDEL Share   | at RM2.7976 per new TMDEL Share<br><b>See Appendix 1 on the workings</b> | 17.38%               | <b>Part A, Section 2.3</b> of this Circular |

Note: For item 1, the multiplication of B and C and deducting A, shall result in a rounding difference of RM 166 and for item 2, the multiplication of B and C and deducting A, shall result in a rounding difference of RM 486. We are of the opinion that the rounding difference is **reasonable** as the computation of the issue price was based on USD 0.6002 per TMDEL Share which is rounded to four decimal point multiplied by the mutually agreed currency exchange rate of USD1.00: RM4.6611 in contrast to the actual figure which is USD 0.60017 (rounded to five decimal point).

#### 6.4 Salient terms of the SMS SSA

The salient terms of the SMS SSA are set out in **Appendix II**, of this Circular. Our comments on the salient terms are as follows:

| Salient terms of the SMS SSA  | AER's Commentary  |
|---|---|
| <p><i>Conditions Precedent as set out in <b>Appendix II</b>, Section 2 of this Circular of the SMS SSA is conditional upon:-</i></p> <p><i>i. Straits appointing an independent adviser in accordance with the Listing Requirements and forming an opinion that the Proposed Acquisition of SMS is fair and reasonable;</i></p> <p><i>ii. Straits obtaining the approval of the non-interested shareholders of Straits for the Proposed Acquisition of SMS;</i></p> <p><i>iii. The approval of United Overseas Bank Limited and such other waivers, consents or approvals as may be required (or deemed necessary by the parties) from any third party (including financial institution) or relevant governmental or regulatory body ("<b>Relevant Authorities</b>") necessary or appropriate to carry out the sale and purchase of the SMS Sale Shares pursuant to the terms of the SMS SSA having been obtained.</i></p> <p><i>The date the last of the SMS SSA Conditions Precedent is fulfilled or otherwise waived by the Purchaser shall be the "<b>SMS SSA Unconditional Date</b>"</i></p> <p><i>Notwithstanding anything to the contrary, Platinum Gate and SMF shall work towards facilitating the satisfaction of the SMS SSA Conditions Precedent within 3 months from the date of the SMS SSA, such term having an automatic extension for a further 3 months if the SMS SSA Conditions Precedent have not been fulfilled (hereinafter referred to as the "<b>Cut-Off Date</b>"). Thereafter, all parties of the SMS SSA may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between Platinum Gate, SMF and TMDEL to comply with the SMS SSA Conditions Precedent. If the SMS SSA Conditions Precedent has not been fulfilled on the expiry of the Cut-Off Date or such extension of time agreed between the parties to the SMS SSA, then either Platinum Gate or SMF or TMDEL shall be entitled to rescind the SMS SSA by serving a written notice to the other party(ies) whereupon Platinum Gate shall refund all amounts received pursuant to the SMS SSA (if any) within 14 business days from the receipt of the termination notice (or if Platinum Gate is the terminating party, then within 14 business days from the date of the termination notice) after which whereupon the SMS SSA shall lapse and cease to</i></p> | <p>Among the SMS SSA Conditions Precedent include the appointment of an independent adviser, approval of the non-interested shareholders of Straits, and financial institutions and Relevant Authorities where applicable. The initial timeframe to fulfil the SMS SSA Conditions Precedent is 3 months with an automatic 3-month extension if needed, and further extensions can be agreed upon by all parties. However, if the SMS SSA Conditions Precedent are not met by the "Cut-Off Date," any party can terminate the SMS SSA, resulting in refunds (if any) and the SMS SSA becoming void.</p> <p>We are of the view that the SMS SSA Conditions Precedents are normal commercial arrangements as summarised below:-</p> <p>(i) appointment of independent adviser as this transaction is a related party and to comply with the Listing Requirements.</p> <p>(ii) The timing to comply with the condition precedents and the automatic extension are normal commercial arrangement.</p> <p>Hence, we concluded that the terms are <b>reasonable</b>.</p> |

|  |  |
|--|--|
| have any further force or effect except in respect of any obligation under the SMS SSA which is expressed to apply after the termination of the SMS SSA and any rights or obligations which have accrued in respect of any breach of any of the provisions of the SMS SSA to either party prior to such termination. |  |
|--|--|

| Salient terms of the SMS SSA  | AER's Commentary   |
|---|--|
| <p>Extract of the Breach/Termination clause as set out in <b>Appendix II, Section 5</b> of this Circular of the SMS SSA is as follows:-</p> <p><i>5.1 If SMF shall fail to complete the sale and purchase of the SMS Sale Shares in accordance with the SMS SSA on SMS SSA Completion Date in the manner stipulated in the SMS SSA and/or breaches any of the terms and/or its warranties under the SMS SSA, then Platinum Gate shall be entitled to either:</i></p> <p><i>i. claim for specific performance of the SMS SSA and any such remedy as may be available under law; or</i></p> <p><i>ii. if prior to the SMS SSA Completion Date, terminate the SMS SSA and upon such termination, Platinum Gate shall immediately return all monies paid pursuant to the SMS SSA (if any and free of interest) in exchange against SMF paying to Platinum Gate all reasonable costs and expense incurred by Platinum Gate pursuant to the negotiation and preparation of the SMS SSA and any incidental costs thereto, after which Platinum Gate shall have no other claims whatsoever against SMF and Platinum Gate shall be entitled to sell or dispose of the SMS Sale Shares freely to any other party or parties and the documentation stakeholder shall be authorised to return the stakeholder documents to Platinum Gate upon receipt of a copy of the said termination notice from any party and written instructions from Platinum Gate to release the stakeholder documents to Platinum Gate.</i></p> <p><i>5.2 If Platinum Gate shall fail to complete the sale and purchase of the SMS Sale Shares in accordance with the SMS SSA on SMS SSA Completion Date in the manner stipulated in the SMS SSA and/or breaches any of the terms of the SMS SSA or any Platinum Gate's warranties as set out in the SMS SSA, then SMF shall be entitled to either:</i></p> <p><i>i. claim for specific performance of the SMS SSA and any such remedy as may be available under law; or</i></p> <p><i>ii. if prior to the SMS SSA Completion Date, terminate the SMS SSA and upon such termination, Platinum Gate shall immediately refund to SMF all monies paid pursuant to the SMS SSA (if any and free of interest) together with all reasonable costs and expenses incurred by SMF pursuant to the negotiation and preparation of the SMS SSA and any incidental costs thereto, after which SMF shall have no other claims whatsoever against Platinum</i></p> | <p>The Breach / Termination Clause in the SMS SSA is about the potential consequences and remedies if either party, SMF or SMS Vendor fails to fulfil their obligations under the terms of the SMS SSA for the Proposed Acquisition of SMS. It outlines different scenarios and options available to the non-breaching party of the SMS SSA such as specific performance where this forces the breaching party to fulfil their obligations as per the SMS SSA. Another option will be termination and compensation which allows the non-breaching party to terminate the SMS SSA and receive compensation for damages and expenses incurred, and the SMS Vendor shall be entitled to freely sell the shares elsewhere.</p> <p>Based on the above, we are of the opinion that the terms in Breach / Termination clause is considered normal in commercial transactions and it is <b>reasonable</b>.</p> |

| Salient terms of the SMS SSA   | AER's Commentary |
|--|------------------|
| <p><i>Gate and Platinum Gate shall be entitled to sell or dispose of the SMS Sale Shares freely to any other party or parties and the documentation stakeholder shall be authorised to return the stakeholder documents to Platinum Gate upon receipt of a copy of the said termination notice from any party and written instructions from SMF to release the stakeholder documents to Platinum Gate.</i></p> <p><i>5.3 If Platinum Gate's breach of its obligations under the SMS SSA is found after the SMS SSA Completion Date, SMF shall be entitled to claim for specific performance in addition to any other remedies as may be available to SMF under law and/or equity to take actions to reconcile and align the actual state of affairs as if the breach had not occurred (such actions may include but are not limited to, rectifying discrepancies in accounts, complying with legal and regulatory requirements, making or procuring relevant companies to make necessary corporate resolutions, addressing any undisclosed liabilities, completing the transfer of any assets or rights, or assisting SMS to make operational changes or corrections to align the business with the state as represented) and Platinum Gate shall indemnify and hold SMF harmless against all costs, charges and expenses incurred or suffered by SMF arising from such breach. For the avoidance of doubt, in the event SMF fails to pay the SMS Purchase Consideration, Platinum Gate's sole and exclusive remedy is for breach of the SMS SSA and claim for debt owing, damages and/or claim for specific performance for the issuance of the SMS Consideration Shares without recourse to the SMS Sale Shares.</i></p> |                  |

Based on our evaluation of the salient terms of the SMS SSA, we are of the view that the salient terms of the SMS SSA are generally on normal commercial terms for transactions of such nature and the said terms are **reasonable** and **not detrimental** to the interests of the Non-Interested Shareholders.

## 6.5 Effects of the Proposed Acquisition of SMS

The financial effects of the Proposed Acquisition of SMS together with the Proposed Acquisition of TMD are as set out in **Part A, Section 7** of this Circular.

We present our comments on the combined financial effects of the Proposed Acquisitions, on the assumption that both acquisitions are approved and completed concurrently, with Consideration Shares issued immediately after January 1, 2022. The proforma financial information for the Proposed Acquisition of SMS has incorporated the Proposed Acquisition of TMD effects on the proforma results.

| Effects of the Proposed Acquisition of SMS                       | AER's Commentary   |
|--|--|
| Issued share capital and substantial shareholders' shareholdings | The Proposed Acquisitions <u>do not have any effect</u> on the issued share capital and substantial shareholding structure of Straits as the purchase consideration for both transactions do not involve any issuance of new ordinary shares in Straits. |
| NA per Share and gearing   | <b>Effects on NA</b>   |



| Effects of the Proposed Acquisition of SMS  | AER's Commentary   |
|---|--|
|   | <p>Upon completion of the Proposed Acquisition of SMS and Proposed Acquisition of TMD, the NA per share remains approximately the same at RM 0.18 per share.</p> <p>We conclude that this is <b><u>reasonable</u></b> and <b><u>not detrimental</u></b> to Non-Interested Shareholders.</p> <p><b>Effects on gearing</b><br/> Upon completion of the Proposed Acquisition of SMS and Proposed Acquisition of TMD, the borrowing remains the same as any cash requirement is funded by internal cash.</p> <p>Accordingly, the gearing level upon completion of the Proposed Acquisitions remains approximately the same at 0.69 times.</p> <p>We conclude that this is <b><u>reasonable</u></b> and <b><u>not detrimental</u></b> to Non-Interested Shareholders.</p> |
| <p>Illustration of Earnings and EPS if the Proposed Acquisitions are <u>paid entirely by new TMDEL Shares</u></p> | <p>Upon completion of the Proposed Acquisition of SMS, the earnings of SMS will be 100% consolidated into Straits representing an increase of 49%. The annual consolidated results of Straits shall be diluted by approximately 5.94% as a result of new TMDEL Shares being issued to SMS Vendor.</p> <p>Similarly, upon completion of the Proposed Acquisition of TMD, the earnings of TMD shall be 100% consolidated into Straits, representing an increment of 30% from 70% prior to the Proposed Acquisition of TMD. The annual consolidated results of Straits shall be diluted by approximately 17.38% as a result of new TMDEL Shares being issued to the Vendors of TMD.</p>   |

Accordingly, the Proposed Acquisitions has the effect of increasing the EPS from 0.71 sen to 0.76 sen. We conclude that this is **reasonable** and **not detrimental** to Non-Interested Shareholders.

Based on the above, taken as a whole, we are of the view that the overall financial effect of the Proposed Acquisition of SMS is **reasonable** and **not detrimental** to the interests of the Non-Interested Shareholders.

## 6.6 Risk factors relating to the Proposed Acquisition of SMS

In considering the Proposed Acquisition of SMS, the Non-Interested Shareholders are advised to consider the risk factors as set out in **Part A, Section 6** of this Circular. The Proposed Acquisition of SMS may not be proceeded due to events that lead to termination of the SMS SSA such as parties of the SMS SSA are not able to meet the condition precedents and the SMS SSA are terminated by either party. Despite the challenges, the Board and management are firmly committed to pursuing all necessary approvals within the timeframe and shall work in the interest to complete the Proposed Acquisition of SMS.

Conversely, if the Proposed Acquisition of SMS is proceeded, the risk factors included but limited to as follows:-

- There can be no assurance that the business and operations of SMS will generate the expected return on investment, as the success and profitability of its business depends on various factors. Nevertheless, the Board is confident that it can manage such risk by leveraging on the experience and expertise of the Group's management and Directors.

- The reporting currency of SMS is in SGD and some of TMD's subsidiaries (incorporated in Labuan) are in USD whilst the reporting currency of Straits is in RM. For reporting purposes, any adverse changes in SGD and USD may result in foreign currency translation differences. No assurance can be given that any future significant exchange rate fluctuations or changes in foreign exchange control regulations will not have a material adverse impact on Straits' operating results and financial conditions. The management of Straits will continue to monitor the Group's foreign currency exposures and will take the necessary steps to minimize exchange rate exposures whenever deemed appropriate, for example, implementing a hedging policy.

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## 7. CONCLUSION AND RECOMMENDATION

The Non-Interested Shareholders should consider all the merits and demerits of the Proposed Acquisition of SMS based on all relevant pertinent factors including those which are set out in Part A of this Circular, the relevant appendices thereof, this IAL and other publicly available information.

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

- (a) the rationale for the Proposed Acquisition of SMS is reasonable and not detrimental to the Non-Interested Shareholders.
- (b) the basis of arriving at the Purchase Acquisition of SMS are reasonable and not detrimental to the Non-Interested Shareholders.
- (c) the manner of settlement of the Proposed Acquisition by SMF to the SMS Vendor is reasonable and not detrimental to the Non-Interested Shareholders.
- (d) the salient terms of the SMS SSA are fair, reasonable and not detrimental to the Non-Interested Shareholders
- (e) the effects of the Proposed Acquisition of SMS on the Group, taken as a whole, are not detrimental to the interests of the Non-Interested Shareholders.
- (f) the risk factors associated with the Proposed Acquisition of SMS are reasonable and not detrimental to the Non-Interested Shareholders.

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

Accordingly, we recommend the Non-Interested Shareholders to **vote in favour** of the ordinary resolution pertaining to the Proposed Acquisition of SMS that is to be tabled at the Company's forthcoming EGM.

Yours faithfully,

For and on behalf of

**ASIA EQUITY RESEARCH SDN. BHD.**

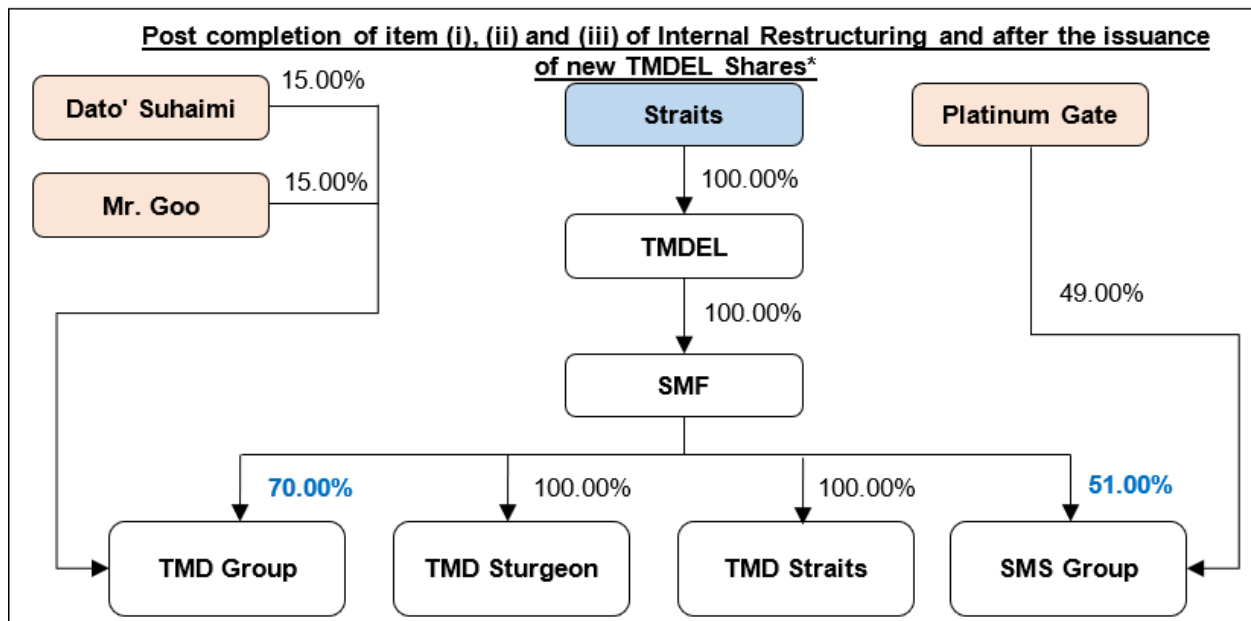
**ONG TEE CHIN, CFA, FRM, CAIA**  
Director

**FARIS AZMI BIN ABDUL RAHMAN, CPA (Aust)**  
Director



## Appendix 1 – Workings to determine the issue price at RM2.7976 per new TMDEL Share

Immediately, upon completion of the internal restructuring exercises as outlined in **Part A, Section 1** of this Circular, the corporate structure of the Straits Group is as presented below, for illustration purpose: -



- The Internal Restructuring shall result in that TMDEL owns (directly and indirectly) the following entities:-
  - 100% in SMF
  - 70% in TMD Group (The remaining 30% is held by the Vendors of TMD)
  - 100% in TMD Sturgeon
  - 100% in TMD Straits
  - 51% in SMS Group (The remaining 49% is held by SMS Vendor)
- The audited net assets of TMD Sturgeon, TMD Straits and SMS Group as at 31 December 2022 were RM3,168,423, RM2,489,812 and RM6,785,514 respectively.

The adjusted net assets as at 31 December 2022 of SMF Group and TMD Group were RM11,101,874 (**Note 1**) and RM32,403,295 (**Note 2**) respectively.

The proforma net assets of TMDEL upon the post completion of item (i), (ii) and (iii) of Internal Restructuring is **RM55,948,918** (USD12,003,372<sup>See point 4 below</sup>) which is the aggregate of the audited net assets of TMD Sturgeon, TMD Straits and SMS Group as at 31 December 2022 were RM3,168,423, RM2,489,812 and RM6,785,514 respectively and the adjusted net assets as at 31 December 2022 of SMF Group and TMD Group were RM11,101,874 and RM32,403,295 respectively.

**Note 1:-**

Workings: -

|  | RM                |
|--|-------------------|
| NA of SMF as at FYE 31 December 2022                     | 22,188,313        |
| Less: Share application monies (which was not proceeded) | (11,086,439)      |
| Adjusted NA of SMF as at 31 December 2022                | <b>11,101,874</b> |

**Note 2:-**

Workings:-

|  | RM                |
|--|-------------------|
| NA of TMD as at FYE 31 December 2022       | 55,085,291        |
| Less: Capital contribution by Straits      | (22,000,000)      |
| Less: Loss on disposal of associate by TMD | (681,996)         |
| Adjusted NA of TMD as at 31 December 2022  | <b>32,403,295</b> |

3. Total number of issued shares in TMDEL based on the post completion of item (i), (ii) and (iii) of Internal Restructuring and after the issuance of new TMDEL to SMS Vendor and Vendors of TMD was 20,000,000 ordinary shares.
4. For the purpose of the SSAs, SMF, TMDEL, Dato' Suhaimi, Mr. Goo and Platinum Gate have mutually agreed to apply the currency exchange rate of USD1.00: RM4.6611.
5. The equivalent proforma NA per share of TMDEL upon completion of item (i), (ii) and (iii) of Internal Restructuring is USD12,003,372 and when divided by the total number of shares in issue of 20,000,000 shall result in USD0.6002 per share.
6. The issue price of RM2.7976 per new TMDEL Share is based on the proforma NA per Share of TMDEL of USD6.002 per share, multiplied by the mutually agreed currency exchange rate of USD1.00: RM4.6611.

We have gone through the computation of the proforma net asset per share of TMDEL and we concluded that the issue price of RM2.7976 per new TMDEL Share is **fair, reasonable and not detrimental**, as we have verified that the computation is derived based on the NA of the TMDEL's ownership in 100% in SMF, 100% in TMD Group, 100% in TMD Sturgeon, 100% in TMD Straits and 100% in SMS Group.

**END**

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## APPENDIX I – SALIENT TERMS OF TMD SSA

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The salient terms of the TMD SSA are set out below:-

### 1. Sale and Purchase of the TMD Sale Shares

- 1.1 In consideration of the TMD Purchase Consideration, which shall be satisfied in accordance with the terms and conditions of the TMD SSA, Dato' Suhaimi and Mr. Goo (collectively referred to as the "**Vendors of TMD**") as legal and beneficial owner shall sell, and SMF relying on the warranties and representations by the Vendors of TMD contained in the TMD SSA, shall purchase the TMD Sale Shares free from any and all encumbrances and with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared made and paid as from the TMD SSA Completion Date (hereinafter defined) upon the terms and subject to the conditions as set out in the TMD SSA.

### 2. Conditions precedent

- 2.1 The TMD SSA and completion of the TMD SSA is conditional on ("**TMD SSA Conditions Precedent**"):
- i. Straits obtaining the approval of the shareholders of Straits for the Proposed Acquisition of TMD;
  - ii. the Vendors of TMD obtaining in favour of TMD the approval from the Ministry of Domestic Trade, Co-Operation and Consumers for the change in shareholding and board of directors of TMD and waiver of any Bumiputera equity condition imposed on TMD;
  - iii. the Vendors of TMD obtaining in favour of TMD the waiver from Petroliaam National Berhad (also known as PETRONAS) of any Bumiputera equity condition imposed on TMD;
  - iv. the Vendors of TMD obtaining in favour of TMD the approval of Petronas Dagangan Berhad for the change of shareholding and board of directors of TMD pursuant to the TMD SSA;
  - v. the Vendors of TMD obtaining in the favour of TMD the approval from MBSB Bank Berhad for the change in shareholding and board of directors of the Company pursuant to the TMD SSA;
  - vi. the Vendors of TMD obtaining in the favour of TMD the approval from Bank Kerjasama Rakyat Malaysia Berhad for the change of major shareholders and management of TMD pursuant to the TMD SSA;
  - vii. the Vendors of TMD obtaining in the favour of TMD the approval from Bank Islam Malaysia Berhad for the change of control, ownership and shareholders and directors of TMD pursuant to the TMD SSA; and
  - viii. such other waivers, consents or approvals as may be required (or deemed necessary by the parties to the TMD SSA) from any third party (including financial institution) or relevant governmental or regulatory body necessary or appropriate to carry out the sale and purchase of the TMD Sale Shares pursuant to the terms of the TMD SSA having been obtained.

The date the last of the TMD SSA Conditions Precedent is fulfilled or otherwise waived by the Purchaser shall be the "**TMD SSA Unconditional Date**".

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**APPENDIX I – SALIENT TERMS OF THE TMD SSA (CONT'D)**

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- 2.2 Notwithstanding anything to the contrary, the Vendors of TMD and SMF shall work towards facilitating the satisfaction of the TMD SSA Conditions Precedent within 3 months from the date of the TMD SSA, such term having an automatic extension of a further 3 months if the TMD SSA Conditions Precedent have not been fulfilled (hereinafter referred to as the "**Cut-Off Date**"). Thereafter, the parties of the TMD SSA may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between them to comply with the TMD SSA Conditions Precedent. If the TMD SSA Conditions Precedent has not been fulfilled on the expiry of the Cut-Off Date or such extension of time agreed between the parties of the TMD SSA, then either any of the Vendors of TMD or SMF or TMDEL shall be entitled to rescind the TMD SSA by serving a written notice to the other party(ies) whereupon the Vendors of TMD shall refund all amounts received pursuant to the TMD SSA (if any) within 14 business days from the receipt of the termination notice (or if the Vendors of TMD is the terminating party, then within 14 business days from the date of the termination notice) after which the TMD SSA shall lapse and cease to have any further force or effect except in respect of any obligation under the TMD SSA which is expressed to apply after the termination of the TMD SSA; and any rights or obligations which have accrued in respect of any breach of any of the provisions of the TMD SSA to either party prior to such termination.

**3. Payment of TMD Purchase Consideration**

The TMD Purchase Consideration of **RM9,720,989 (Ringgit Malaysia Nine Million Seven Hundred Twenty Thousand Nine Hundred and Eighty-Nine)** (equivalent to USD2,085,557) only shall, be satisfied by the allotment and issuance of 3,474,934 TMD Consideration Shares at RM2.7976 (equivalent to USD0.6002) each in the proportion set out in the TMD SSA, i.e. 50% of the TMD Consideration Shares (equivalent to 1,737,467 TMD Consideration Shares) to Dato' Suhaimi and 50% of the TMD Consideration Shares (equivalent to 1,737,467 TMD Consideration Shares) to Mr. Goo respectively, within 12 months from the TMD SSA Completion Date in accordance with the terms and conditions of the TMD SSA.

**4. TMD SSA Completion Date**

- 4.1 Completion shall take place on a day falling within 6 months after the TMD SSA Unconditional Date or such other date as the parties to the TMD SSA may agree in writing ("**TMD SSA Completion Date**"). Where the parties of the TMD SSA are unable to agree on the TMD SSA Completion Date, the TMD SSA Completion Date shall fall on the last date of the aforesaid 6-month period.
- 4.2 Completion of the TMD SSA shall be subject to the following:
- i. all the TMD Sale Shares collectively being sold to SMF;
  - ii. that each party of the TMD SSA performs all their respective obligations therein and that no breach of the TMD SSA has occurred which has not been remedied or waived by the non-defaulting party;
  - iii. the absence of pending or threatened injunctions, legal proceedings, claims, investigations or other matters prohibiting or adversely affecting the sale and purchase of the TMD Sale Shares in accordance with the terms and conditions contained in the TMD SSA or valuation ascribed to the TMD Sale Shares;
  - iv. the absence of any shares, stock, warrant, convertible notes or other securities in TMD Group which is to be issued or divested or which is under option or agreed to be under option save as contemplated in the TMD SSA; and
  - v. the absence of a material adverse change in the condition (financial or otherwise), business, properties, assets or prospects of each company in TMD Group.

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## APPENDIX I – SALIENT TERMS OF THE TMD SSA (CONT'D)

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- 4.3 At the TMD SSA Completion Date, the Vendors of TMD shall deliver or cause to be delivered to SMF:
- i. the resolution of the board of directors of TMD approving the transfer and registration of the TMD Sale Shares in favour of SMF subject only to the transfers having been duly stamped;
  - ii. the original share certificate and instrument of transfer in respect of the TMD Sale Shares ("**stakeholder documents**") (if not already deposited with the documentation stakeholder) and such documents as may be required to give good title to the TMD Sale Shares and to enable SMF to become the registered holder of the TMD Sale Shares;
  - iii. if required by SMF, resignation letter from the Vendors of TMD and all directors of the TMD Group not nominated by SMF as directors of TMD Group confirming they have no claims against TMD Group (including without limitation, for compensation for loss of office);
  - iv. the certified true copies of the approvals or documents referred to in **item 2.1** of this **Appendix I** if required; and
  - v. all books, records and property of TMD Group as may be held by the Vendors of TMD.
- 4.4 The Vendors of TMD hereby agrees and undertakes to forthwith do all acts and things so as to register SMF as a member of TMD in the register of members of TMD in respect of the TMD Sale Shares. The Vendors of TMD shall cause the transfer of the TMD Sale Shares to SMF and SMF to be registered as a member of TMD into the register of members of TMD as at the TMD SSA Completion Date (or a later date as consented to by SMF) and notify the Companies Commission of Malaysia of the changes in shareholders of TMD as at the TMD Completion Date (or a later date as consented to by SMF) in accordance with the Act. Pending the registration of the transfer of the TMD Sale Shares in the name of SMF, the Vendors of TMD shall hold the TMD Sale Shares as bare trustees for the benefit of SMF.
- 4.5 Against the delivery of the documents set out above, SMF shall on TMD SSA Completion Date produce and deliver to the Vendors of TMD the certified copies of the approvals, resolutions and/or documents referred to in **item 2.1** of this **Appendix I** if required.
- 4.6 If any party fails to comply with any of its obligations and those obligations are not waived by the other party on completion, then:-
- i. each party must return or cause to be returned to the other party all monies, TMD Purchase Consideration and documents delivered to it or its agent under the TMD SSA; and
  - ii. each party must do everything reasonably required by the other party to reverse any action taken pursuant to the TMD SSA.
- 5. Breach/ Termination**
- 5.1 If SMF shall fail to complete the sale and purchase of the TMD Sale Shares in accordance with the TMD SSA on TMD SSA Completion Date in the manner stipulated in the TMD SSA and/or breaches any of the terms and/or its warranties under the TMD SSA, then the Vendors of TMD shall be entitled to either:
- i. claim for specific performance of the TMD SSA and any such remedy as may be available under law; or

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**APPENDIX I – SALIENT TERMS OF THE TMD SSA (CONT'D)**

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- ii. if prior to the TMD SSA Completion Date, terminate the TMD SSA and upon such termination, the Vendors of TMD shall immediately return all monies paid pursuant to the TMD SSA (if any and free of interest) in exchange against SMF paying to the Vendors of TMD all reasonable costs and expense incurred by the Vendors of TMD pursuant to the negotiation and preparation of the TMD SSA and any incidental costs thereto, after which the Vendors of TMD shall have no other claims whatsoever against SMF and the Vendors of TMD shall be entitled to sell or dispose of the TMD Sale Shares freely to any other party or parties and the documentation stakeholder shall be authorised to return the stakeholder documents to the Vendors of TMD upon receipt of a copy of the said termination notice from any party and written instructions from the Vendors of TMD to release the stakeholder documents to the Vendors of TMD.
- 5.2 If any of the Vendors of TMD shall fail to complete the sale and purchase of the TMD Sale Shares in accordance with the TMD SSA on TMD SSA Completion Date and/or breaches any of the terms of the TMD SSA or any of the Vendors of the TMD's warranties, then SMF shall be entitled to either:
  - i. claim for specific performance of the TMD SSA and any such remedy as may be available under law; or
  - ii. if prior to the TMD SSA Completion Date, terminate the TMD SSA and upon such termination, the Vendors of TMD shall immediately refund to SMF all monies paid pursuant to the TMD SSA (if any and free of interest) together with all reasonable costs and expenses incurred by SMF pursuant to the negotiation and preparation of the TMD SSA and any incidental costs thereto, after which SMF shall have no other claims whatsoever against the Vendors of TMD and the Vendors of TMD shall be entitled to sell or dispose of the TMD Sale Shares freely to any other party or parties and the documentation stakeholder shall be authorised to return the stakeholder documents to the Vendors of TMD upon receipt of a copy of the said termination notice from any party and written instructions from SMF to release the stakeholder documents to the Vendors of TMD.
- 5.3 If a Vendor of TMD's breach of his obligations under the TMD SSA is found after the TMD SSA Completion Date, SMF shall be entitled to claim for specific performance in addition to any other remedies as may be available to SMF under law and/or equity, to require the Vendors of TMD to take actions to reconcile and align the actual state of affairs as if the breach had not occurred (such actions may include but are not limited to, rectifying discrepancies in accounts, complying with legal and regulatory requirements, making or procuring relevant companies to make necessary corporate resolutions, addressing any undisclosed liabilities, completing the transfer of any assets or rights, or assisting TMD to make operational changes or corrections to align the business with the state as represented) and the Vendors of TMD shall indemnify and hold SMF harmless against all costs, charges and expenses incurred or suffered by SMF arising from such breach. For the avoidance of doubt, in the event SMF fails to pay the TMD Purchase Consideration, the Vendors of TMD's sole and exclusive remedy is for breach of the TMD SSA and claim for specific performance for the issuance of the TMD Consideration Shares and any such remedy as may be available under law, without recourse to the TMD Sale Shares.

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## APPENDIX II – SALIENT TERMS OF THE SMS SSA

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The salient terms of the SMS SSA are set out below:-

### 1. Sale and Purchase of the SMS Sale Shares

- 1.1 In consideration of the SMS Purchase Consideration which shall be satisfied in accordance with the terms and conditions of the SMS SSA, Platinum Gate as legal and beneficial owner shall sell and SMF relying on the warranties and representations by Platinum Gate as set out in the SMS SSA shall purchase the SMS Sale Shares free from any and all encumbrances and with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared made and paid as from the SMS SSA Completion Date (hereinafter defined) upon the terms and subject to the conditions set out in the SMS SSA.

### 2. Conditions Precedent

- 2.1 The SMS SSA and completion of the SMS SSA is conditional upon ("**SMS SSA Conditions Precedent**"):

- i. Straits appointing an independent adviser in accordance with the Listing Requirements and forming an opinion that the Proposed Acquisition of SMS is fair and reasonable;
- ii. Straits obtaining the approval of the non-interested shareholders of Straits for the Proposed Acquisition of SMS;
- iii. The approval of United Overseas Bank Limited and such other waivers, consents or approvals as may be required (or deemed necessary by the parties) from any third party (including financial institution) or relevant governmental or regulatory body ("**Relevant Authorities**") necessary or appropriate to carry out the sale and purchase of the SMS Sale Shares pursuant to the terms of the SMS SSA having been obtained.

The date the last of the SMS SSA Conditions Precedent is fulfilled or otherwise waived by the Purchaser shall be the "**SMS SSA Unconditional Date**".

- 2.2 Notwithstanding anything to the contrary, Platinum Gate and SMF shall work towards facilitating the satisfaction of the SMS SSA Conditions Precedent within 3 months from the date of the SMS SSA, such term having an automatic extension for a further 3 months if the SMS SSA Conditions Precedent have not been fulfilled (hereinafter referred to as the "**Cut-Off Date**"). Thereafter, all parties of the SMS SSA may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between Platinum Gate, SMF and TMDEL to comply with the SMS SSA Conditions Precedent. If the SMS SSA Conditions Precedent has not been fulfilled on the expiry of the Cut-Off Date or such extension of time agreed between the parties to the SMS SSA, then either Platinum Gate or SMF or TMDEL shall be entitled to rescind the SMS SSA by serving a written notice to the other party(ies) whereupon Platinum Gate shall refund all amounts received pursuant to the SMS SSA (if any) within 14 business days from the receipt of the termination notice (or if Platinum Gate is the terminating party, then within 14 business days from the date of the termination notice) after which whereupon the SMS SSA shall lapse and cease to have any further force or effect except in respect of any obligation under the SMS SSA which is expressed to apply after the termination of the SMS SSA and any rights or obligations which have accrued in respect of any breach of any of the provisions of the SMS SSA to either party prior to such termination.



**3. Payment of SMS Purchase Consideration**

The SMS Purchase Consideration of **RM3,324,902 (Ringgit Malaysia Three Million Three Hundred Twenty-Four Thousand Nine Hundred and Two)** (equivalent to USD713,330) only shall be satisfied by the allotment and issuance of 1,188,543 SMS Consideration Shares at RM2.7976 (equivalent to USD0.6002) each, within 12 months from the SMS SSA Completion Date in accordance with the terms and conditions of the SMS SSA.

**4. SMS SSA Completion Date**

4.1 Completion shall take place on the SMS SSA Completion Date, which is a day falling within 6 months after the SMS Unconditional Date or such other date as the parties to the SMS SSA may agree in writing. Where the parties of the SMS SSA are unable to agree on the SMS SSA Completion Date, the SMS SSA Completion Date shall fall on the last date of the aforesaid 6-month period.

4.2 Completion of the SMS SSA shall be subject to the following:

- i. all the SMS Sale Shares collectively being sold to SMF;
- ii. that each party of the SMS SSA perform all its respective obligations contained in the SMS SSA and that no breach of the SMS SSA has occurred which has not been remedied or waived by the non-defaulting party;
- iii. the absence of pending or threatened injunctions, legal proceedings, claims, investigations or other matters prohibiting or adversely affecting the sale and purchase of the SMS Sale Shares in accordance with the terms and conditions contained in the SMS SSA or valuation ascribed to the SMS Sale Shares;
- iv. the absence of any shares, stock, warrant, convertible notes or other securities in SMS Group which is to be issued or divested or which is under option or agreed to be under option save as contemplated in the SMS SSA; and
- v. the absence of a material adverse change in the condition (financial or otherwise), business, properties, assets or prospects of each company in SMS Group.

4.3 At the SMS SSA Completion Date, Platinum Gate shall deliver or cause to be delivered to SMF:

- i. the resolution of the board of directors of SMS approving the transfer and, subject only to the transfers having been duly stamped, the procure the registration of the SMS Sale Shares with the Accounting and Corporate Regulatory Authority in favour of SMF;
- ii. the original share certificate of all the SMS Sale Share (if any) and original share transfer form in respect of the SMS Sale Shares ("**Transfer**"), such documents as may be required to give good title to the SMS Sale Shares and to enable SMF to become the registered holder of the SMS Sale Shares and the resolution of the board of directors of Platinum Gate authorising Platinum Gate's entry into the SMS SSA, and authorising Platinum Gate to execute and perform its obligations under the SMS SSA ("**stakeholder documents**") (if not already deposited with the documentation stakeholder);
- iii. the resolutions of the board of directors of each company in SMS Group appointing such person(s) as may be required by SMF as the director(s) of each company in SMS Group;



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**APPENDIX II – SALIENT TERMS OF THE SMS SSA (CONT'D)**

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- iv. the resolution of the board of directors of each company in SMS Group appointing such person(s) as may be required by SMF as the signatory(ies) and/or authoriser(s) of the bank accounts of the respective company in SMS Group;
  - v. the certified true copies of the approvals or documents referred to in **item 2.1** of this **Appendix II** if required; and
  - vi. all books, records and property of SMS Group as may be held by Platinum Gate.
- 4.4 Platinum Gate agrees and undertakes to forthwith do all acts and things so as to register SMF as a member of SMS in the register of members of SMS in respect of the SMS Sale Shares, in accordance with SMS' constitution and the Companies Act 1967 of Singapore and all regulations made thereunder ("**Companies Act 1967 of Singapore**"). Platinum Gate shall further cause the transfer of the SMS Sale Shares to SMF, authorise the documentation stakeholder to provide the Transfer to SMS, where applicable assist SMS to lodge the notice of the transfer with the Accounting and Corporate Regulatory Authority of Singapore, ensure that the electronic register of members of SMS is appropriately updated by the Registrar of Companies of Singapore, and notify the Accounting and Corporate Regulatory Authority of the changes in shareholders and directors of SMS as at the SMS SSA Completion Date (or such later date as consented to by SMF) pursuant to the completion in accordance with the SMS SSA. Pending the registration of the transfer of the SMS Sale Shares in the name of SMF, Platinum Gate shall hold the SMS Sale Shares as bare trustees for the benefit of SMF.
- 4.5 Against the delivery of the documents set out above, SMF shall on SMS SSA Completion Date produce and deliver to Platinum Gate certified copies of the approvals, resolutions and/or documents referred to in referred to in **item 2.1** of this **Appendix II**, if required.
- 4.6 If any party fails to comply with any of its obligations and those obligations are not waived by the other party on completion, then:
  - i. each party to the SMS SSA must return or cause to be returned to the other party all monies, SMS SSA Purchase Consideration and documents delivered to it or its agent under the SMS SSA; and
  - ii. each party to the SMS SSA must do everything reasonably required by the other party to reverse any action taken pursuant to the SMS SSA.

**5. Breach/ Termination**

- 5.1 If SMF shall fail to complete the sale and purchase of the SMS Sale Shares in accordance with the SMS SSA on SMS SSA Completion Date in the manner stipulated in the SMS SSA and/or breaches any of the terms and/or its warranties under the SMS SSA, then Platinum Gate shall be entitled to either:
  - i. claim for specific performance of the SMS SSA and any such remedy as may be available under law; or

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**APPENDIX II – SALIENT TERMS OF THE SMS SSA (CONT'D)**

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- ii. if prior to the SMS SSA Completion Date, terminate the SMS SSA and upon such termination, Platinum Gate shall immediately return all monies paid pursuant to the SMS SSA (if any and free of interest) in exchange against SMF paying to Platinum Gate all reasonable costs and expense incurred by Platinum Gate pursuant to the negotiation and preparation of the SMS SSA and any incidental costs thereto, after which Platinum Gate shall have no other claims whatsoever against SMF and Platinum Gate shall be entitled to sell or dispose of the SMS Sale Shares freely to any other party or parties and the documentation stakeholder shall be authorised to return the stakeholder documents to Platinum Gate upon receipt of a copy of the said termination notice from any party and written instructions from Platinum Gate to release the stakeholder documents to Platinum Gate.
- 5.2 If Platinum Gate shall fail to complete the sale and purchase of the SMS Sale Shares in accordance with the SMS SSA on SMS SSA Completion Date in the manner stipulated in the SMS SSA and/or breaches any of the terms of the SMS SSA or any Platinum Gate's warranties as set out in the SMS SSA, then SMF shall be entitled to either:
  - i. claim for specific performance of the SMS SSA and any such remedy as may be available under law; or
  - ii. if prior to the SMS SSA Completion Date, terminate the SMS SSA and upon such termination, Platinum Gate shall immediately refund to SMF all monies paid pursuant to the SMS SSA (if any and free of interest) together with all reasonable costs and expenses incurred by SMF pursuant to the negotiation and preparation of the SMS SSA and any incidental costs thereto, after which SMF shall have no other claims whatsoever against Platinum Gate and Platinum Gate shall be entitled to sell or dispose of the SMS Sale Shares freely to any other party or parties and the documentation stakeholder shall be authorised to return the stakeholder documents to Platinum Gate upon receipt of a copy of the said termination notice from any party and written instructions from SMF to release the stakeholder documents to Platinum Gate.
- 5.3 If Platinum Gate's breach of its obligations under the SMS SSA is found after the SMS SSA Completion Date, SMF shall be entitled to claim for specific performance in addition to any other remedies as may be available to SMF under law and/or equity, to take actions to reconcile and align the actual state of affairs as if the breach had not occurred (such actions may include but are not limited to, rectifying discrepancies in accounts, complying with legal and regulatory requirements, making or procuring relevant companies to make necessary corporate resolutions, addressing any undisclosed liabilities, completing the transfer of any assets or rights, or assisting SMS to make operational changes or corrections to align the business with the state as represented) and Platinum Gate shall indemnify and hold SMF harmless against all costs, charges and expenses incurred or suffered by SMF arising from such breach. For the avoidance of doubt, in the event SMF fails to pay the SMS Purchase Consideration, Platinum Gate's sole and exclusive remedy is for breach of the SMS SSA and claim for specific performance for the issuance of the SMS Consideration Shares and any such remedy as may be available under law, without recourse to the SMS Sale Shares.

## APPENDIX III – INFORMATION ON TMD

### 1. HISTORY AND BUSINESS

TMD was incorporated in Malaysia on 10 December 2007 under the Companies Act, 1965 (and is deemed registered under the Act) as a private limited company. TMD commenced operations in July 2013. The principal activities of TMD are the provision of bunkering services which entail the offering of marine logistics and marine support services to companies mainly in the maritime industry such as oil trading & bunkering services which involves the provision of refuelling marine gas oil and marine fuel oil through vessels to other ships and ocean faring vessels such as container vessels, cargo vessels and oil tankers.

In essence, oil bunkering services entails the offering of marine logistics and marine supports services to companies mainly in the field of marine transportation and oil and gas industries. Chartering services involves vessels chartering services for oil trading & bunkering.

For shareholders' information, as at the LPD, TMD Group solely operates domestically in Malaysia. For shareholder's information, TMD Group has licenses to operate its bunkering services in the following ports:-

- i. Desaru Port, Johor
- ii. Pasir Gudang Port, Johor (consists of Pengerang and Johor Port)
- iii. Tanjung Pelepas Port, Johor
- iv. Dungun Port, Terengganu
- v. Kemaman Port, Terengganu
- vi. Kuala Terengganu Port, Terengganu
- vii. Kuantan Port, Pahang
- viii. Tioman Port, Pahang
- ix. Linggi Port, Melaka
- x. Melaka Port, Melaka
- xi. Lumut Port, Perak
- xii. Klang Port, Selangor
- xiii. Pulau Pinang Port, Penang
- xiv. Tok Bali Port, Kelantan
- xv. Bintulu Port, Sarawak
- xvi. Miri Port, Sarawak
- xvii. Kota Kinabalu Port, Sabah
- xviii. Sapangar Bay Oil Terminal, Sabah
- xix. Wilayah Persekutuan Labuan Port

### 2. SHARE CAPITAL

As at the LPD, TMD has a total issued share capital of RM15,000,000 comprising 15,000,000 ordinary shares. As at the LPD, TMD does not have any convertible securities.

### 3. SHAREHOLDERS

The shareholders of TMD and their direct and indirect shareholdings in TMD are as follows:-

| Name              | Nationality/ Country of incorporation | <-----Direct-----> |      | <-----Indirect-----> |   |
|-------------------|---------------------------------------|--------------------|------|----------------------|---|
|                   |                                       | No. of shares      | %    | No. of shares        | % |
| Dato' Suhaimi     | Malaysian                             | 2,250,000          | 15.0 | -                    | - |
| Mr. Goo           | Malaysian                             | 2,250,000          | 15.0 | -                    | - |
| SMF <sup>*1</sup> | Malaysia                              | 10,500,000         | 70.0 | -                    | - |

## APPENDIX III – INFORMATION ON TMD (CONT'D)

### Note:-

\*1 For information purpose, TMDEL is deemed interested via its shareholding in SMF pursuant to Section 8(4) of the Act. Straits is also deemed interested via its shareholding in TMDEL pursuant to Section 8(4) of the Act.

## 4. DIRECTORS

As at the LPD, the directors of TMD and their direct and indirect shareholdings in TMD are as follows:-

| Name  | Nationality | Designation              | <-----Direct-----> |      | <-----Indirect-----> |   |
|---|-------------|--------------------------|--------------------|------|----------------------|---|
|   |             |                          | No. of shares      | %    | No. of shares        | % |
| Y.A.M. Dato' Seri Tengku Baharuddin Ibni Al-Marhum Sultan Mahmud Al-Muktafi Billah Shah | Malaysian   | Director                 | -                  | -    | -                    | - |
| Dato' Sri Ho Kam Choy   | Malaysian   | Director                 | -                  | -    | -                    | - |
| Raja Ismail bin Raja Mohamed  | Malaysian   | Director                 | -                  | -    | -                    | - |
| Ho Hung Ming  | Malaysian   | Director                 | -                  | -    | -                    | - |
| Tan Sri Mohd Bakri bin Mohd Zinin   | Malaysian   | Director                 | -                  | -    | -                    | - |
| Dato' Suhaimi   | Malaysian   | Director/<br>Shareholder | 2,250,000          | 15.0 | -                    | - |

## 5. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, TMD has 6 wholly-owned subsidiaries and 2 associate companies, the details of which are as follows:-

| Name                | Date of incorporation | Share capital | Place of incorporation | Equity interest | Principal activities                    |
|---------------------|-----------------------|---------------|------------------------|-----------------|---|
| <b>Subsidiaries</b> |                       |               |                        |                 |   |
| Cavalla Asia Ltd    | 1 June 2018           | USD100        | Labuan, Malaysia       | 100%            | Provision of vessel chartering services |
| Dolphin Asia Ltd    | 1 June 2018           | USD100        | Labuan, Malaysia       | 100%            | Provision of vessel chartering services |
| Escolar Asia Ltd    | 1 June 2018           | USD100        | Labuan, Malaysia       | 100%            | Provision of vessel chartering services |
| Oscar Asia Ltd      | 1 June 2018           | USD100        | Labuan, Malaysia       | 100%            | Provision of vessel chartering services |
| Phoenix Asia Ltd    | 1 June 2018           | USD100        | Labuan, Malaysia       | 100%            | Provision of vessel chartering services |
| S3 Asia Ltd         | 1 June 2018           | USD100        | Labuan, Malaysia       | 100%            | Provision of vessel chartering services |

## APPENDIX III – INFORMATION ON TMD (CONT'D)

### Associates

|   |                |             |          |     |  |
|---|----------------|-------------|----------|-----|--|
| Horizon Shipyard Inter Globe (M) Sdn Bhd                          | 10 May 2023    | RM2,000,000 | Malaysia | 20% | Repair and maintenance of transport equipment except motorcycles and bicycles          |
| TMD Marine Fuels Sdn Bhd (Formerly known as Falcon Logic Sdn Bhd) | 5 January 2021 | RM500,000   | Malaysia | 30% | Dealing in oil and petroleum products, oil trading, oil bunkering and related services |

## 6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, save as disclosed below, the Board is not aware of any material litigation, claims or arbitration, proceedings pending or threatened against TMD Group or of any fact likely to give rise to any proceeding which may materially affect the financial position or business of TMD Group:-

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

On 14 April 2021, TMD received a sealed Order dated 22 March 2021 and undated Notice of Registration of Foreign Judgement and this represents an attempt by the Claimants to enforce an English Judgement for USD937,353 with interest and cost of which TMD has disputed jurisdiction. Accordingly, TMD is taking steps to strenuously resist this attempt to enforce an invalid arbitration award issued without jurisdiction and TMD's solicitors had on 27 April 2021 filed an application to the High Court of Malaya, Kuala Lumpur to set aside the earlier mentioned sealed Order and undated Notice of Registration of Foreign Judgement.

The High Court Judge dismissed the application for issues to be tried and TMD has since filed an Appeal against this decision. TMD has also since applied to stay the proceedings pending disposal of the Appeal and the application for stay of proceedings is fixed for case management on 26 January 2022.

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## APPENDIX III – INFORMATION ON TMD (CONT'D)

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The hearing for stay of Setting Aside Application pending the Appeal was held and stay was granted. The record of Appeal was duly filed on 18 March 2022 and Case Management for the Appeal was fixed for 2 June 2022 to update the filing of Grounds of Judgement and Notes of Proceedings, if made available.

Pursuant to the above, Case Management Conference for the Appeal was held on 11 August 2022, 21 October 2022, 20 December 2022, 20 January 2023 and 23 March 2023 respectively.

Subsequently, Case Management Conferences and hearings of the Appeal were held on 3 July 2023 and 13 July 2023 respectively.

Pursuant to an appeal for a trial on 20 November 2023 to determine the four (4) issues between TMD and ING Bank/OWB in aid of TMD's application to set aside the registration of the UK Judgement in Malaysia ("**Application for Trial**"); the Court of Appeal had decided to allow the appeal on the following brief grounds:-

- Recognized the availability of the passive remedy to TMD to raise the issue of the UK Tribunal's lack of jurisdiction for the first time at the enforcing court outside the UK. It was further held that the issue of jurisdiction should be decided by the High Court independently from the UK Tribunal's finding.
- The Court of Appeal also found that the High Court judge proceeded to decide on the merits of ING Bank / OWB's application to register UK Judgment in Malaysia. As such, it was ordered that the matter will be remitted to the High Court before a different High Court Judge.
- Cost in the sum of RM 15,000.00 (subject to 4% allocatur) was awarded to TMD.

The matter will now proceed for trial at the High Court within the parameters of the 4 issues of the Application for Trial. However, the Claimants had filed a Motion for Leave to Appeal at the Federal Court and in the case management held on 5 February 2024, the Federal Court had given directions for written submissions and documents by 15 May 2024 for case management on 16 May 2024 and a hearing had been fixed on 30 May 2024.

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.

The Board is of the opinion that if in the event the outcome is not in favour of the Company, there will be no adverse material effect on the Company as the potential liabilities arising therefrom is fully indemnified by the Vendor i.e. Raja Ismail Bin Raja Mohamed.

### TMDEL

As at the LPD, the Board is not aware of any material litigation, claims or arbitration, proceedings pending or threatened against TMDEL or of any fact likely to give rise to any proceeding which may materially affect the financial position or business of TMDEL.

**7. MATERIAL CONTRACTS**

As at the LPD, save as disclosed below, TMD Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the LPD:-

- a. Shares Sale and Purchase Agreement dated 31 May 2022 ("**SSA-Raja Ismail**") between Raja Ismail bin Raja Mohamed as vendor and TMD as purchaser in respect of the acquisition by TMD of 70,000 ordinary shares of SMF representing 7% of the then total issued and paid-up shares in SMF for a total cash consideration of RM1,150,000.00 upon terms and conditions therein contained. The SSA-Raja Ismail was completed on 30 June 2022.
- b. Shares Sale and Purchase Agreement dated 30 November 2023 ("**SMF Acquisition SSA**") between TMD as vendor and Straits as purchaser in respect of the acquisition by Straits of 330,000 ordinary shares of SMF representing 33% of the total issued and paid-up shares in SMF for a total cash consideration of RM3,663,619.00 upon terms and conditions therein contained. The SSA-33% SMF was completed on 1 December 2023.

**TMDEL**

For shareholders' information, we have also incorporated the material contracts in relation to TMDEL. As at the LPD, save as disclosed below, TMDEL has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the LPD:-

- a. Shares Sale and Purchase Agreement dated 13 December 2023 ("**TMDEL Restructuring SSA**") between Straits as vendor and TMDEL as purchaser in respect of the acquisition by TMDEL of 1,000,000 ordinary shares of SMF representing 100% of the total equity interest in SMF for a total consideration of RM11,101,874 (equivalent to USD2,381,814). The TMDEL Restructuring SSA was completed on 14 December 2023. TMDEL and Straits had subsequently on 29 April 2024 entered into a supplemental letter to the TMDEL Restructuring SSA to agree that the purchase consideration of RM11,101,874 will be satisfied via the issuance of 3,968,556 new TMDEL Shares within 12 months of the completion date of the TMDEL Restructuring SSA;
- b. Shares Sale and Purchase Agreement dated 28 December 2023 ("**TMD Straits Restructuring SSA**") between TMDEL, Straits as vendor and SMF as purchaser in respect of the acquisition by SMF of 10 ordinary shares of TMD Straits Ltd representing 100% of the total equity interest in TMD Straits Ltd for a total consideration of RM2,489,812 (equivalent to USD534,168). The TMD Straits Restructuring SSA was completed on 10 January 2024. TMDEL, Straits and SMF had subsequently on 29 April 2024 entered into a supplemental letter to the TMD Straits Restructuring SSA to agree that the purchase consideration of RM2,489,812 will be satisfied via the issuance of 890,026 new TMDEL Shares within 12 months of the completion date of the TMD Straits Restructuring SSA;
- c. Shares Sale and Purchase Agreement dated 28 December 2023 ("**TMD Sturgeon Restructuring SSA**") between TMDEL, Straits as vendor and SMF as purchaser in respect of the acquisition by SMF of 10 ordinary shares of TMD Sturgeon Ltd representing 100% of the total equity interest in TMD Sturgeon Ltd for a total consideration of RM3,168,423 (equivalent to USD679,759). The TMD Sturgeon Restructuring SSA was completed on 10 January 2024. TMDEL, Straits and SMF had subsequently on 29 April 2024 entered into a supplemental letter to the TMD Sturgeon Restructuring SSA to agree that the purchase consideration of RM3,168,423 will be satisfied via the issuance of 1,132,607 new TMDEL Shares within 12 months of the completion date of the TMD Sturgeon Restructuring SSA;



## APPENDIX III – INFORMATION ON TMD (CONT'D)

- d. Shares Sale and Purchase Agreement dated 28 December 2023 ("**SMS Restructuring SSA**") between TMDEL, Straits as vendor and SMF as purchaser in respect of the acquisition by SMF of 51,000 ordinary shares in SMS representing 51% of the total equity interest in SMS for a total consideration of RM3,460,612 (equivalent to USD742,445). The SMS Restructuring SSA was completed on 24 January 2024. TMDEL, Straits and SMF had subsequently on 29 April 2024 entered into a supplemental letter to the SMS Restructuring SSA to agree that the purchase consideration of RM3,460,612 will be satisfied via the issuance of 1,237,055 new TMDEL Shares within 12 months of the completion date of the SMS Restructuring SSA;
- e. Shares Sale and Purchase Agreement dated 28 December 2023 ("**TMD Restructuring SSA**") between TMDEL, Straits as vendor and SMF as purchaser in respect of the acquisition by SMF of 10,500,000 ordinary shares in TMD representing 70% of the total equity interest in TMD for a total consideration of RM22,682,307 (equivalent to USD4,866,299). The TMD Restructuring SSA was completed on 24 January 2024. TMDEL, Straits and SMF had subsequently on 29 April 2024 entered into a supplemental letter to the TMD Restructuring SSA to agree that the purchase consideration of RM22,682,307 will be satisfied via the issuance of 8,108,179 new TMDEL Shares within 12 months of the completion date of the TMD Straits Restructuring SSA;
- f. TMD SSA; and
- g. SMS SSA.

### 8. MATERIAL COMMITMENTS

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

### 9. CONTINGENT LIABILITIES

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

### 10. SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information of TMD Group for the past 4 financial years up to the FYE 31 December 2023 is set out below:-

|   | <-----Audited-----> |                |                |                |
|---|---------------------|----------------|----------------|----------------|
|   | 2020<br>RM'000      | 2021<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 |
| Revenue                                   | 645,328             | 1,301,868      | 3,086,449      | 2,884,043      |
| PBT                                       | 4,156               | 7,691          | 8,174          | 11,474         |
| PAT attributable to:                      |                     |                |                |                |
| - Owners to the parent                    | 3,109               | 3,879          | 8,472          | 8,288          |
| - Non-controlling interest                | -                   | -              | -              | -              |
| Share capital                             | 15,000              | 15,000         | 15,000         | 15,000         |
| Capital contribution from holding company | 22,000              | 22,000         | 22,000         | 22,000         |
| Retained earnings                         | 4,060               | 7,939          | 16,411         | 24,699         |
| Shareholders' funds/ NA                   | 41,065              | 45,363         | 55,063         | 63,904         |



**APPENDIX III – INFORMATION ON TMD (CONT'D)**

|  | <-----Audited-----> |               |               |               |
|--|---------------------|---------------|---------------|---------------|
|  | <b>2020</b>         | <b>2021</b>   | <b>2022</b>   | <b>2023</b>   |
|  | <b>RM'000</b>       | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| Cash and bank balances                 | 9,681               | 39,482        | 45,468        | 21,063        |
| Total borrowings                       | 70,898              | 70,694        | 111,380       | 110,998       |
| No. of ordinary share in issues ('000) | 15,000              | 15,000        | 15,000        | 15,000        |
| EPS (RM)                               | 0.21                | 0.26          | 0.56          | 0.55          |
| NA per share (RM)                      | 2.74                | 3.02          | 3.67          | 4.26          |
| Gross gearing ratio (times)            | 1.73                | 1.56          | 2.02          | 1.74          |
| Current ratio (times)                  | 1.00                | 1.02          | 0.97          | 1.01          |

For the past 4 financial years up to the FYE 31 December 2023, there were no:-

- i. exceptional or extraordinary items during the financial years under review;
- ii. accounting policy adopted by TMD which are peculiar to TMD because of the nature of its business or the industry it is involved in; and
- iii. audit qualification of the financial statements of TMD for the financial years under review

**Commentary on past performance:-****FYE 31 December 2020 vs FYE 31 December 2019**

TMD recorded a revenue of RM645.33 million for the FYE 31 December 2020, representing an increase of RM145.56 million or 29.13% as compared with RM499.77 million for the FYE 31 December 2019. The increase in revenue was mainly attributable to the introduction of a new range of marine fuel oil products in August 2019 which resulted in a substantial rise in overall sales in 2020 as compared to the previous financial year.

TMD recorded a PAT of RM3.11 million for the FYE 31 December 2020 which represented a decrease of RM1.93 million or 38.29% as compared with RM5.04 million for the FYE 31 December 2019. The decrease in PAT was mainly attributable to the increase in depreciation cost amounting to RM1.68 million as compared with RM4.69 million in FYE 31 December 2019 to RM6.37 million in FYE 31 December 2020 as a result of dry-docking expenditure incurred for 2 vessels during FYE 31 December 2020.

**FYE 31 December 2021 vs FYE 31 December 2020**

TMD recorded a revenue of RM1,301.87 million for the FYE 31 December 2021, representing an increase of RM656.54 million or 101.74% as compared with RM645.33 million for the FYE 31 December 2020. The increase in revenue was mainly attributable to an increase in the overall volume of marine fuel oil sold due to the increase in average oil prices and the overall volume sold as TMD expanded its operations to Port Klang in the third quarter of 2021 which resulted in the provision of bunkering services to new vessels from international shipping lines.

TMD recorded a PAT of RM3.88 million for the FYE 31 December 2021 which represented an increase of RM0.77 million or 24.76% as compared with RM3.11 million for the FYE 31 December 2020. The increase in PAT was mainly attributable to an increase in revenue. Additionally, the reversal of over provision of legal fees amounting to RM2.0 million in prior years (i.e. 2019 and 2020) and gain on foreign exchange translation amounting to RM1.60 million in the FYE 31 December 2021 also contributed to a higher PAT. However, the under provision of taxation in prior year (i.e. FYE 31 December 2020) amounting to RM2.78 million further reduced the PAT, hence explaining the minimal increase in PAT of RM0.77 million for FYE 31 December 2021.

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**FYE 31 December 2022 vs FYE 31 December 2021**

TMD recorded a revenue of RM3,086.45 million for the FYE 31 December 2022, representing an increase of RM1,784.58 million or 137.08% as compared with RM1,301.87 million for the FYE 31 December 2021. The increase in revenue was mainly attributable to an increase in the overall volume of marine fuel oil products sold as market demand increased substantially post pandemic in tandem with an increase in global demand for oil as economies recovered from the travel restrictions which resulted in higher traffic in travel and tourism as well as the increase in global oil prices. In addition, a full year penetration in 2022 effect as a result of expansion into Port Klang market that was initiated in third quarter of 2021 also contributed to the increase in revenue.

TMD recorded a PAT of RM8.47 million for the FYE 31 December 2022 which represented an increase of RM4.59 million or 118.30% as compared with RM3.88 million for the FYE 31 December 2021. The increase in PAT was mainly attributable to increase in revenue as stated above. Furthermore, the increase in gain on foreign exchange translation amounting to RM3.40 million (FYE 31 December 2021: RM1.55 million) also contributed to higher PAT.

**FYE 31 December 2023 vs FYE 31 December 2022**

TMD recorded a revenue of RM2,884 million for the FYE 31 December 2023, representing a decrease of RM202.41 million or 6.56% as compared with RM3,086.45 million for the FYE 31 December 2022. The decrease in revenue was mainly attributable by the drop of 23.5% in overall cargo prices in FYE 31 December 2023 as compared to FY2022 although the cargo volume sold has increased approximately by 16.9%.

TMD recorded a PAT of RM8.29 million for the FYE 31 December 2023 which represented a decrease of RM0.18 million or 2.13% as compared with RM8.47 million for the FYE 31 December 2022. Although TMD recorded less revenue in FYE 31 December 2023, tax expenses remained elevated in FYE 31 December 2023 due to the crystallization of deferred taxation, resulting in lower tax expenses for the preceding financial year.

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**11. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF TMD FOR THE FYE 31 DECEMBER 2023**

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**

Registration No.: 200701040866 (798898-A)  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2023**

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**

Registration No.: 200701040866 (798898-A)  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2023**

| <b>Contents</b>                             | <b>Pages</b> |
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| Statement by Directors                      | 6            |
| Statutory Declaration                       | 6            |
| Independent Auditors' Report to the Members | 7 – 9        |
| Statement of Comprehensive Income           | 10           |
| Statement of Financial Position             | 11           |
| Statement of Changes in Equity              | 12 – 14      |
| Statement of Cash Flows                     | 15 – 18      |
| Notes to the Financial Statements           | 19 – 57      |

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**

(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are dealing in oil and petroleum products, providing oil bunkering, chartering and related services. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

**RESULTS**

|                                 | Group<br>RM      | Company<br>RM     |
|---------------------------------|------------------|-------------------|
| Profit for the year, net of tax | <u>8,287,929</u> | <u>10,370,317</u> |

**DIVIDENDS**

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

**RESERVES AND PROVISIONS**

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

**ISSUANCE OF SHARES AND DEBENTURES**

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

**OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up unissued shares of the Company during the financial year.

**DIRECTORS OF THE COMPANY**

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

Raja Ismail Bin Raja Mohamed

Dato' Sri Ho Kam Choy

YAM Dato' Seri Tengku Baharuddin Ibni Al-Marhum Sultan Mahmud Al-Muktafi Billah Shah

Ho Hung Ming

Tan Sri Mohd Bakri Bin Mohd Zinin

Dato' Mohd Suhaimi Bin Hashim

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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Registration No.: 200701040866 (798898-A)

**DIRECTORS' INTERESTS**

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

|   | As at 1.1.2023<br>Unit | Number of Ordinary Shares |              | As at 31.12.2023<br>Unit |
|---|------------------------|---------------------------|--------------|--------------------------|
|   |                        | Bought<br>Unit            | Sold<br>Unit |                          |
| <b>The Company</b>                          |                        |                           |              |                          |
| <i>Direct interests</i>                     |                        |                           |              |                          |
| Dato' Mohd Suhaimi bin Hashim               | 4,500,000              | -                         | -            | 4,500,000                |
| <b>Holding company</b>                      |                        |                           |              |                          |
| <i>Direct interests</i>                     |                        |                           |              |                          |
| Dato' Sri Ho Kam Choy                       | 93,591,000             | -                         | -            | 93,591,000               |
| Raja Ismail Bin Raja Mohamed                | 31                     | -                         | -            | 31                       |
| <i>Indirect interests</i>                   |                        |                           |              |                          |
| Dato' Sri Ho Kam Choy ^                     | 64,216,700             | -                         | -            | 64,216,700               |
| <b>Related Companies</b>                    |                        |                           |              |                          |
| <b>Benua Hijau Sdn Bhd</b>                  |                        |                           |              |                          |
| <i>Direct interests</i>                     |                        |                           |              |                          |
| Dato' Mohd Suhaimi bin Hashim               | 490                    | -                         | -            | 490                      |
| <b>Selatan Bunker (M) Sdn Bhd</b>           |                        |                           |              |                          |
| <i>Direct interests</i>                     |                        |                           |              |                          |
| Dato' Mohd Suhaimi bin Hashim               | 147,000                | -                         | -            | 147,000                  |
| <b>Straits Technology Solutions Sdn Bhd</b> |                        |                           |              |                          |
| <i>Indirect interests</i>                   |                        |                           |              |                          |
| Dato' Mohd Suhaimi bin Hashim #             | 250                    | -                         | -            | 250                      |
| <b>Straits Commnet Solutions Sdn Bhd</b>    |                        |                           |              |                          |
| <i>Indirect interests</i>                   |                        |                           |              |                          |
| Dato' Mohd Suhaimi bin Hashim #             | 300                    | -                         | -            | 300                      |
| <b>Sinar Maju Logistik Sdn Bhd</b>          |                        |                           |              |                          |
| <i>Direct interests</i>                     |                        |                           |              |                          |
| Tan Sri Mohd Bakri Bin Mohd Zinin           | 30,000                 | -                         | -            | 30,000                   |

^ Deemed interest by virtue of his indirect shareholdings in Sturgeon Asia Ltd. pursuant to Section 8(4) of the Companies Act 2016 and his brothers' direct shareholding in the holding company.

# Deemed interest by virtue of his interest in Zoompixel Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

By virtue of Directors' interest in the Company and related companies, the Directors are deemed to have interest in the shares of the subsidiaries of the Company and related companies to the extent of the Company and related companies have interest under Section 8(4) of the Companies Act 2016.

Other than disclosed above, none of the other Directors in office at the end of the financial year had any interest in the ordinary shares of the holding company and its related corporations during the financial year.

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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Registration No.: 200701040866 (798898-A)

**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 for their services to the Company were as follows:

|  | <b>Group and Company<br/>RM</b> |
|--|---------------------------------|
| Directors' fee                             | 432,000                         |
| Salaries and allowances                    | 786,000                         |
| Bonus                                      | 107,000                         |
| Contributions to defined contribution plan | 90,610                          |
| Social security contributions              | 3,060                           |
|  | <u>1,418,670</u>                |

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, other than as disclosed in Note 20 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling the 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 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 had 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.



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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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Registration No.: 200701040866 (798898-A)

**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 abilities 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 disclosed in Note 4 to the financial statements.
- (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 Group and of the Company.

**HOLDING COMPANY**

The Directors regard Straits Energy Resources Berhad, a company incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad as the holding company.

**SUBSEQUENT EVENTS**

Details of subsequent events are disclosed in Note 26 to the financial statements.

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

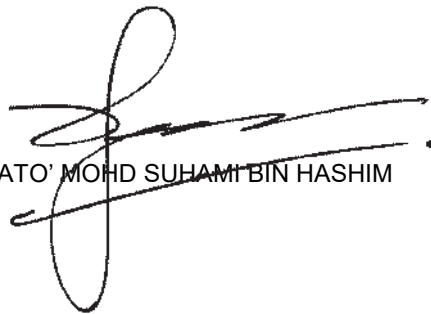
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Registration No.: 200701040866 (798898-A)

**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 22 April 2024.



DATO' MOHD SUHAMI BIN HASHIM



TAN SRI MOHD BAKRI BIN MOHD ZININ

### APPENDIX III – INFORMATION ON TMD (CONT'D)

Registration No.: 200701040866 (798898-A)

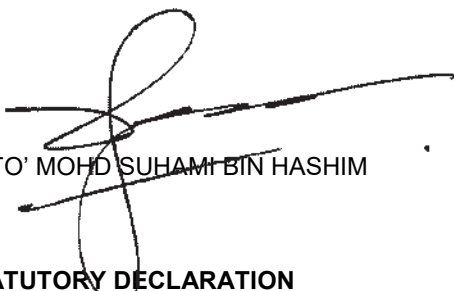
**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**  
(Incorporated in Malaysia)

#### 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 10 to 57, 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 2023 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 22 April 2024.

  
DATO' MOHD SUHAIMI BIN HASHIM

  
TAN SRI MOHD BAKRI BIN MOHD ZININ

#### STATUTORY DECLARATION

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

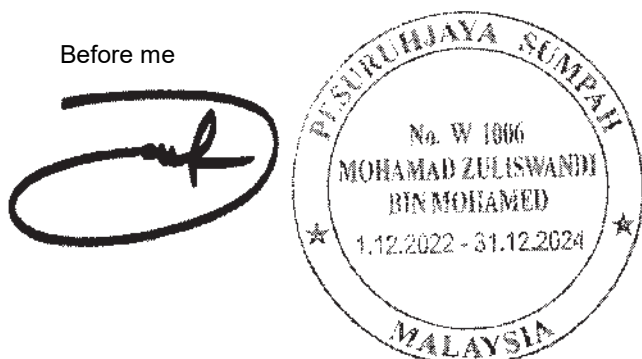
I, Hoh Chee Mun (MIA No.: 8891), being the Officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 10 to 57 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously 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 22 April 2024



HOH CHEE MUN

Before me



Level 25, Menara Hong Leong,  
No. 6, Jalan Damantela Bukit Damansara,  
50490 Kuala Lumpur.



Moore Stephens Associates PLT  
Chartered Accountants (AF002096)  
Unit 3.3A, 3rd Floor, Surian Tower  
No. 1 Jalan PJU 7/3, Mutiara Damansara  
47810 Petaling Jaya, Selangor, Malaysia  
T +603 7728 1800 (General); 7724 1033 (Assurance)  
F +603 7728 9800 (General); 7733 1033 (Assurance)  
[www.moore.com.my](http://www.moore.com.my)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**

Registration No.: 200701040866 (798898-A)  
(Incorporated in Malaysia)

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Tumpuan Megah Development Sdn. Bhd., which comprise the statements of financial position as at 31 December 2023 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 financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 10 to 57.

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 2023, and of its financial performance and their cash flows for the financial 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 (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

**Information other than the Financial Statements and Auditors' Report Thereon**

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

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report 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 Directors' Report and, in doing so, consider whether the Directors' Report 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 the Directors' Report, we are required to report the fact. We have nothing to report in this regard.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
TUMPUAN MEGAH DEVELOPMENT SDN. BHD. (cont'd)**

Registration No.: 200701040866 (798898-A)  
(Incorporated in Malaysia)

**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 and the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with approved standards 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
TUMPUAN MEGAH DEVELOPMENT SDN. BHD. (cont'd)**

Registration No.: 200701040866 (798898-A)  
(Incorporated in Malaysia)

**Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

- (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 and the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements 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.

**Other Matter**

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

A handwritten signature in black ink, appearing to read 'Moore Stephens'.

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

A handwritten signature in black ink, appearing to read 'Stephen Wan Yeng Leong'.

STEPHEN WAN YENG LEONG  
02963/07/2025 J  
Chartered Accountant

Petaling Jaya, Selangor  
Date: 22 April 2024

**APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**  
(Incorporated in Malaysia)**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

|  |             | <b>Group</b>    |                 | <b>Company</b>  |                 |
|--|-------------|-----------------|-----------------|-----------------|-----------------|
|  | <b>Note</b> | <b>2023</b>     | <b>2022</b>     | <b>2023</b>     | <b>2022</b>     |
|  |             | <b>RM</b>       | <b>RM</b>       | <b>RM</b>       | <b>RM</b>       |
| Revenue  | 3           | 2,884,043,445   | 3,086,449,159   | 2,884,043,445   | 3,086,449,159   |
| Cost of sales  |             | (2,859,395,767) | (3,053,929,026) | (2,867,670,348) | (3,058,875,891) |
| Gross profit   |             | 24,647,678      | 32,520,133      | 16,373,097      | 27,573,268      |
| Other income   |             | 15,227,250      | 98,875          | 17,211,558      | 4,557,996       |
| Administrative expenses  |             | (12,267,698)    | (10,419,917)    | (10,618,594)    | (9,478,631)     |
| Other expenses   |             | (7,913,638)     | (8,647,955)     | (501,697)       | (9,254,076)     |
| <b>Profit from operations</b>                                  |             | 19,693,592      | 13,551,136      | 22,464,364      | 13,398,557      |
| Finance costs  |             | (8,973,201)     | (6,685,577)     | (8,973,201)     | (6,685,577)     |
| Share of profits of an associate, before tax                   |             | 753,491         | 1,308,684       | -               | -               |
| <b>Profit before tax</b>                                       | 4           | 11,473,882      | 8,174,243       | 13,491,163      | 6,712,980       |
| Income tax expense   | 5           | (3,185,953)     | 297,973         | (3,120,846)     | 355,892         |
| <b>Profit for the year</b>                                     |             | 8,287,929       | 8,472,216       | 10,370,317      | 7,068,872       |
| <b>Other comprehensive income, net of tax</b>                  |             |                 |                 |                 |                 |
| Foreign currency translation differences of foreign operations |             | 1,152,403       | 815,968         | -               | -               |
| Share of other comprehensive income of associate               |             | (599,420)       | 411,564         | -               | -               |
| <b>Other comprehensive income, net of tax</b>                  |             | 552,983         | 1,227,532       | -               | -               |
| <b>Total comprehensive income for the year</b>                 |             | 8,840,912       | 9,699,748       | 10,370,317      | 7,068,872       |

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



**APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**  
(Incorporated in Malaysia)**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

|   |             | <b>Group</b>       |                    | <b>Company</b>     |                    |
|---|-------------|--------------------|--------------------|--------------------|--------------------|
|   | <b>Note</b> | <b>2023</b>        | <b>2022</b>        | <b>2023</b>        | <b>2022</b>        |
|   |             | <b>RM</b>          | <b>RM</b>          | <b>RM</b>          | <b>RM</b>          |
| <b>ASSETS</b>                             |             |                    |                    |                    |                    |
| <b>Non-current assets</b>                 |             |                    |                    |                    |                    |
| Property, plant and equipment             | 6           | 27,615,528         | 29,169,175         | 1,227,007          | 4,005,868          |
| Investments in subsidiaries               | 7           | -                  | -                  | 26,170,528         | 26,170,528         |
| Investments in associates                 | 8           | 20,000             | 7,704,673          | 20,000             | 4,343,606          |
| Other receivables                         | 11          | 32,699,740         | 26,265,183         | 32,699,740         | 26,265,183         |
|   |             | <u>60,335,268</u>  | <u>63,139,031</u>  | <u>60,117,275</u>  | <u>60,785,185</u>  |
| <b>Current assets</b>                     |             |                    |                    |                    |                    |
| Inventories                               | 9           | 72,809,642         | 45,390,864         | 72,809,642         | 45,390,864         |
| Trade receivables                         | 10          | 103,852,926        | 32,403,551         | 103,852,926        | 32,403,551         |
| Other receivables                         | 11          | 164,706,754        | 111,571,935        | 167,680,414        | 112,467,713        |
| Cash and bank balances                    |             | 21,063,444         | 45,468,253         | 21,059,801         | 45,365,549         |
|   |             | <u>362,432,766</u> | <u>234,834,603</u> | <u>365,402,783</u> | <u>235,627,677</u> |
| <b>Total assets</b>                       |             | <u>422,768,034</u> | <u>297,973,634</u> | <u>425,520,058</u> | <u>296,412,862</u> |
| <b>EQUITY AND LIABILITIES</b>             |             |                    |                    |                    |                    |
| <b>Equity</b>                             |             |                    |                    |                    |                    |
| Share capital                             | 12          | 15,000,000         | 15,000,000         | 15,000,000         | 15,000,000         |
| Capital contribution from holding company | 13          | 22,000,000         | 22,000,000         | 22,000,000         | 22,000,000         |
| Retained earnings                         |             | 24,699,073         | 16,411,144         | 24,967,558         | 14,597,241         |
| Foreign currency translation reserve      | 14          | 2,204,816          | 1,651,833          | -                  | -                  |
| <b>Total equity</b>                       |             | <u>63,903,889</u>  | <u>55,062,977</u>  | <u>61,967,558</u>  | <u>51,597,241</u>  |
| <b>Non-current liabilities</b>            |             |                    |                    |                    |                    |
| Deferred tax liabilities                  | 15          | -                  | 422,325            | -                  | 422,325            |
| Lease liabilities                         | 16          | 309,068            | 112,018            | 309,068            | 112,018            |
|   |             | <u>309,068</u>     | <u>534,343</u>     | <u>309,068</u>     | <u>534,343</u>     |
| <b>Current liabilities</b>                |             |                    |                    |                    |                    |
| Lease liabilities                         | 16          | 145,201            | 167,305            | 145,201            | 167,305            |
| Trade payables                            | 17          | 173,300,294        | 89,883,047         | 173,300,294        | 89,883,047         |
| Other payables                            | 18          | 74,037,220         | 39,436,654         | 78,748,458         | 41,352,155         |
| Tawarruq working capital financing-i      | 19          | 110,997,723        | 111,380,317        | 110,997,723        | 111,380,317        |
| Tax payables                              |             | 74,639             | 1,508,991          | 51,756             | 1,498,454          |
|   |             | <u>358,555,077</u> | <u>242,376,314</u> | <u>363,243,432</u> | <u>244,281,278</u> |
| <b>Total liabilities</b>                  |             | <u>358,864,145</u> | <u>242,910,657</u> | <u>363,552,500</u> | <u>244,815,621</u> |
| <b>Total equity and liabilities</b>       |             | <u>422,768,034</u> | <u>297,973,634</u> | <u>425,520,058</u> | <u>296,412,862</u> |

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

# **APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**  
(Incorporated in Malaysia)

## **STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

|   | Attributable to Owners of the Company |   |   |   |            | Total<br>Equity<br>RM |
|---|---------------------------------------|---|---|---|------------|-----------------------|
|   | Non-Distributable                     |   | Distributable                                       |   |            |                       |
|   | Share<br>Capital<br>RM                | Contribution<br>from Holding<br>Company<br>RM | Foreign<br>Currency<br>Translation<br>Reserve<br>RM | Distributable<br>Retained<br>Earnings<br>RM |            |                       |
| <b>Group</b>  |                                       |   |   |   |            |                       |
| <b>At 1 January 2023</b>  |                                       | 15,000,000                                    | 22,000,000  | 1,651,833                                   | 16,411,144 | 55,062,977            |
| Share of other comprehensive income of an associate   |                                       | -   | -   | 547,060                                     | -          | 547,060               |
| Effect of disposal of an associate  |                                       | -   | -   | (1,146,480)                                 | -          | (1,146,480)           |
| Foreign currency translation differences for foreign operation  |                                       | -   | -   | 1,152,403                                   | -          | 1,152,403             |
| <b>Total foreign currency translation, representing total other comprehensive income for the year</b> | 14                                    | -   | -   | 552,983                                     | -          | 552,983               |
| Profit for the year   |                                       | -   | -   | -   | 8,287,929  | 8,287,929             |
| <b>Total comprehensive income for the year</b>  |                                       | -   | -   | 552,983                                     | 8,287,929  | 8,840,912             |
| <b>At 31 December 2023</b>  |                                       | 15,000,000                                    | 22,000,000  | 2,204,816                                   | 24,699,073 | 63,903,889            |

# **APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**  
(Incorporated in Malaysia)

## **STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (cont'd)**

|  | Attributable to Owners of the Company |   |   |                            |            | Total<br>Equity<br>RM |
|--|---------------------------------------|---|---|----------------------------|------------|-----------------------|
|  | Non-Distributable                     |   | Distributable                                       |                            |            |                       |
|  | Share<br>Capital<br>RM                | Contribution<br>from Holding<br>Company<br>RM | Foreign<br>Currency<br>Translation<br>Reserve<br>RM | Retained<br>Earnings<br>RM |            |                       |
| Group (cont'd)   |                                       |   |   |                            |            |                       |
| At 1 January 2022  |                                       |   |   |                            |            |                       |
| Share of other comprehensive income of an associate  |                                       | 15,000,000                                    | 22,000,000  | 424,301                    | 7,938,928  | 45,363,229            |
| Foreign currency translation differences for foreign operation                                 |                                       | -   | -   | 411,564                    | -          | 411,564               |
| Total foreign currency translation, representing total other comprehensive income for the year |                                       | -   | -   | 815,968                    | -          | 815,968               |
| Profit for the year  | 14                                    | -   | -   | 1,227,532                  | -          | 1,227,532             |
| Total comprehensive income for the year  |                                       | -   | -   | -                          | 8,472,216  | 8,472,216             |
| At 31 December 2022  |                                       | -   | -   | 1,227,532                  | 8,472,216  | 9,699,748             |
|  |                                       | 15,000,000                                    | 22,000,000  | 1,651,833                  | 16,411,144 | 55,062,977            |

**APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (cont'd)**

|   | <div> <div>←</div> <div>Attributable to Owners of the Company</div> <div>→</div> </div> |  |   |                       |
|---|---|--|---|-----------------------|
|   | <div> <div>←</div> <div>Non-Distributable</div> <div>→</div> </div>                     |  |   |                       |
|   | Share<br>Capital<br>RM  | Capital<br>Contribution<br>from Holding<br>Company<br>RM | Distributable<br>Retained<br>Earnings<br>RM | Total<br>Equity<br>RM |
| <b>Company</b>  |   |  |   |                       |
| <b>At 1 January 2022</b>  | 15,000,000  | 22,000,000   | 7,528,369                                   | 44,528,369            |
| Profit for the year, representing<br>total comprehensive income<br>for the year | -   | -  | 7,068,872                                   | 7,068,872             |
| <b>At 31 December 2022/</b>   |   |  |   |                       |
| <b>1 January 2023</b>   | 15,000,000  | 22,000,000   | 14,597,241                                  | 51,597,241            |
| Profit for the year, representing<br>total comprehensive income<br>for the year | -   | -  | 10,370,317                                  | 10,370,317            |
| <b>At 31 December 2023</b>  | <u>15,000,000</u>   | <u>22,000,000</u>  | <u>24,967,558</u>                           | <u>61,967,558</u>     |

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

**APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

|   |       | Group               |                  | Company             |                   |
|---|-------|---------------------|------------------|---------------------|-------------------|
|   | Note  | 2023<br>RM          | 2022<br>RM       | 2023<br>RM          | 2022<br>RM        |
| <b>Cash Flows from Operating Activities</b>               |       |                     |                  |                     |                   |
| Profit before tax   |       | 11,473,882          | 8,174,243        | 13,491,163          | 6,712,980         |
| Adjustments for:  |       |                     |                  |                     |                   |
| Accretion of interest                                     |       | (208,372)           | -                | (208,372)           | -                 |
| Allowance for expected credit losses on trade receivables |       | -                   | 4,966,867        | -                   | 4,966,867         |
| Bad debt written off                                      |       | -                   | 552,000          | -                   | 552,000           |
| Depreciation of property, plant and equipment             |       | 6,413,790           | 5,592,113        | 501,697             | 1,918,270         |
| Fair value adjustment on other receivables                | 11(i) | -                   | 643,069          | -                   | 643,069           |
| Loss/(gain) on disposal of an associate                   |       | 1,491,780           | -                | (1,980,981)         | -                 |
| Gain on disposal of property, plant and equipment         |       | (74,573)            | -                | (74,573)            | -                 |
| Interest expense  |       | 8,973,201           | 6,685,577        | 8,973,201           | 6,685,577         |
| Interest income   |       | (191,499)           | -                | (191,499)           | -                 |
| Unrealised (gain)/loss on foreign exchange                |       | (11,327,516)        | 1,185,111        | (11,329,841)        | 1,173,870         |
| Share of results of an associate                          | 8     | (753,491)           | (1,308,684)      | -                   | -                 |
| Operating profit before changes in working capital        |       | 15,797,202          | 26,490,296       | 9,180,795           | 22,652,633        |
| <b>Changes in working capital:</b>                        |       |                     |                  |                     |                   |
| Inventories   |       | (27,418,778)        | (7,911,318)      | (27,418,778)        | (7,911,318)       |
| Receivables   |       | (108,794,574)       | 32,205,584       | (109,834,869)       | (51,700,266)      |
| Payables  |       | 115,010,817         | (41,920,928)     | 115,518,667         | 63,524,675        |
| Cash (used in)/from operations                            |       | (5,405,333)         | 8,863,634        | (12,554,185)        | 26,565,724        |
| Tax paid  |       | (5,000,883)         | (2,992,914)      | (4,989,869)         | (2,992,914)       |
| Interest paid   |       | (8,755,087)         | (6,037,260)      | (8,755,087)         | (6,037,260)       |
| Interest received   |       | 191,499             | -                | 191,499             | -                 |
| <b>Net cash (used in)/from operating activities</b>       |       | <u>(18,969,804)</u> | <u>(166,540)</u> | <u>(26,107,642)</u> | <u>17,535,550</u> |

**APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (cont'd)**

|  |             | <b>Group</b>        |                     | <b>Company</b>      |                     |
|--|-------------|---------------------|---------------------|---------------------|---------------------|
|  | <b>Note</b> | <b>2023</b>         | <b>2022</b>         | <b>2023</b>         | <b>2022</b>         |
|  |             | <b>RM</b>           | <b>RM</b>           | <b>RM</b>           | <b>RM</b>           |
| <b>Cash Flows from Investing Activities</b>                          |             |                     |                     |                     |                     |
| Investment in associate  | 8           | (20,000)            | (1,790,744)         | (20,000)            | (1,790,744)         |
| Advance to holding company   |             | (5,643,207)         | (10,894,147)        | (5,619,207)         | (11,380,147)        |
| Advances to subsidiaries   |             | -                   | -                   | (32,009)            | (582,990)           |
| Advances to related companies  |             | (11,439,249)        | (16,203,422)        | (10,462,066)        | (32,248,748)        |
| Proceed from disposal of an associate                                |             | 3,663,619           | -                   | 3,663,619           | -                   |
| Proceed from disposal of property, plant and equipment               |             | 102,499             | -                   | 102,499             | -                   |
| Purchase of property, plant and equipment                            | 6(a)        | (4,156,812)         | (2,742,803)         | (822,694)           | (971,833)           |
| <b>Net cash used in investing activities</b>                         |             | <b>(17,493,150)</b> | <b>(31,631,116)</b> | <b>(13,189,858)</b> | <b>(46,974,462)</b> |
| <b>Cash Flows from Financing Activities</b>                          |             |                     |                     |                     |                     |
| Advances from/(repayment to) related companies                       | (i)         | 3,137,133           | (138,105)           | 2,628,454           | (138,105)           |
| Advances from/(repayment to) subsidiaries                            | (i)         | -                   | -                   | 3,439,961           | (2,433,718)         |
| (Repayment to)/Drawdown of Tawarruq working capital financing-i, net | (i)         | (600,708)           | 40,038,239          | (600,708)           | 40,038,239          |
| Repayment of lease liabilities                                       | (i)(ii)     | (197,054)           | (201,523)           | (197,054)           | (201,523)           |
| <b>Net cash from financing activities</b>                            |             | <b>2,339,371</b>    | <b>39,698,611</b>   | <b>5,270,653</b>    | <b>37,264,893</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>          |             | <b>(34,123,583)</b> | <b>7,900,955</b>    | <b>(34,026,847)</b> | <b>7,825,981</b>    |
| Cash and cash equivalents at the beginning of the financial year     |             | 45,468,253          | 39,481,821          | 45,365,549          | 39,462,439          |
| Effect of exchange rate changes on cash and cash equivalents held    |             | 9,718,774           | (1,914,523)         | 9,721,099           | (1,922,871)         |
| <b>Cash and cash equivalents at the end of the financial year</b>    |             | <b>21,063,444</b>   | <b>45,468,253</b>   | <b>21,059,801</b>   | <b>45,365,549</b>   |

**APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**  
(Incorporated in Malaysia)**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (cont'd)**

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

|   | <b>Group</b>     |                  | <b>Company</b>   |                  |
|---|------------------|------------------|------------------|------------------|
|   | <b>2023</b>      | <b>2022</b>      | <b>2023</b>      | <b>2022</b>      |
|   | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        |
| <b>Amounts Due to Related Companies</b>   |                  |                  |                  |                  |
| At 1 January  | 3,989,976        | 3,669,360        | 3,989,976        | 3,669,360        |
| Advances from/<br>(repayments to),<br>representing net changes<br>from financing cash flows | 3,137,133        | (138,105)        | 2,628,454        | (138,105)        |
| Ship management services  | 2,163,165        | 476,317          | 2,163,165        | 476,317          |
| Transfer of assets  | (52,205)         | -                | (52,205)         | -                |
| Unrealised foreign exchange   | 188,783          | (17,596)         | 188,783          | (17,596)         |
| At 31 December  | <u>9,426,852</u> | <u>3,989,976</u> | <u>8,918,173</u> | <u>3,989,976</u> |

|   | <b>Group and Company</b> |                    |
|---|--------------------------|--------------------|
|   | <b>2023</b>              | <b>2022</b>        |
|   | <b>RM</b>                | <b>RM</b>          |
| <b>Tawarruq Working Capital Financing-i</b> |                          |                    |
| At 1 January                                | 111,380,317              | 70,693,761         |
| Drawdown                                    | 772,200,054              | 903,606,429        |
| Repayment                                   | (772,800,762)            | (862,919,873)      |
| Net changes from financing cash flows       | (600,708)                | 40,038,239         |
| Interest expense payable upon maturity      | 218,114                  | 648,317            |
| At 31 December                              | <u>110,997,723</u>       | <u>111,380,317</u> |

|  |                |                |
|--|----------------|----------------|
| <b>Lease Liabilities</b>   |                |                |
| At 1 January   | 279,323        | 297,795        |
| Additions [Note 6(a)]  | 372,000        | 183,051        |
| Repayment, representing net changes from financing<br>cash flows | (197,054)      | (201,523)      |
| At 31 December   | <u>454,269</u> | <u>279,323</u> |

|  | <b>Company</b>   |                  |
|--|------------------|------------------|
|  | <b>2023</b>      | <b>2022</b>      |
|  | <b>RM</b>        | <b>RM</b>        |
| <b>Amounts Due to Subsidiaries</b>   |                  |                  |
| At 1 January   | 2,107,316        | -                |
| Advances from/(repayments to),<br>representing net changes from financing cash flows | 3,439,961        | (2,433,718)      |
| Chartering fees  | -                | 4,558,154        |
| Transfer of property, plant and equipment  | (41,030)         | -                |
| Unrealised foreign exchange  | 99,286           | (17,120)         |
| At 31 December   | <u>5,605,533</u> | <u>2,107,316</u> |



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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023** (cont'd)

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

|   | <b>Group and Company</b> |                |
|---|--------------------------|----------------|
|   | <b>2023</b>              | <b>2022</b>    |
|   | <b>RM</b>                | <b>RM</b>      |
| <b>Included in net cash from operating activities:</b>          |                          |                |
| Interest paid in relation to lease liabilities                  | 19,541                   | 19,266         |
| Payment relating to short term lease rental and low value asset | 84,130                   | 63,610         |
| <b>Included in net cash from financing activities:</b>          |                          |                |
| Payment for the principal portion of lease liabilities          | 197,054                  | 201,523        |
|   | <u>300,725</u>           | <u>284,399</u> |

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

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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Registration No.: 200701040866 (798898-A)

**TUMPUAN MEGAH DEVELOPMENT SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023**

**1. CORPORATE INFORMATION**

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at 47-01, Jalan Molek 2/1, Taman Molek, 81100 Johor Bahru, Johor.

The principal place of business of the Company is located at 47-01, Jalan Molek 2/1, Taman Molek 81100 Johor Bahru, Johor.

The principal activities of the Company are dealing in oil and petroleum products, providing oil bunkering, chartering and related services. The principal activities of its subsidiaries are disclosed in Note 7. There has been no significant change in the nature of these activities during the financial year.

The Directors regard Straits Energy Resources Berhad, a company incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad as the holding company.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 22 April 2024.

**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 and the requirements of the Companies Act 2016 in Malaysia.

The Group and the Company have also considered the new accounting pronouncements in the preparation of the financial statements.

**(i) Accounting pronouncements that are effective and adopted during the financial year**

|  |   |
|--|---|
| MFRS 17  | Insurance Contracts   |
| Amendments to MFRS 17                                | Insurance Contracts   |
| Amendments to MFRS 17                                | Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information |
| Amendments to MFRS 101 and MFRS Practice Statement 2 | Disclosure of Accounting Policies   |
| Amendments to MFRS 108                               | Definition of Accounting Estimates  |
| Amendments to MFRS 112                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction          |
| Amendments to MFRS 112                               | International Tax Reform – Pillar Two Model Rules   |

The adoption of the above accounting pronouncements did not have any significant effect on the financial statements of the Group and of the Company except as described below.

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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Registration No.: 200701040866 (798898-A)

**2. BASIS OF PREPARATION (cont'd)****(a) Statement of compliance (cont'd)****(i) Accounting pronouncements that are effective and adopted during the financial year (cont'd)**

The Group and the Company adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group's and the Company's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

**(ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following accounting pronouncements 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 2024**

|                                   |   |
|-----------------------------------|---|
| Amendments to MFRS 16             | Lease Liability in a Sale and Leaseback                 |
| Amendments to MFRS 101            | Classification of Liabilities as Current or Non-current |
| Amendments to MFRS 101            | Non-current Liabilities with Covenants                  |
| Amendments to MFRS 7 and MFRS 107 | Supplier Finance Arrangements                           |

**Effective for financial periods beginning on or after 1 January 2025**

|                        |                         |
|------------------------|-------------------------|
| Amendments to MFRS 121 | Lack of Exchangeability |
|------------------------|-------------------------|

**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 accounting pronouncements when they become effective in the respective financial periods. These accounting pronouncements are not expected to have any significant impact to the financial statements of the Group and of the Company upon their initial applications.

**(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.

## APPENDIX III – INFORMATION ON TMD (CONT'D)

Registration No.: 200701040866 (798898-A)

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

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

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.

There is no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

#### (e) Basis of accounting assessment

The financial statements of the Group and of the Company have been prepared on a going concern basis. This basis presumes that the business operations of the Group and of the Company will be sustainable in the foreseeable future and consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business.

The Directors' assessment of the basis of accounting are set out in Note 21(iii).

### 3. REVENUE

|   | Group and Company    |                      |
|---|----------------------|----------------------|
|   | 2023                 | 2022                 |
|   | RM                   | RM                   |
| <b><i>Recognised point in time:</i></b> |                      |                      |
| Oil bunkering and oil trading           | 2,878,603,547        | 3,079,425,168        |
| <b><i>Recognised over time:</i></b>     |                      |                      |
| Chartering of vessel                    | 5,439,898            | 7,023,991            |
|   | <u>2,884,043,445</u> | <u>3,086,449,159</u> |

#### Material accounting policy information

##### (i) Oil trading

Contracts with individual customer is considered as a single performance obligation ("PO") in relation to the sale of Marine Gas Oil and Low Sulphur Fuel Oil (*collectively refer as "Cargo Oil"*) with a single transaction price. Revenue is recognised upon delivery of the Cargo Oil to the customer and when the control over the Cargo Oil have been transferred by way of acknowledgement of cargo manifest.

##### (ii) Oil bunkering services

The Group provides oil bunkering services which consist of the following services:

- Sales of Cargo Oil; and
- Delivery services

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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Registration No.: 200701040866 (798898-A)

**3. REVENUE (cont'd)**Material accounting policy information (cont'd)

## (ii) Oil bunkering services (cont'd)

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. Payment is generally due within the range of 30 days from the date of issuance of invoice. Revenue is recognised upon delivery of Cargo Oil and when control over the Cargo Oil have been transferred to the customer by way of acknowledgment of bunker delivery note.

## (iii) Chartering of vessel

Revenue is recognised over time as the Group satisfies its obligation based on time elapsed between the delivery of a vessel to a charterer and the redelivery of a vessel from the charterer and invoicing is done on a monthly basis.

**4. PROFIT BEFORE TAX**

Profit before tax is stated after charging/(crediting):

|   | <b>Group</b> |             | <b>Company</b> |             |
|---|--------------|-------------|----------------|-------------|
|   | <b>2023</b>  | <b>2022</b> | <b>2023</b>    | <b>2022</b> |
|   | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| Auditors' remuneration                                    |              |             |                |             |
| - Statutory audit   |              |             |                |             |
| current year  | 163,493      | 135,803     | 85,000         | 78,000      |
| - Non-audit services                                      | 5,300        | -           | 5,300          | -           |
| Allowance for expected credit losses on trade receivables | -            | 4,966,867   | -              | 4,966,867   |
| Accretion of interest - other receivables                 | (208,372)    | -           | (208,372)      | -           |
| Bad debt written off                                      | -            | 552,000     | -              | 552,000     |
| Depreciation of property, plant and equipment             | 6,413,790    | 5,592,113   | 501,697        | 1,918,270   |
| Employee benefits expense [Note (a)]                      | 6,310,034    | 5,800,969   | 6,310,034      | 5,800,969   |
| Finance costs:  |              |             |                |             |
| - Tawarruq working capital financing-i                    | 8,953,660    | 6,666,311   | 8,953,660      | 6,666,311   |
| - Lease liabilities                                       | 19,541       | 19,266      | 19,541         | 19,266      |
| Fair value adjustment on other receivables [Note 11(i)]   | -            | 643,069     | -              | 643,069     |
| Interest income   | (191,499)    | -           | (191,499)      | -           |
| (Gain)/Loss on foreign exchange:                          |              |             |                |             |
| - Realised  | (2,284,552)  | (4,472,516) | (2,290,189)    | (4,459,121) |
| - Unrealised  | (11,327,516) | 1,185,111   | (11,329,841)   | 1,173,870   |
| Loss/(gain) on disposal of associate                      | 1,491,780    | -           | (1,980,981)    | -           |

**APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

**4. PROFIT BEFORE TAX (cont'd)**

Profit before tax is stated after charging/(crediting): (cont'd)

|   | <b>Group</b> |             | <b>Company</b> |             |
|---|--------------|-------------|----------------|-------------|
|   | <b>2023</b>  | <b>2022</b> | <b>2023</b>    | <b>2022</b> |
|   | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| Gain on disposal of property, plant and equipment | (74,573)     | -           | (74,573)       | -           |
| Short term leases and low value assets:           |              |             |                |             |
| - premise   | 72,600       | 56,400      | 72,600         | 56,400      |
| - equipment                                       | 11,530       | 7,210       | 11,530         | 7,210       |

(a) Employee benefits expense comprise of:

|  | <b>Group and Company</b> |                  |
|--|--------------------------|------------------|
|  | <b>2023</b>              | <b>2022</b>      |
|  | <b>RM</b>                | <b>RM</b>        |
| <b>Staff costs</b>                         |                          |                  |
| Salaries and allowances                    | 2,842,899                | 2,468,887        |
| Bonus                                      | 381,759                  | 58,016           |
| Contributions to defined contribution plan | 433,368                  | 488,968          |
| Social security contributions              | 44,215                   | 37,228           |
| Other benefits                             | 1,189,123                | 1,317,853        |
|  | <u>4,891,364</u>         | <u>4,370,952</u> |
| <b>Directors' remuneration</b>             |                          |                  |
| Directors' fee                             | 432,000                  | 432,000          |
| Salaries and allowances                    | 786,000                  | 762,000          |
| Bonus                                      | 107,000                  | 129,880          |
| Contributions to defined contribution plan | 90,610                   | 103,490          |
| Social security contributions              | 3,060                    | 2,647            |
|  | <u>1,418,670</u>         | <u>1,430,017</u> |
| Total employee benefits expense            | <u>6,310,034</u>         | <u>5,800,969</u> |

**APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

**5. INCOME TAX EXPENSE**

|  | <b>Group</b>     |                    | <b>Company</b>   |                    |
|--|------------------|--------------------|------------------|--------------------|
|  | <b>2023</b>      | <b>2022</b>        | <b>2023</b>      | <b>2022</b>        |
|  | <b>RM</b>        | <b>RM</b>          | <b>RM</b>        | <b>RM</b>          |
| <b>Current income tax</b>                          |                  |                    |                  |                    |
| Based on result for the year                       | 2,775,150        | 3,511,768          | 2,752,420        | 3,501,000          |
| Underprovision in prior year                       | 790,751          | 110,317            | 790,751          | 110,317            |
|  | <u>3,565,901</u> | <u>3,622,085</u>   | <u>3,543,171</u> | <u>3,611,317</u>   |
| <b>Deferred tax (Note 15)</b>                      |                  |                    |                  |                    |
| Reversal of temporary differences                  | -                | (4,278,094)        | -                | (4,278,094)        |
| (Over)/underprovision in prior year                | <u>(422,325)</u> | <u>310,885</u>     | <u>(422,325)</u> | <u>310,885</u>     |
|  | <u>(422,325)</u> | <u>(3,967,209)</u> | <u>(422,325)</u> | <u>(3,967,209)</u> |
| Share of tax of associate                          | <u>42,377</u>    | <u>47,151</u>      | <u>-</u>         | <u>-</u>           |
| Income tax expense/(credit) for the financial year | <u>3,185,953</u> | <u>(297,973)</u>   | <u>3,120,846</u> | <u>(355,892)</u>   |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 24%) of the estimated assessable result for the year. For Labuan subsidiaries, the chargeable profits would subject to tax under Labuan Business Activity Act, 1990 ("LBATA") of which 3% of net audited profits would be taxed.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Company are as follows:

|  | <b>Group</b>      |                  | <b>Company</b>    |                  |
|--|-------------------|------------------|-------------------|------------------|
|  | <b>2023</b>       | <b>2022</b>      | <b>2023</b>       | <b>2022</b>      |
|  | <b>RM</b>         | <b>RM</b>        | <b>RM</b>         | <b>RM</b>        |
| Profit before tax  | <u>11,473,882</u> | <u>8,174,243</u> | <u>13,491,163</u> | <u>6,712,980</u> |
| Tax at the Malaysian statutory income tax rate of 24%  | 2,753,700         | 1,961,800        | 3,237,900         | 1,611,100        |
| Effect of tax under Labuan Business Activity Tax Act, 1990 ("LBATA") of 3%                   | (138,057)         | (42,000)         | -                 | -                |
| Expenses not deductible for tax purpose  | 2,459,979         | 1,717,074        | 2,110,414         | 1,712,306        |
| Income not subject to tax  | (2,782,375)       | (372,623)        | (3,077,797)       | (69,923)         |
| Crystallisation of deferred tax liabilities arising from assets controlled transfer to LBATA | -                 | (4,023,877)      | -                 | (4,023,877)      |
| Deferred tax not recognised  | 481,903           | -                | 481,903           | -                |
| Double tax deduction   | -                 | (6,700)          | -                 | (6,700)          |
| Underprovision of income tax expense in prior year   | 790,751           | 110,317          | 790,751           | 110,317          |
| (Over)/underprovision of deferred tax in prior year  | (422,325)         | 310,885          | (422,325)         | 310,885          |
| Share of tax of associate  | <u>42,377</u>     | <u>47,151</u>    | <u>-</u>          | <u>-</u>         |
| Income tax expense/(credit) for the financial year   | <u>3,185,953</u>  | <u>(297,973)</u> | <u>3,120,846</u>  | <u>(355,892)</u> |

# **APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

## **6. PROPERTY, PLANT AND EQUIPMENT**

| <b>Group<br/>2023</b>           | <b>Vessels<br/>RM</b> | <b>Dry-docking<br/>expenditures<br/>RM</b> | <b>Shipping<br/>equipment<br/>and tools<br/>RM</b> | <b>Furniture<br/>and<br/>fittings<br/>RM</b> | <b>Office<br/>equipment<br/>RM</b> | <b>Computers<br/>RM</b> | <b>Renovation<br/>RM</b> | <b>Motor<br/>vehicles<br/>RM</b> | <b>Lease of<br/>premises<br/>RM</b> | <b>Total<br/>RM</b> |
|---------------------------------|-----------------------|--|--|--|------------------------------------|-------------------------|--------------------------|----------------------------------|-------------------------------------|---------------------|
| <b>Cost</b>                     |                       |  |  |  |                                    |                         |                          |                                  |                                     |                     |
| At 1 January                    | 36,029,043            | 13,042,688                                 | 1,418,585  | 150,731                                      | 249,913                            | 141,831                 | 517,469                  | 855,542                          | 347,100                             | 52,752,902          |
| Additions                       | -                     | 3,645,340                                  | 133,367  | -  | 39,115                             | 198,509                 | 53,210                   | 459,271                          | -                                   | 4,528,812           |
| Disposals                       | -                     | -  | -  | -  | -                                  | -                       | -                        | (186,176)                        | -                                   | (186,176)           |
| Written off                     | -                     | -  | -  | -  | -                                  | (10,548)                | -                        | -                                | -                                   | (10,548)            |
| Transfer to related companies   | -                     | -  | (799,918)  | -  | -                                  | -                       | -                        | -                                | -                                   | (799,918)           |
| Foreign exchange difference     | 985,588               | 384,195                                    | 20,258   | 62   | -                                  | 15                      | -                        | -                                | -                                   | 1,390,118           |
| At 31 December                  | 37,014,631            | 17,072,223                                 | 772,292  | 150,793                                      | 289,028                            | 329,807                 | 570,679                  | 1,128,637                        | 347,100                             | 57,675,190          |
| <b>Accumulated depreciation</b> |                       |  |  |  |                                    |                         |                          |                                  |                                     |                     |
| At 1 January                    | 13,262,741            | 8,591,199                                  | 278,512  | 72,554                                       | 111,211                            | 119,743                 | 217,009                  | 779,902                          | 150,856                             | 23,583,727          |
| Charge for the year             | 2,249,976             | 3,752,117                                  | 92,814   | 12,039                                       | 20,399                             | 49,097                  | 45,309                   | 95,842                           | 96,197                              | 6,413,790           |
| Disposals                       | -                     | -  | -  | -  | -                                  | -                       | -                        | (158,250)                        | -                                   | (158,250)           |
| Written off                     | -                     | -  | -  | -  | -                                  | (10,548)                | -                        | -                                | -                                   | (10,548)            |
| Transfer to related companies   | -                     | -  | (60,596)   | -  | -                                  | -                       | -                        | -                                | -                                   | (60,596)            |
| Foreign exchange difference     | 126,618               | 161,801                                    | 3,097  | 8  | -                                  | 15                      | -                        | -                                | -                                   | 291,539             |
| At 31 December                  | 15,639,335            | 12,505,117                                 | 313,827  | 84,601                                       | 131,610                            | 158,307                 | 262,318                  | 717,494                          | 247,053                             | 30,059,662          |
| <b>Net carrying amounts</b>     |                       |  |  |  |                                    |                         |                          |                                  |                                     |                     |
| At 31 December                  | 21,375,296            | 4,567,106                                  | 458,465  | 66,192                                       | 157,418                            | 171,500                 | 308,361                  | 411,143                          | 100,047                             | 27,615,528          |



# **APPENDIX III – INFORMATION ON TMD (CONT'D)**

Registration No.: 200701040866 (798898-A)

## **6. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

| <b>Group (cont'd)<br/>2022</b>      | <b>Vessels<br/>RM</b> | <b>Dry-docking<br/>expenditures<br/>RM</b> | <b>Shipping<br/>equipment<br/>and tools<br/>RM</b> | <b>Furniture<br/>and<br/>fittings<br/>RM</b> | <b>Office<br/>equipment<br/>RM</b> | <b>Computers<br/>RM</b> | <b>Renovation<br/>RM</b> | <b>Motor<br/>vehicles<br/>RM</b> | <b>Lease of<br/>premises<br/>RM</b> | <b>Total<br/>RM</b> |
|-------------------------------------|-----------------------|--|--|--|------------------------------------|-------------------------|--------------------------|----------------------------------|-------------------------------------|---------------------|
| <b>Cost</b>                         |                       |  |  |  |                                    |                         |                          |                                  |                                     |                     |
| At 1 January                        | 35,279,291            | 11,030,023                                 | 793,230  | 104,573                                      | 202,287                            | 117,300                 | 298,399                  | 855,542                          | 164,049                             | 48,844,694          |
| Additions                           | -                     | 1,790,196                                  | 615,297  | 46,097                                       | 47,626                             | 24,517                  | 219,070                  | -                                | 183,051                             | 2,925,854           |
| Foreign exchange<br>difference      | 749,752               | 222,469                                    | 10,058   | 61   | -                                  | 14                      | -                        | -                                | -                                   | -                   |
| At 31 December                      | 36,029,043            | 13,042,688                                 | 1,418,585  | 150,731                                      | 249,913                            | 141,831                 | 517,469                  | 855,542                          | 347,100                             | 52,752,902          |
| <b>Accumulated<br/>depreciation</b> |                       |  |  |  |                                    |                         |                          |                                  |                                     |                     |
| At 1 January                        | 10,936,571            | 5,663,967                                  | 148,374  | 61,564                                       | 89,819                             | 103,026                 | 184,032                  | 687,469                          | 61,438                              | 17,936,260          |
| Charge for the year                 | 2,295,737             | 2,902,414                                  | 130,025  | 10,993                                       | 21,392                             | 16,724                  | 32,977                   | 92,433                           | 89,418                              | 5,592,113           |
| Foreign exchange<br>difference      | 30,433                | 24,818                                     | 113  | (3)  | -                                  | (7)                     | -                        | -                                | -                                   | 55,354              |
| At 31 December                      | 13,262,741            | 8,591,199                                  | 278,512  | 72,554                                       | 111,211                            | 119,743                 | 217,009                  | 779,902                          | 150,856                             | 23,583,727          |
| <b>Net carrying<br/>amounts</b>     |                       |  |  |  |                                    |                         |                          |                                  |                                     |                     |
| At 31 December                      | 22,766,302            | 4,451,489                                  | 1,140,073  | 78,177                                       | 138,702                            | 22,088                  | 300,460                  | 75,640                           | 196,244                             | 29,169,175          |

# **APPENDIX III – INFORMATION ON TMD (CONT'D)**

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## **6. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

| Company<br>2023                 | Vessels<br>RM | Dry-docking<br>expenditures<br>RM | Shipping<br>equipment<br>and tools<br>RM | Furniture<br>and<br>fittings<br>RM | Office<br>equipment<br>RM | Computers<br>RM | Renovation<br>RM | Motor<br>vehicles<br>RM | Lease of<br>premises<br>RM | Total<br>RM |
|---------------------------------|---------------|-----------------------------------|--|------------------------------------|---------------------------|-----------------|------------------|-------------------------|----------------------------|-------------|
| <b>Cost</b>                     |               |                                   |  |                                    |                           |                 |                  |                         |                            |             |
| At 1 January                    | 3,530,000     | 955,278                           | 895,902                                  | 150,670                            | 249,913                   | 141,729         | 517,469          | 855,542                 | 347,100                    | 7,643,603   |
| Additions                       | -             | 440,810                           | 3,779                                    | -                                  | 39,115                    | 198,509         | 53,210           | 459,271                 | -                          | 1,194,694   |
| Disposals                       | -             | -                                 | -  | -                                  | -                         | -               | -                | (186,176)               | -                          | (186,176)   |
| Written off                     | -             | -                                 | -  | -                                  | -                         | (10,548)        | -                | -                       | -                          | (10,548)    |
| Transfer to subsidiaries        | (3,530,000)   | (1,396,088)                       | (49,730)                                 | -                                  | -                         | -               | -                | -                       | -                          | (4,975,818) |
| Transfer to related companies   | -             | -                                 | (799,918)                                | -                                  | -                         | -               | -                | -                       | -                          | (799,918)   |
| At 31 December                  | -             | -                                 | 50,033                                   | 150,670                            | 289,028                   | 329,690         | 570,679          | 1,128,637               | 347,100                    | 2,865,837   |
| <b>Accumulated depreciation</b> |               |                                   |  |                                    |                           |                 |                  |                         |                            |             |
| At 1 January                    | 1,175,819     | 927,376                           | 83,792                                   | 72,392                             | 111,211                   | 119,378         | 217,009          | 779,902                 | 150,856                    | 3,637,735   |
| Charge for the year             | 106,477       | 58,186                            | 18,379                                   | 11,811                             | 20,399                    | 49,097          | 45,309           | 95,842                  | 96,197                     | 501,697     |
| Disposals                       | -             | -                                 | -  | -                                  | -                         | -               | -                | (158,250)               | -                          | (158,250)   |
| Written off                     | -             | -                                 | -  | -                                  | -                         | (10,548)        | -                | -                       | -                          | (10,548)    |
| Transfer to subsidiaries        | (1,282,296)   | (985,562)                         | (3,350)                                  | -                                  | -                         | -               | -                | -                       | -                          | (2,271,208) |
| Transfer to related companies   | -             | -                                 | (60,596)                                 | -                                  | -                         | -               | -                | -                       | -                          | (60,596)    |
| At 31 December                  | -             | -                                 | 38,225                                   | 84,203                             | 131,610                   | 157,927         | 262,318          | 717,494                 | 247,053                    | 1,638,830   |
| <b>Net carrying amounts</b>     |               |                                   |  |                                    |                           |                 |                  |                         |                            |             |
| At 31 December                  | -             | -                                 | 11,808                                   | 66,467                             | 157,418                   | 171,763         | 308,361          | 411,143                 | 100,047                    | 1,227,007   |

# **APPENDIX III – INFORMATION ON TMD (CONT'D)**

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## **6. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

| Company (cont'd)<br>2022        | Vessels      |    | Dry-docking  |    | Shipping  |           | Furniture    |    | Office    |    | Computers |    | Renovation |    | Motor    |    | Lease of |    | Total        |    |
|---------------------------------|--------------|----|--------------|----|-----------|-----------|--------------|----|-----------|----|-----------|----|------------|----|----------|----|----------|----|--------------|----|
|                                 | RM           | RM | expenditures | RM | equipment | and tools | and fittings | RM | equipment | RM | RM        | RM | RM         | RM | vehicles | RM | premises | RM | RM           | RM |
| <b>Cost</b>                     |              |    |              |    |           |           |              |    |           |    |           |    |            |    |          |    |          |    |              |    |
| At 1 January                    | 26,310,000   |    | 8,030,244    |    | 701,210   |           | 104,573      |    | 202,287   |    | 117,300   |    | 298,399    |    | 855,542  |    | 164,049  |    | 36,783,604   |    |
| Additions                       | -            |    | 27,901       |    | 606,710   |           | 46,097       |    | 47,626    |    | 24,429    |    | 219,070    |    | -        |    | 183,051  |    | 1,154,884    |    |
| Transfer to subsidiaries        | (22,780,000) |    | (7,102,867)  |    | (412,018) |           | -            |    | -         |    | -         |    | -          |    | -        |    | -        |    | (30,294,885) |    |
| At 31 December                  | 3,530,000    |    | 955,278      |    | 895,902   |           | 150,670      |    | 249,913   |    | 141,729   |    | 517,469    |    | 855,542  |    | 347,100  |    | 7,643,603    |    |
| <b>Accumulated depreciation</b> |              |    |              |    |           |           |              |    |           |    |           |    |            |    |          |    |          |    |              |    |
| At 1 January                    | 6,740,374    |    | 3,805,326    |    | 113,258   |           | 61,564       |    | 89,819    |    | 103,026   |    | 184,032    |    | 687,469  |    | 61,438   |    | 11,846,306   |    |
| Charge for the year             | 744,035      |    | 823,009      |    | 87,826    |           | 10,828       |    | 21,392    |    | 16,352    |    | 32,977     |    | 92,433   |    | 89,418   |    | 1,918,270    |    |
| Transfer to subsidiaries        | (6,308,590)  |    | (3,700,959)  |    | (117,292) |           | -            |    | -         |    | -         |    | -          |    | -        |    | -        |    | (10,126,841) |    |
| At 31 December                  | 1,175,819    |    | 927,376      |    | 83,792    |           | 72,392       |    | 111,211   |    | 119,378   |    | 217,009    |    | 779,902  |    | 150,856  |    | 3,637,735    |    |
| <b>Net carrying amounts</b>     |              |    |              |    |           |           |              |    |           |    |           |    |            |    |          |    |          |    |              |    |
| At 31 December                  | 2,354,181    |    | 27,902       |    | 812,110   |           | 78,278       |    | 138,702   |    | 22,351    |    | 300,460    |    | 75,640   |    | 196,244  |    | 4,005,868    |    |

**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**6. PROPERTY, PLANT AND EQUIPMENT (cont'd)****(a) Acquisition of property, plant and equipment**

During the financial year, the Group and the Company made the following cash payment for purchase of property, plant and equipment:

|   | <b>Group</b>     |                  | <b>Company</b> |                |
|---|------------------|------------------|----------------|----------------|
|   | <b>2023</b>      | <b>2022</b>      | <b>2023</b>    | <b>2022</b>    |
|   | <b>RM</b>        | <b>RM</b>        | <b>RM</b>      | <b>RM</b>      |
| Addition of property, plant and equipment                 | 4,528,812        | 2,925,854        | 1,194,694      | 1,154,884      |
| Less: Finance lease arrangement                           | (372,000)        | (183,051)        | (372,000)      | (183,051)      |
| Cash payment on purchase of property, plant and equipment | <u>4,156,812</u> | <u>2,742,803</u> | <u>822,694</u> | <u>971,833</u> |

**(b) Carrying amounts of property, plant and equipment pledged for banking facility of the Group and of the Company as disclosed in Note 19 are as follows:**

|   | <b>Group</b>      |                   | <b>Company</b> |                  |
|---|-------------------|-------------------|----------------|------------------|
|   | <b>2023</b>       | <b>2022</b>       | <b>2023</b>    | <b>2022</b>      |
|   | <b>RM</b>         | <b>RM</b>         | <b>RM</b>      | <b>RM</b>        |
| Vessels                                   | 21,375,296        | 22,766,302        | -              | 2,354,181        |
| Dry-docking expenditures                  | 4,567,106         | 4,451,489         | -              | 27,902           |
| Shipping equipment and tools              | 458,465           | 1,140,073         | 11,808         | 812,110          |
| Furniture, fittings and office equipments | 223,610           | 216,879           | 223,885        | 216,980          |
| Computers                                 | 171,500           | 22,088            | 171,763        | 22,351           |
| Renovation                                | 308,361           | 300,460           | 308,361        | 300,460          |
|   | <u>27,104,338</u> | <u>28,897,291</u> | <u>715,817</u> | <u>3,733,984</u> |

**(c) Right-of-use assets**

The net carrying amount of right-of-use assets recognised by the Group and the Company are as follows:

|                   | <b>Group and Company</b> |                |
|-------------------|--------------------------|----------------|
|                   | <b>2023</b>              | <b>2022</b>    |
|                   | <b>RM</b>                | <b>RM</b>      |
| Motor vehicles    | 411,143                  | 75,640         |
| Lease of premises | <u>100,047</u>           | <u>196,244</u> |
|                   | <u>511,190</u>           | <u>271,884</u> |

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**6. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

## (c) Right-of-use assets (cont'd)

The expenses charged to profit and loss during the financial year are as follows:

|  | <b>Group and Company</b> |             |
|--|--------------------------|-------------|
|  | <b>2023</b>              | <b>2022</b> |
|  | <b>RM</b>                | <b>RM</b>   |
| Depreciation of right-of-use asset                               | 192,039                  | 181,851     |
| Interest expense of lease liabilities                            | 19,541                   | 19,266      |
| Payment relating to short term lease rental and low value assets | 84,130                   | 63,610      |

- (d) During the financial year, the Company has transferred an oil tanker vessel (*with accompanying dry-docking expenditures and shipping equipment*) with carrying amount of RM3,442,932 to its subsidiaries and related companies.

In prior financial year, the Company has transferred certain oil tankers (*with accompanying dry-docking expenditures and shipping equipment*) with carrying amount totalling RM20,168,044 to its subsidiaries and this amount was subsequently capitalised as additional capital contribution to subsidiaries as disclosed in Note 7.

**Material accounting policy information**

## (i) Recognition and measurement

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

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 and the Company have included the initial dry-docking costs incurred during the purchase of new oil tanker as part of the acquisition costs of vessel in accordance with MFRS 116 *Property, Plant and Equipment*.

## (ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

|                              |                                 |
|------------------------------|---------------------------------|
| Vessels                      | 8 to 11 years                   |
| Dry-docking expenditures     | 30 months from date of dry dock |
| Shipping equipment and tools | 10 years                        |
| Furniture and fittings       | 10 years                        |
| Office equipment             | 10 years                        |
| Computers                    | 2 years                         |
| Renovation                   | 10 years                        |
| Motor vehicles               | 5 years                         |
| Lease of premises            | 3 years                         |

## APPENDIX III – INFORMATION ON TMD (CONT'D)

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### 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### Material accounting policy information (cont'd)

##### (ii) Depreciation (cont'd)

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

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

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

##### (iii) Right-of-use assets

The right-of-use assets pertaining to lease of premise which presented as part of property, plant and equipment in the statements of financial position.

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.

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.

### 7. INVESTMENTS IN SUBSIDIARIES

|                                       | Company<br>2023<br>RM | 2022<br>RM |
|---------------------------------------|-----------------------|------------|
| Unquoted shares at cost               | 2,484                 | 2,484      |
| Capital contribution to subsidiaries: |                       |            |
| 1 January                             | 26,168,044            | 6,000,000  |
| Addition                              | -                     | 20,168,044 |
| 31 December                           | 26,168,044            | 26,168,044 |
|                                       | 26,170,528            | 26,170,528 |

The capital contribution to subsidiaries amounting to RM26,168,044 (2022: RM26,168,044) was in relation to advances that are not expected to be repaid in foreseeable future and in substance, represents additional investment into the subsidiaries by the Company.

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**7. INVESTMENTS IN SUBSIDIARIES (cont'd)**

Details of the subsidiaries are as follows:

| Name             | Country of Incorporation | Principal Activities                    | Effective equity interest |      |
|------------------|--------------------------|---|---------------------------|------|
|                  |                          |   | 2023                      | 2022 |
| 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 | 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% |

**Material accounting policy information****Consolidation**

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.

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.

**7. INVESTMENTS IN SUBSIDIARIES (cont'd)***Material accounting policy information (cont'd)*Consolidation (cont'd)

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.

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.



## APPENDIX III – INFORMATION ON TMD (CONT'D)

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### 7. INVESTMENTS IN SUBSIDIARIES (cont'd)

#### Material accounting policy information (cont'd)

##### 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, investments 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.

##### Transactions eliminated on consolidation

Intra-group balances and transactions, and any recognised 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 recognised gains, but only to the extent that there is no evidence of impairment.

### 8. INVESTMENTS IN ASSOCIATES

|  | Group       |           | Company     |           |
|--|-------------|-----------|-------------|-----------|
|  | 2023        | 2022      | 2023        | 2022      |
|  | RM          | RM        | RM          | RM        |
| <b>At cost</b>                           |             |           |             |           |
| <b>Unquoted shares</b>                   |             |           |             |           |
| At 1 January                             | 4,343,606   | 2,552,862 | 4,343,606   | 2,552,862 |
| Addition                                 | 20,000      | 1,790,744 | 20,000      | 1,790,744 |
| Reclassification**                       | (2,660,968) | -         | (2,660,968) | -         |
| Disposal                                 | (1,682,638) | -         | (1,682,638) | -         |
| At 31 December                           | 20,000      | 4,343,606 | 20,000      | 4,343,606 |
| <b>Share of post-acquisition reserve</b> |             |           |             |           |
| At 1 January                             | 3,361,067   | 1,687,970 | -           | -         |
| Addition                                 | 1,258,174   | 1,673,097 | -           | -         |
| Disposal                                 | (4,619,241) | -         | -           | -         |
| At 31 December                           | -           | 3,361,067 | -           | -         |
| <b>Net carrying amount</b>               | 20,000      | 7,704,673 | 20,000      | 4,343,606 |

\*\* Being reclassification of share application monies to amount due from related company upon disposal of associate

## APPENDIX III – INFORMATION ON TMD (CONT'D)

Registration No.: 200701040866 (798898-A)

### 8. INVESTMENTS IN ASSOCIATES (cont'd)

Details of the associates are as follows:

| Name of associate                                      | Country of incorporation | Principal activity         | Effective Equity interest |      |
|--|--------------------------|----------------------------|---------------------------|------|
|  |                          |                            | 2023                      | 2022 |
| Straits Marine Fuels & Energy Sdn. Bhd. ("SMF")        | Malaysia                 | Investment holding         | -                         | 33%  |
| Horizon Shipyard Inter Globe (M) Sdn. Bhd. ("Horizon") | Malaysia                 | Yet to commence operations | 20%                       | -    |

#### 2023

##### Disposal of SMF

On 30 November 2023, the Company entered into a conditional share sales and purchase agreement with its holding company, Straits Energy Resources Berhad for the proposed disposal of 330,000 SMF's shares, representing 33% of the equity interest in SMF for a total consideration of RM3,663,619 to be satisfied entirely via cash. The said transaction was completed on 1 December 2023 and SMF ceased to be an associate of the Company.

##### Subscription of shares in Horizon

On 22 June 2023, the Company had subscribed 20,000 units of ordinary shares in Horizon for a total consideration of RM20,000, representing 20% equity interest in Horizon.

#### 2022

##### Acquisition of additional equity interest

On 31 May 2022, the Company entered into share sales and purchase agreement ("SPA") with Raja Ismail Bin Raja Mohamed to acquire 70,000 units of ordinary shares of SMF, representing 7% equity interest in the SMF for purchase consideration of RM1,150,000. In addition, the Company also advanced an amount of RM640,747 to the SMF and subsequently assume the ownership of the previous shareholder's share application monies which is pending for allotment of shares.

The summarised financial information of material associate is as follows:

|                               | SMF              |                  |
|-------------------------------|------------------|------------------|
|                               | 31.12.2023<br>RM | 31.12.2022<br>RM |
| <b>Assets and liabilities</b> |                  |                  |
| Non-current assets            | -                | 113,267,561      |
| Current assets                | -                | 1,840,747        |
| Current liabilities           | -                | (10,446,818)     |
| Non-current liabilities       | -                | (75,269,726)     |
| Non-controlling interest      | -                | (6,044,271)      |
| Net assets                    | -                | 23,347,493       |

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**8. INVESTMENTS IN ASSOCIATES (cont'd)**

The summarised financial information of material associate is as follows: (cont'd)

|  | SMF  |  |
|--|--|--|
|  | Period from<br>1.1.2023 to<br>30.11.2023<br>RM | Period from<br>1.1.2022 to<br>31.12.2022<br>RM |
| <b>Results</b>   |  |  |
| Revenue  | 18,920,563                                     | 17,364,570                                     |
| Profit for the year                                      | 2,154,890                                      | 4,302,123                                      |
| Other comprehensive income                               | 1,657,758                                      | 1,652,679                                      |
| Total comprehensive income for the financial period/year | <u>3,812,648</u>                               | <u>5,954,802</u>                               |

The reconciliation of the associate's net assets to the carrying amount of the investment in associate is as follows:

|   | Group            |                  |
|---|------------------|------------------|
|   | 31.12.2023<br>RM | 31.12.2022<br>RM |
| <b>Reconciliation of net assets to carrying amount at end of the financial year</b> |                  |                  |
| Group's share of net assets   | <u>-</u>         | <u>7,704,673</u> |
| <b>Group's share of results for the financial year</b>                              |                  |                  |
| Profit for the financial year   | 711,114          | 1,261,533        |
| Other comprehensive income for the financial year                                   | <u>547,060</u>   | <u>411,564</u>   |

**Material accounting policy information**

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. If the Group's equity interest in the associate is diluted but retained significant influence, the Group continues to account for the investment in associate using the equity method and any gain or loss arising from the dilution of equity interest in the associate will be recognised in profit or loss.

Investments in associates are measured at the Company's statement of financial position at cost less any impairment losses.

**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**9. INVENTORIES**

|   | <b>Group and Company</b> |                      |
|---|--------------------------|----------------------|
|   | <b>2023</b>              | <b>2022</b>          |
|   | <b>RM</b>                | <b>RM</b>            |
| <b>At cost:</b>                                 |                          |                      |
| Bunkering marine oil                            | <u>72,809,642</u>        | <u>45,390,864</u>    |
| Cost of inventories recognised as cost of sales | <u>2,784,105,426</u>     | <u>2,984,010,759</u> |

**Material accounting policy information**

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

The cost of inventories is measured based on weighted average 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 delivery and the estimated costs necessary to make the sale.

**10. TRADE RECEIVABLES**

|   | <b>Group and Company</b> |                   |
|---|--------------------------|-------------------|
|   | <b>2023</b>              | <b>2022</b>       |
|   | <b>RM</b>                | <b>RM</b>         |
| Gross amounts                                     | <u>110,167,951</u>       | <u>38,718,576</u> |
| <b>Less: Allowance for expected credit losses</b> |                          |                   |
| At 1 January                                      | 6,315,025                | 1,348,158         |
| Addition  | -                        | 4,966,867         |
| At 31 December                                    | <u>6,315,025</u>         | <u>6,315,025</u>  |
| Carrying amount                                   | <u>103,852,926</u>       | <u>32,403,551</u> |

The Group's and the Company's normal trade credit term is 30 days (2022: 30 days). Other credit terms are assessed and approved on a case-by-case basis.

**11. OTHER RECEIVABLES**

|                                      |             | <b>Group</b>      |                   | <b>Company</b>    |                   |
|--------------------------------------|-------------|-------------------|-------------------|-------------------|-------------------|
|                                      | <b>Note</b> | <b>2023</b>       | <b>2022</b>       | <b>2023</b>       | <b>2022</b>       |
|                                      |             | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         |
| <b><u>Non-current</u></b>            |             |                   |                   |                   |                   |
| Prepayments                          | (i)         | 2,250,859         | 3,128,723         | 2,250,859         | 3,128,723         |
| Amounts owing from related companies | (vi)        | <u>30,448,881</u> | <u>23,136,460</u> | <u>30,448,881</u> | <u>23,136,460</u> |
|                                      |             | <u>32,699,740</u> | <u>26,265,183</u> | <u>32,699,740</u> | <u>26,265,183</u> |

## APPENDIX III – INFORMATION ON TMD (CONT'D)

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### 11. OTHER RECEIVABLES (cont'd)

|                                      |       | Group              |                    | Company            |                    |
|--------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
|                                      | Note  | 2023<br>RM         | 2022<br>RM         | 2023<br>RM         | 2022<br>RM         |
| <u>Current</u>                       |       |                    |                    |                    |                    |
| Other receivables                    | (ii)  | 49,141,877         | 32,662,787         | 49,116,821         | 33,183,160         |
| Deposits                             | (iii) | 52,309,572         | 29,358,836         | 52,309,572         | 29,358,836         |
| Prepayments                          | (i)   | 5,815,231          | 5,228,356          | 5,373,729          | 4,877,043          |
| Amounts owing from subsidiaries      | (iv)  | -                  | -                  | 3,440,218          | 702,718            |
| Amount owing from associate          | (v)   | -                  | 565,747            | -                  | 565,747            |
| Amounts owing from related companies | (vi)  | 26,198,444         | 18,157,786         | 26,198,444         | 18,157,786         |
| Amount owing from holding company    | (vii) | 31,241,630         | 25,598,423         | 31,241,630         | 25,622,423         |
|                                      |       | <u>164,706,754</u> | <u>111,571,935</u> | <u>167,680,414</u> | <u>112,467,713</u> |
|                                      |       | <u>166,957,613</u> | <u>114,700,658</u> | <u>169,931,273</u> | <u>115,596,436</u> |

- (i) Included in prepayments is an amount of RM6,768,250 (2022: RM6,383,482) which relates to reimbursable legal fees from a Director who had undertaken to indemnify the Company for a legal case as disclosed in Note 25. Out of this total, an amount of RM3,563,421 (2022: RM4,385,750) with the net present value of RM3,128,724 (2022: RM3,742,681) due from a Director of the Company that will be repaid pursuant to a repayment plan spanning a period beyond 12 months from the reporting date. The resultant fair value adjustment of RM643,069 being recognised in prior year's profit or loss represents the loss on present value estimated using a discount rate of 8% per annum.

Below is in respect of the reimbursable legal fees under the repayment plan arrangement:

|   | Group and Company |                  |
|---|-------------------|------------------|
|   | 2023<br>RM        | 2022<br>RM       |
| <b>Minimum payments:</b>                |                   |                  |
| Within 1 year                           | 1,096,437         | 822,328          |
| More than 1 year but less than 2 years  | 1,096,437         | 1,096,437        |
| More than 2 years and less than 5 years | <u>1,370,547</u>  | <u>2,466,985</u> |
|   | 3,563,421         | 4,385,750        |
| Less: Unamortised interest              | <u>(434,697)</u>  | <u>(643,069)</u> |
| Present value of prepayment receivables | <u>3,128,724</u>  | <u>3,742,681</u> |
| <b>Present value of prepayments</b>     |                   |                  |
| Within 1 year                           | 877,865           | 613,958          |
| More than 1 year but less than 2 years  | 950,727           | 877,864          |
| More than 2 years and less than 5 years | <u>1,300,132</u>  | <u>2,250,859</u> |
| Present value of prepayment receivables | <u>3,128,724</u>  | <u>3,742,681</u> |
| Representing:                           |                   |                  |
| Current portion                         | 877,865           | 613,958          |
| Non-current portion                     | <u>2,250,859</u>  | <u>3,128,723</u> |
|   | <u>3,128,724</u>  | <u>3,742,681</u> |

**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**11. OTHER RECEIVABLES (cont'd)**

- (ii) Included in other receivables of the Group and of the Company is an amount of RM44,506,478 (2022: RM30,926,641) being net advance payment to suppliers for purchase of Cargo Oil.
- (iii) Included in deposits of the Group and of the Company are the following:
- an amount of RM49,293,578 (2022: RM18,150,000) being deposits paid to third party suppliers to obtain credit enhancement for the supply of cargo oil; and
  - an amount of RM2,263,500 (2022: RM2,263,500) being cargo deposit paid to third party supplier for upgrading of payment term.
- (iv) Amounts owing from subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.
- (v) In prior financial year, the amount owing from associate was non-trade in nature, unsecured, interest free and repayable on demand.
- (vi) Amounts owing from related companies are non-trade in nature, unsecured, interest free and receivable on demand. The non-current portion is based on the expected timing of collection from related companies which are beyond the next 12 months.

|  | <b>Group</b>      |                   | <b>Company</b>    |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | <b>2023</b>       | <b>2022</b>       | <b>2023</b>       | <b>2022</b>       |
|  | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         |
| Gross amounts                              | 26,198,444        | 18,157,786        | 26,198,444        | 18,157,786        |
| Less: Allowance for expected credit losses |                   |                   |                   |                   |
| At 1 January                               | -                 | -                 | -                 | (76,865)          |
| Written-off                                | -                 | -                 | -                 | 76,865            |
| At 31 December                             | -                 | -                 | -                 | -                 |
| Net carrying amount                        | <u>26,198,444</u> | <u>18,157,786</u> | <u>26,198,444</u> | <u>18,157,786</u> |

- (vii) Amount owing from holding company is non-trade in nature, unsecured, interest free and repayable on demand.

**12. SHARE CAPITAL**

|  | <b>Group and Company</b>         |                   | <b>Group and Company</b> |                   |
|--|----------------------------------|-------------------|--------------------------|-------------------|
|  | <b>Number of Ordinary Shares</b> |                   | <b>Amount</b>            |                   |
|  | <b>2023</b>                      | <b>2022</b>       | <b>2023</b>              | <b>2022</b>       |
|  | <b>Unit</b>                      | <b>Unit</b>       | <b>RM</b>                | <b>RM</b>         |
| <b>Issued and fully paid:</b>          |                                  |                   |                          |                   |
| At beginning/end of the financial year | <u>15,000,000</u>                | <u>15,000,000</u> | <u>15,000,000</u>        | <u>15,000,000</u> |

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.

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**13. CAPITAL CONTRIBUTION FROM HOLDING COMPANY**

The amount classified under equity represents amount that is not expected to be repaid in the foreseeable future and effectively represents additional investment into the Company by the holding company.

**14. FOREIGN CURRENCY TRANSLATION RESERVE**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of Labuan offshore operations whose functional currencies are different from that of the Group's presentation currency and share of foreign currency translation reserve of associate.

**15. DEFERRED TAX LIABILITIES**

|                                       | <b>Group and Company</b> |                |
|---------------------------------------|--------------------------|----------------|
|                                       | <b>2023</b>              | <b>2022</b>    |
|                                       | <b>RM</b>                | <b>RM</b>      |
| At 1 January                          | 422,325                  | 4,389,534      |
| Recognised in profit or loss (Note 5) | (422,325)                | (3,967,209)    |
| At 31 December                        | <u>-</u>                 | <u>422,325</u> |

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

|   | <b>2023</b>     | <b>2022</b>      |
|---|-----------------|------------------|
|   | <b>RM</b>       | <b>RM</b>        |
| <b>Deferred tax asset</b>   |                 |                  |
| Other deductible temporary differences  | <u>(67,705)</u> | <u>(293,620)</u> |
| <b>Deferred tax liabilities</b>   |                 |                  |
| Other taxable temporary differences   | 24,011          | 46,496           |
| Differences between the carrying amount of property, plant and equipment and their tax base | <u>43,694</u>   | <u>669,449</u>   |
|   | <u>67,705</u>   | <u>715,945</u>   |
|   | <u>-</u>        | <u>422,325</u>   |

The estimated differences for which no deferred tax assets have been recognised in the financial statements are as follows:

|  | <b>Group and Company</b> |                  |
|--|--------------------------|------------------|
|  | <b>2023</b>              | <b>2022</b>      |
|  | <b>RM</b>                | <b>RM</b>        |
| Other deductible temporary differences | <u>6,645,000</u>         | <u>4,637,000</u> |

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**16. LEASE LIABILITIES**

|   | <b>Lease of<br/>Premises<br/>RM</b> | <b>Motor<br/>Vehicles<br/>RM</b> | <b>Total<br/>RM</b> |
|---|-------------------------------------|----------------------------------|---------------------|
| <b>2023</b>                                   |                                     |                                  |                     |
| <b>Group and Company</b>                      |                                     |                                  |                     |
| <b>Minimum lease payments</b>                 |                                     |                                  |                     |
| Within 1 year                                 | 101,800                             | 62,364                           | 164,164             |
| More than 1 year but less than 2 years        | 7,400                               | 62,364                           | 69,764              |
| More than 2 years and less than 5 years       | -                                   | 187,092                          | 187,092             |
| More than 5 years                             | -                                   | 91,806                           | 91,806              |
|   | <u>109,200</u>                      | <u>403,626</u>                   | <u>512,826</u>      |
| Less: Future finance charges                  | <u>(3,371)</u>                      | <u>(55,186)</u>                  | <u>(58,557)</u>     |
| Present value of lease rental payables        | <u>105,829</u>                      | <u>348,440</u>                   | <u>454,269</u>      |
|   |                                     |                                  |                     |
| Within 1 year                                 | 98,479                              | 46,722                           | 145,201             |
| More than 1 year but less than 2 years        | 7,350                               | 49,322                           | 56,672              |
| More than 2 years and less than 5 years       | -                                   | 163,572                          | 163,572             |
| More than 5 years                             | -                                   | 88,824                           | 88,824              |
|   | <u>105,829</u>                      | <u>348,440</u>                   | <u>454,269</u>      |
| Present value of lease rental payables        |                                     |                                  |                     |
|   |                                     |                                  |                     |
| Representing:                                 |                                     |                                  |                     |
| Current portion                               | 98,479                              | 46,722                           | 145,201             |
| Non-current portion                           | <u>7,350</u>                        | <u>301,718</u>                   | <u>309,068</u>      |
|   | <u>105,829</u>                      | <u>348,440</u>                   | <u>454,269</u>      |
| <b>2022</b>                                   |                                     |                                  |                     |
| <b>Group and Company</b>                      |                                     |                                  |                     |
| <b>Minimum lease payments</b>                 |                                     |                                  |                     |
| Within 1 year                                 | 105,000                             | 72,885                           | 177,885             |
| More than 1 year but less than 2 years        | 101,800                             | 6,352                            | 108,152             |
| More than 2 years and less than 5 years       | 7,400                               | -                                | 7,400               |
|   | <u>214,200</u>                      | <u>79,237</u>                    | <u>293,437</u>      |
| Less: Future finance charges                  | <u>(12,402)</u>                     | <u>(1,712)</u>                   | <u>(14,114)</u>     |
| Present value of lease rental payables        | <u>201,798</u>                      | <u>77,525</u>                    | <u>279,323</u>      |
| <b>Present value of lease rental payables</b> |                                     |                                  |                     |
| Within 1 year                                 | 95,969                              | 71,336                           | 167,305             |
| More than 1 year but less than 2 years        | 98,479                              | 6,189                            | 104,668             |
| More than 2 years and less than 5 years       | 7,350                               | -                                | 7,350               |
|   | <u>201,798</u>                      | <u>77,525</u>                    | <u>279,323</u>      |
| Present value of lease rental payables        |                                     |                                  |                     |
|   |                                     |                                  |                     |
| Representing:                                 |                                     |                                  |                     |
| Current portion                               | 95,969                              | 71,336                           | 167,305             |
| Non-current portion                           | <u>105,829</u>                      | <u>6,189</u>                     | <u>112,018</u>      |
|   | <u>201,798</u>                      | <u>77,525</u>                    | <u>279,323</u>      |



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**16. LEASE LIABILITIES (cont'd)**

The lease liabilities of the Group and of the Company bear effective interest rates ranging from 4.42% to 5.77% (2022: 4.42% to 5.77%) per annum.

**17. TRADE PAYABLES**

The normal trade credit terms granted to the Group and the Company range from cash in advance to 30 days (2022: 30 days). Other credit terms are assessed and approved on a case by-case basis.

**18. OTHER PAYABLES**

|                                    |             | <b>Group</b>       |                    | <b>Company</b>     |                    |
|------------------------------------|-------------|--------------------|--------------------|--------------------|--------------------|
|                                    | <b>Note</b> | <b>2023<br/>RM</b> | <b>2022<br/>RM</b> | <b>2023<br/>RM</b> | <b>2022<br/>RM</b> |
| Other payables                     |             | 3,815,591          | 3,030,491          | 3,515,031          | 2,895,833          |
| Accruals                           | (i)         | 60,794,777         | 32,416,187         | 60,709,721         | 32,359,030         |
| Amounts owing to related companies | (ii)        | 9,426,852          | 3,989,976          | 8,918,173          | 3,989,976          |
| Amounts owing to subsidiaries      | (iii)       | -                  | -                  | 5,605,533          | 2,107,316          |
|                                    |             | <u>74,037,220</u>  | <u>39,436,654</u>  | <u>78,748,458</u>  | <u>41,352,155</u>  |

- (i) Included in the accruals of the Group and of the Company is an amount of RM56,516,170 (2022: RM29,242,792) which relates to accrued purchases of cargo oil of which suppliers' invoices were yet to be received as at the reporting date.
- (ii) Including in amounts owing to related companies is an amount of RM475,756 (2022: RM476,317) which is trade in nature and the normal trade credit term granted is 30 days (2022: 30 days). The remaining balances are non-trade in nature, unsecured, interest free and are repayable on demand.
- (iii) Amounts owing to subsidiaries are trade related in nature and the normal trade credit term granted is 30 days (2022: 30 days).

**19. TAWARRUQ WORKING CAPITAL FINANCING-I**

This facility bears interest of 8.25% (2022: 8%) per annum and the repayment term were up to 90 days (2022: 90 days) from utilisation date 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 Company;
- Registered legal charge by way of debenture over all the present and future assets, rights, interests and undertakings of a related company, SMF; and
- Corporate guarantee by the holding company.

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**20. RELATED PARTY DISCLOSURES****(a) Identity of related parties**

For the purpose of these financial statements, parties are considered to be related the Group and the Company if the Group and the Company has the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the 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, holding company, related companies and key management personnel. Related companies refer to subsidiaries of the holding company.

**(b) The related party transaction of the Group and of the Company are shown below:**

|   | <b>Group</b>       |                     | <b>Company</b>     |                     |
|---|--------------------|---------------------|--------------------|---------------------|
|   | <b>2023</b>        | <b>2022</b>         | <b>2023</b>        | <b>2022</b>         |
|   | <b>RM</b>          | <b>RM</b>           | <b>RM</b>          | <b>RM</b>           |
| <u>Holding company</u>                    |                    |                     |                    |                     |
| Management fees                           | 30,000             | 462,000             | 30,000             | 462,000             |
| Advance to                                | <u>(5,643,207)</u> | <u>(10,894,147)</u> | <u>(5,619,207)</u> | <u>(11,380,147)</u> |
| <u>Related companies</u>                  |                    |                     |                    |                     |
| Advances to                               | (11,439,249)       | (16,203,422)        | (10,462,066)       | (32,248,748)        |
| Management fees                           | 1,227,777          | 706,078             | 834,000            | 462,000             |
| Chartering fees                           | 7,161,763          | 19,262,143          | 7,161,763          | 19,262,143          |
| Repayment to                              | 3,137,133          | (138,105)           | 2,628,454          | (138,105)           |
| Ship management services                  | 2,163,165          | 476,317             | 2,163,165          | 476,317             |
| Sales                                     | (272,483)          | (1,803,915)         | (272,483)          | (1,803,915)         |
| Transfer of property, plant and equipment | <u>(739,322)</u>   | <u>-</u>            | <u>(739,322)</u>   | <u>-</u>            |
| <u>Subsidiaries</u>                       |                    |                     |                    |                     |
| Transfer of property, plant and equipment | -                  | -                   | (2,704,610)        | (20,168,044)        |
| Capital contribution                      | -                  | -                   | -                  | 20,168,044          |
| Chartering fees                           | -                  | -                   | 7,003,763          | 5,229,972           |
| Advances to                               | <u>-</u>           | <u>-</u>            | <u>(3,407,952)</u> | <u>(3,016,708)</u>  |
| <u>Director</u>                           |                    |                     |                    |                     |
| Reimbursable legal fee                    | <u>1,172,370</u>   | <u>4,029,511</u>    | <u>1,172,370</u>   | <u>4,029,511</u>    |

Information regarding outstanding balances arising from related party transactions as at reporting date are disclosed in Notes 11, 13, 18 respectively.

**20. RELATED PARTY DISCLOSURES (cont'd)****(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 are referring to all the Directors of the Company.

Remuneration paid by the Group and the Company to key management personnel during the financial year has been disclosed in Note 4(a).

**21. FINANCIAL INSTRUMENTS****Categories of Financial Instruments**

The Group's and the Company's financial assets and financial liabilities are all carrying at 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 risk, liquidity risk and foreign currency 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 and the Company's exposure to credit risk arises principally from the individual characteristics of each customer and loan and advances to holding company, subsidiaries, associate and related companies. There are no significant changes as compared to prior periods.

***Trade receivables*****Risk management objectives, policies and processes for managing the risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's and the Company's associations to business partners with good credit rating.

At each reporting date, the Group's and the Company assess whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when 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 write-off.

**21. FINANCIAL INSTRUMENTS****Financial Risk Management Objectives and Policies (cont'd)****(i) Credit risk (cont'd)*****Trade receivables (cont'd)***Risk management objectives, policies and processes for managing the risk (cont'd)

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.

Exposure to credit risk, credit quality and collateral

As the Group and the Company do 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 date.

Concentration of credit risk

The Group and the Company determine concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

As at the reporting date, the Group and the Company have significant concentration of credit risk arising from the amounts owing from 2 customers (2022: 2 customers) constituting 75% (2022: 70%) of net trade receivables of the Company.

Recognition and measurement of impairment loss

The Group and the Company apply the MFRS 9 simplified approach to measuring Expected Credit Losses ("ECL") which uses a lifetime expected loss allowance for trade receivables.

The Group and the Company assess impairment of trade receivables on individual basis.

For individual assessment, it is due to number of debtors is minimal and these debtors can be individually managed by the Group and the Company in an effective and efficient manner. The Group and the Company have reasonable and supportable information available to assess the impairment individually.

Consistent with debt recovery process, invoices which are past due between 30 days (2022: 30 days) after the lapse of credit term granted by the Group and the Company will be considered as credit impaired.

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.

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**21. 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)**

|                               | <b>Gross<br/>amount<br/>RM</b> | <b>Loss<br/>allowances<br/>RM</b> | <b>Net<br/>RM</b>  |
|-------------------------------|--------------------------------|-----------------------------------|--------------------|
| <b>Group and Company</b>      |                                |                                   |                    |
| <b>2023</b>                   |                                |                                   |                    |
| Neither past due nor impaired | 58,540,190                     | -                                 | 58,540,190         |
| Past due:                     |                                |                                   |                    |
| 1 to 30 days                  | 3,708,606                      | -                                 | 3,708,606          |
| <b>Credit impaired</b>        |                                |                                   |                    |
| Individually impaired         | <u>47,919,155</u>              | <u>(6,315,025)</u>                | <u>41,604,130</u>  |
|                               | <u>110,167,951</u>             | <u>(6,315,025)</u>                | <u>103,852,926</u> |
| <b>2022</b>                   |                                |                                   |                    |
| Neither past due nor impaired | 29,711,059                     | -                                 | 29,711,059         |
| <b>Credit impaired</b>        |                                |                                   |                    |
| Individually impaired         | <u>9,007,517</u>               | <u>(6,315,025)</u>                | <u>2,692,492</u>   |
|                               | <u>38,718,576</u>              | <u>(6,315,025)</u>                | <u>32,403,551</u>  |

The movements in the allowance for impairment in respect of trade receivables during the year is disclosed in Note 10.

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

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group and the Company.

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

The Group and the Company have not provided allowance for expected losses on these trade debtors as there have been no significant changes in their credit qualities and the amounts are still considered recoverable. These trade debtors relate mostly to customers with slower repayment patterns, for whom there is no history of default and outstanding balances usually settled within 30 days (2022: 30 days) past due lapsed of credit terms granted. The Group and the Company do not hold any collateral or other credit enhancement over these balances.

**21. FINANCIAL INSTRUMENTS (cont'd)****Financial Risk Management Objectives and Policies (cont'd)****(i) Credit risk (cont'd)*****Trade receivables (cont'd)*****Credit impaired**

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties, have defaulted on payments between 30 days (2022: 30 days) past due after the lapse of credit term granted and with partial or no subsequent settlement. These receivables are not secured by any collateral or credit enhancements.

In prior financial year, certain trade debtors of the Company with gross amount of RM5.1 million inclusive of late interest charges, had been outstanding for more than one year and are currently undergoing a Scheme of Arrangement ("SOA") with their creditors for settlement of the amounts due. Accordingly, the Company had provided allowance for impairment totalling RM4.46 million in prior financial year in view of the significant increase in credit risk due to the uncertainty of the recoverability of the outstanding amounts pending outcome of the SOA.

***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 statement 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 receivables is determined individually after considering the financial strength of the other receivables. As at the reporting date, the maximum exposure to credit risks is represented by their carrying amounts in the statement of financial position.

***Inter-company loans and advances*****Risk management objectives, policies and processes for managing the risk**

The Group and Company provide unsecured loans and advances to related companies, subsidiaries, associate and holding company. The Group and Company monitor the abilities of the related companies, subsidiaries, associate and holding company 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 date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**21. FINANCIAL INSTRUMENTS (cont'd)****Financial Risk Management Objectives and Policies (cont'd)****(i) Credit risk (cont'd)*****Inter-company loans and advances (cont'd)******Recognition and measurement of impairment loss***

Generally, the Group and the Company consider loans and advances to related companies, subsidiaries, associate and holding company have low credit risk. The Group and the Company assume that there is a significant increase in credit risk when the related companies', subsidiaries', associate's and holding company's financial positions deteriorate significantly. As the Group and the Company are able to determine the timing of payments of the related companies, subsidiaries, associate's and holding company's loans and advances when they are payable, the Group and the Company consider the loans and advances to be in default when the related companies, subsidiaries, associate and holding company are not able to pay when demanded.

The Group and the Company determine the probability of default for these loans and advances individually using internal information available.

As at the reporting date, there was no indication of impairment losses in respect of amounts due from related companies, subsidiaries, associate and holding company except as disclosed in Note 11(vi). The Group and the Company do not specifically monitor the ageing of the current advances to related companies, subsidiaries, associate and holding company. The Group and the Company monitor the results of the related companies, subsidiaries, associate and holding company regularly.

**(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 and the Company'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, in which they reprice or mature, whichever is earlier.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting date was:

|                                      | <b>Group and Company</b> |                    |
|--------------------------------------|--------------------------|--------------------|
|                                      | <b>2023</b>              | <b>2022</b>        |
|                                      | <b>RM</b>                | <b>RM</b>          |
| <b>Floating rate instrument</b>      |                          |                    |
| Tawarruq working capital financing-i | <u>110,997,723</u>       | <u>111,380,317</u> |
| <b>Fixed rate instrument</b>         |                          |                    |
| Lease liabilities                    | <u>454,269</u>           | <u>279,323</u>     |

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**21. FINANCIAL INSTRUMENTS (cont'd)****Financial Risk Management Objectives and Policies (cont'd)****(ii) Interest rate risk (cont'd)****Interest rate risk sensitivity analysis**

The following table details the sensitivity analysis on the floating rate instrument to a reasonably possible change in the interest rate as at the end of the reporting date, with all other variables held constant:

|   | <b>(Decrease)/increase</b> |                |
|---|----------------------------|----------------|
|   | <b>2023</b>                | <b>2022</b>    |
|   | <b>RM</b>                  | <b>RM</b>      |
| <b>Group and Company</b>                  |                            |                |
| <b>Effect on profit net of tax/equity</b> |                            |                |
| Increase of 100 basis points              | (843,583)                  | (846,490)      |
| Decrease of 100 basis points              | <u>843,583</u>             | <u>846,490</u> |

**(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.

As at 31 December 2023, the Group and the Company reported negative operating cash flows of RM18,643,431 (2022: RM492,913) and RM26,107,642 (2022: positive operating cash flows of RM17,535,550) respectively. Nevertheless, the Directors of the Company believe that the Group and the Company are able to meet all of their financial obligations as and when they fall due in the foreseeable future. The liquidity position of the Group and the Company are highly dependent on the utilisation of the Group's and the Company's Tawarruq working capital financing facility-i and other suppliers' granted credit line to facilitate the Group's and the Company's operations. Based on the assessment of the high utilisation rate of the Group's and the Company's Tawarruq working capital financing facility-i and the good payment track record to its suppliers, the Directors foresee that the Tawarruq working capital financing facility-i amounting to approximately RM111.0 million (2022: RM111.4 million) as at 31 December 2023 and the existing suppliers purchasing limit of RM143 million (2022: RM94 million) with the credit terms of 15 to 30 days will be rolled over and continued to be made available respectively for the next 12 months from the reporting date.

In addition, the Group and the Company have undrawn new working capital financing facilities amounting to RM155 million (2022: RM9 million) to support any potential cash shortfall and subsequent to financial year end obtained an additional RM130 million working capital financing facility to ensure that the Group and the Company have financial flexibility to support their operational needs.



# **APPENDIX III – INFORMATION ON TMD (CONT'D)**

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## **21. FINANCIAL INSTRUMENTS (cont'd)**

### **Financial risks management objectives and policies (cont'd)**

#### **(iii) Liquidity risk (cont'd)**

##### *Maturity analysis*

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

|                                      | Carrying<br>amount<br>RM | Contractual<br>cash flows<br>RM | On demand<br>or within<br>1 year<br>RM | 1 to 2 years<br>RM | 2 to 5 years<br>RM | More than<br>5 years<br>RM |
|--------------------------------------|--------------------------|---------------------------------|--|--------------------|--------------------|----------------------------|
| <b>Group</b>                         |                          |                                 |  |                    |                    |                            |
| <b>2023</b>                          |                          |                                 |  |                    |                    |                            |
| Trade payables                       | 173,300,294              | 173,300,294                     | 173,300,294                            | -                  | -                  | -                          |
| Other payables                       | 74,037,220               | 74,037,220                      | 74,037,220                             | -                  | -                  | -                          |
| Tawarruq working capital financing-i | 110,997,723              | 120,155,035                     | 120,155,035                            | -                  | -                  | -                          |
| Lease liabilities                    | 454,269                  | 512,826                         | 164,164                                | 69,764             | 187,092            | 91,806                     |
|                                      | <u>358,789,506</u>       | <u>368,005,375</u>              | <u>367,656,713</u>                     | <u>69,764</u>      | <u>187,092</u>     | <u>91,806</u>              |
| <b>2022</b>                          |                          |                                 |  |                    |                    |                            |
| Trade payables                       | 89,883,047               | 89,883,047                      | 89,883,047                             | -                  | -                  | -                          |
| Other payables                       | 39,436,654               | 39,436,654                      | 39,436,654                             | -                  | -                  | -                          |
| Tawarruq working capital financing-i | 111,380,317              | 120,290,742                     | 120,290,742                            | -                  | -                  | -                          |
| Lease liabilities                    | 279,323                  | 293,437                         | 177,885                                | 108,152            | 7,400              | -                          |
|                                      | <u>240,979,341</u>       | <u>249,903,880</u>              | <u>249,788,328</u>                     | <u>108,152</u>     | <u>7,400</u>       | <u>-</u>                   |

# **APPENDIX III – INFORMATION ON TMD (CONT'D)**

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## **21. FINANCIAL INSTRUMENTS (cont'd)**

### **Financial risks management objectives and policies (cont'd)**

#### **(iii) Liquidity risk (cont'd)**

##### *Maturity analysis (cont'd)*

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

|                                      | Carrying<br>amount<br>RM | Contractual<br>cash flows<br>RM | On demand<br>or within<br>1 year<br>RM | 1 to 2 years<br>RM | 2 to 5 years<br>RM | More than<br>5 years<br>RM |
|--------------------------------------|--------------------------|---------------------------------|--|--------------------|--------------------|----------------------------|
| <b>Company</b>                       |                          |                                 |  |                    |                    |                            |
| <b>2023</b>                          |                          |                                 |  |                    |                    |                            |
| Trade payables                       | 173,300,294              | 173,300,294                     | 173,300,294                            | -                  | -                  | -                          |
| Other payables                       | 78,748,458               | 78,748,458                      | 78,748,458                             | -                  | -                  | -                          |
| Tawarruq working capital financing-i | 110,997,723              | 120,155,035                     | 120,155,035                            | -                  | -                  | -                          |
| Lease liabilities                    | 454,269                  | 512,826                         | 164,164                                | 69,764             | 187,092            | 91,806                     |
|                                      | <u>363,500,744</u>       | <u>372,716,613</u>              | <u>372,367,951</u>                     | <u>69,764</u>      | <u>187,092</u>     | <u>91,806</u>              |
| <b>2022</b>                          |                          |                                 |  |                    |                    |                            |
| Trade payables                       | 89,883,047               | 89,883,047                      | 89,883,047                             | -                  | -                  | -                          |
| Other payables                       | 41,352,155               | 41,352,155                      | 41,352,155                             | -                  | -                  | -                          |
| Tawarruq working capital financing-i | 111,380,317              | 120,290,742                     | 120,290,742                            | -                  | -                  | -                          |
| Lease liabilities                    | 279,323                  | 293,437                         | 177,885                                | 108,152            | 7,400              | -                          |
|                                      | <u>242,894,842</u>       | <u>251,819,381</u>              | <u>251,703,829</u>                     | <u>108,152</u>     | <u>7,400</u>       | <u>-</u>                   |

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**21. FINANCIAL INSTRUMENTS (cont'd)****Financial risks 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 and the Company are exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily Hong Kong Dollar ("HKD"), Pound Sterling ("GBP"), United States Dollar ("USD") and Singapore Dollar ("SGD").

Exposure to foreign currency risk

The Group' and Company' significant exposure to foreign currency (a currency which is other than functional currency of the Company) risk, based on carrying amounts as at end of the reporting date is as follows:

|                                    | <b>HKD<br/>RM</b> | <b>GBP<br/>RM</b> | <b>USD<br/>RM</b> | <b>SGD<br/>RM</b> |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Group and Company</b>           |                   |                   |                   |                   |
| <b>2023</b>                        |                   |                   |                   |                   |
| <b>Financial assets</b>            |                   |                   |                   |                   |
| Trade receivables                  | -                 | -                 | 88,519,618        | 1,257,925         |
| Amounts due from related companies | -                 | -                 | 47,283,024        | -                 |
| Cash at banks                      | -                 | -                 | 9,980,084         | -                 |
|                                    | -                 | -                 | 145,782,726       | 1,257,925         |
| <b>Financial liabilities</b>       |                   |                   |                   |                   |
| Trade payables                     | -                 | -                 | (3,162,015)       | -                 |
| Other payables                     | -                 | (55,210)          | (1,655,534)       | (55,209)          |
| Amounts due to related companies   | -                 | -                 | (2,396,304)       | (5,517,273)       |
|                                    | -                 | (55,210)          | (7,213,853)       | (5,572,482)       |
|                                    | -                 | (55,210)          | 138,568,873       | (4,314,557)       |
| <b>2022</b>                        |                   |                   |                   |                   |
| <b>Financial assets</b>            |                   |                   |                   |                   |
| Trade receivables                  | -                 | -                 | 23,690,791        | 783,701           |
| Other receivables                  | -                 | -                 | -                 | 173,012           |
| Amounts due from related companies | -                 | -                 | 38,672,356        | -                 |
| Cash at banks                      | -                 | -                 | 33,029,232        | -                 |
|                                    | -                 | -                 | 95,392,379        | 956,713           |
| <b>Financial liabilities</b>       |                   |                   |                   |                   |
| Trade payables                     | -                 | -                 | (1,316,989)       | -                 |
| Other payables                     | (251,760)         | (267,222)         | (1,189,400)       | (187,071)         |
| Amounts due to related companies   | -                 | -                 | (2,845,202)       | (2,737,355)       |
|                                    | (251,760)         | (267,222)         | (5,351,591)       | (2,924,426)       |
|                                    | (251,760)         | (267,222)         | 90,040,788        | (1,967,713)       |

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**21. FINANCIAL INSTRUMENTS (cont'd)****Financial risks management objectives and policies (cont'd)****(iv) Foreign currency risk (cont'd)**Foreign currency risk sensitivity analysis

The sensitivities of the Group's and the Company's profit after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group and the Company are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 10% strengthening/weakening of the functional currency of the Group and the Company and of the Group and the Company against the foreign currencies at the end of the reporting date would have increased/(decreased) profit after tax and equity by the amounts shown below:

|   | <b>Increase/(Decrease)</b> |                  |
|---|----------------------------|------------------|
|   | <b>2023</b>                | <b>2022</b>      |
|   | <b>RM</b>                  | <b>RM</b>        |
| <b>Group and Company</b>                  |                            |                  |
| <b>Effect on profit net of tax/equity</b> |                            |                  |
| RM/HKD - Strengthened by 10% (2022: 10%)  | -                          | 19,134           |
| - Weakened by 10% (2022: 10%)             | -                          | (19,134)         |
|   | <u>-</u>                   | <u>(19,134)</u>  |
| RM/GBP - Strengthened by 10% (2022: 10%)  | 4,196                      | 20,309           |
| - Weakened by 10% (2022: 10%)             | (4,196)                    | (20,309)         |
|   | <u>(4,196)</u>             | <u>(20,309)</u>  |
| RM/USD - Strengthened by 10% (2022: 10%)  | (10,531,234)               | (6,843,100)      |
| - Weakened by 10% (2022: 10%)             | 10,531,234                 | 6,843,100        |
|   | <u>10,531,234</u>          | <u>6,843,100</u> |
| RM/SGD - Strengthened by 10% (2022: 10%)  | 327,906                    | 149,546          |
| - Weakened by 10% (2022: 10%)             | (327,906)                  | (149,546)        |
|   | <u>(327,906)</u>           | <u>(149,546)</u> |

**22. FAIR VALUE INFORMATION**Financial instrument at fair value

As the financial assets and liabilities of the Group and the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

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 values due to relatively short term nature of these financial instruments and the insignificant impact of discounting.

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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**23. 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 and lease liabilities, less cash and cash equivalent whilst total capital is equity attributable to Owners of the Group and the Company.

The net debts-to-equity ratios at end of the reporting date are as follows:

|  | <b>Group</b>        |                     | <b>Company</b>      |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | <b>2023</b>         | <b>2023</b>         | <b>2023</b>         | <b>2022</b>         |
|  | <b>RM</b>           | <b>RM</b>           | <b>RM</b>           | <b>RM</b>           |
| Lease liabilities (Note 16)                        | 454,269             | 279,323             | 454,269             | 279,323             |
| Tawarruq working capital financing-i (Note 19)     | <u>110,997,723</u>  | <u>111,380,317</u>  | <u>110,997,723</u>  | <u>111,380,317</u>  |
|  | 111,451,992         | 111,659,640         | 111,451,992         | 111,659,640         |
| Less: Cash and bank balances                       | <u>(21,063,444)</u> | <u>(45,468,253)</u> | <u>(21,059,801)</u> | <u>(45,365,549)</u> |
| Net debts  | <u>90,388,548</u>   | <u>66,191,387</u>   | <u>90,392,191</u>   | <u>66,294,091</u>   |
| Total equity attributable to Owners of the Company | <u>63,903,889</u>   | <u>55,062,977</u>   | <u>61,967,558</u>   | <u>51,597,241</u>   |
| Debts-to-equity ratio                              | <u>141%</u>         | <u>120%</u>         | <u>146%</u>         | <u>128%</u>         |

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

The Group and the Company are not subject to any externally imposed capital requirements.

**24. CAPITAL COMMITMENT AND GUARANTEE**

|  | <b>Group</b>     |                  | <b>Company</b>   |                  |
|--|------------------|------------------|------------------|------------------|
|  | <b>2023</b>      | <b>2022</b>      | <b>2023</b>      | <b>2022</b>      |
|  | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        |
| <b>Approved but not contracted for:</b>  |                  |                  |                  |                  |
| Dry-docking expenditure  | <u>4,070,000</u> | <u>818,500</u>   | <u>-</u>         | <u>818,500</u>   |
| <b>Guarantee</b>   |                  |                  |                  |                  |
| Bank guarantee given to third party suppliers for the supply of goods and services on credit terms |                  |                  |                  |                  |
| - unsecured  | <u>9,000,000</u> | <u>9,000,000</u> | <u>9,000,000</u> | <u>9,000,000</u> |

Registration No.: 200701040866 (798898-A)

## **25. 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 the Company ("the "Respondent" or "TMD")*

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.

On 14 April 2021, TMD received a sealed Order dated 22 March 2021 and undated Notice of Registration of Foreign Judgement and this represents an attempt by the Claimants to enforce an English Judgement for USD937,353 with interest and cost of which TMD has disputed jurisdiction. Accordingly, TMD is taking steps to strenuously resist this attempt to enforce an invalid arbitration award issued without jurisdiction and TMD's solicitors had on 27 April 2021 filed an application to the High Court of Malaya, Kuala Lumpur to set aside the earlier mentioned sealed Order and undated Notice of Registration of Foreign Judgement.

The High Court Judge dismissed the application for issues to be tried and TMD has since filed an Appeal against this decision. TMD has also since applied to stay the proceedings pending disposal of the Appeal and the application for stay of proceedings is fixed for case management on 26 January 2022.

The hearing for stay of Setting Aside Application pending the Appeal was held and stay was granted. The record of Appeal was duly filed on 18 March 2022 and Case Management for the Appeal is fixed for 2 June 2022 to update the filing of Grounds of Judgement and Notes of Proceedings, if made available.

Pursuant to the above, Case Management Conference for the Appeal was held on 11 August 2022, 21 October 2022, 20 December 2022, 20 January 2023 and 23 March 2023 respectively.

Subsequently, Case Management Conferences and hearings of the Appeal were held on 3 July 2023 and 13 July 2023 respectively.

Pursuant to an appeal for a trial on 20 November 2023 to determine the four (4) issues between TMD and ING Bank/OWB in aid of TMD's application to set aside the registration of the UK Judgement in Malaysia ("Application for Trial"); the Court of Appeal had decided to allow the appeal on the following brief grounds:-

- Recognised the availability of the passive remedy to TMD to raise the issue of the UK Tribunal's lack of jurisdiction for the first time at the enforcing court outside the UK. It was further held that the issue of jurisdiction should be decided by the High Court independently from the UK Tribunal's finding.
- The Court of Appeal also found that the High Court judge proceeded to decide on the merits of ING Bank / OWB's application to register UK Judgment in Malaysia. As such, it was ordered that the matter will be remitted to the High Court before a different High Court Judge.
- Cost in the sum of RM 15,000.00 (subject to 4% allocatur) was awarded to TMD.

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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Registration No.: 200701040866 (798898-A)

**25. MATERIAL LITIGATION / ARBITRATION (cont'd)**

*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 the Company ("the Respondent" or "TMD")(cont'd)*

The matter will now proceed for trial at the High Court within the parameters of the 4 issues of the Application for Trial. However, the Claimants had filed a Motion for Leave to Appeal at the Federal Court and in the case management held on 5 February 2024, the Federal Court had given directions for written submissions and documents by 15 May 2024 for case management on 16 May 2024 and a hearing had been fixed on 30 May 2024.

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. Total reimbursable legal fees due from the Vendor is disclosed in Note 11.

**26. SUBSEQUENT EVENTS**

- (i) On 28 December 2023, the holding company, Straits Energy Resources Berhad ("SERB") entered into a conditional shares sale and purchase agreement with SMF and TMD Energy Ltd ("TMDel") for the proposed transfer of 10,500,000 ordinary shares in the Company to SMF, representing 70% of the equity interest in the Company for a purchase consideration of RM22,682,307 (equivalent to USD4,866,299) to be satisfied via cash or the issuance of new TMDel shares or a combination of both, within 12 months from the completion date. The transaction was completed on 24 January 2024. Upon completion of the transaction, SMF and TMDel became the immediate holding company and the penultimate holding company of TMD respectively. SERB became ultimate holding company of TMD.
- (ii) On 3 January 2024, the Company acquired 300 ordinary shares in TMD Marine Fuels Sdn Bhd ("TMDF"), representing 30% equity interest in TMDF for cash consideration of RM300.
- (iii) On 7 February 2024, SMF entered into a conditional shares sale and purchase agreement with Dato' Suhaimi and Mr. Goo for the proposed acquisition of 4,500,000 ordinary shares in the Company to SMF, representing 30% of the equity interest in the Company for a purchase consideration of RM9,720,989 (equivalent to USD2,085,557) to be satisfied entirely via cash or the issuance of new TMDel shares or a combination of both, within 12 months from the completion date.
- (iv) On 23 February 2024, the Company further subscribed for 149,700 new ordinary shares in TMDF for cash consideration of RM149,700 and the Company's equity interest remained unchanged at 30% after subscription of the new shares.

*The events of (i) and (iii) above is pertaining to its holding company's proposed spin-off of its oil bunkering and shipping-related services segment on the NASDAQ stock exchange.*

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**APPENDIX III – INFORMATION ON TMD (CONT'D)**

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Registration No.: 200701040866 (798898-A)

**27. COMPARATIVE FIGURES**

Certain comparative figures are reclassified to conform with the current year's presentation.

|   | <b>As previously<br/>reported<br/>RM</b> | <b>As<br/>reclassified<br/>RM</b> |
|---|--|-----------------------------------|
| <b>Company</b>                            |  |                                   |
| <b>Statements of Comprehensive Income</b> |  |                                   |
| Cost of sales                             | -  | (3,058,875,891)                   |
| Changes in inventories                    | 7,911,319                                | -                                 |
| Raw materials                             | (2,991,922,078)                          | -                                 |
| Administrative expenses                   | -  | (9,478,631)                       |
| Employee benefit expenses                 | (5,800,969)                              | -                                 |
| Depreciation and amortisation             | (1,918,270)                              | -                                 |
| Other expenses                            | <u>(85,878,600)</u>                      | <u>(9,254,076)</u>                |
| <b>Statements of Financial Position</b>   |  |                                   |
| Other receivables                         | 193,849,817                              | 112,467,713                       |
| Other payables                            | <u>(122,734,259)</u>                     | <u>(41,352,155)</u>               |



## APPENDIX IV – INFORMATION ON SMS

### 1. HISTORY AND BUSINESS

SMS was incorporated in Singapore on 23 April 2019 under the Companies Act 1967 of Singapore as a private limited company. SMS commenced business in April 2019 while its wholly-owned subsidiary, Straits Maritime Services Pte Ltd commenced business in April 2021. SMS and its subsidiary are principally involved in ship management services including the services of technical management, crew management and marine consultancy, provision of shipping agency services which entail the handling of shipments as well as general needs of its customers' vessel ports in Malaysia, general cleaning and disinfecting of customers' vessel. The general cleaning and disinfecting business started during the COVID-19 period where disinfection was a precautionary measure to be undertaken by all vessels.

For shareholders' information, as at the LPD, SMS Group operates domestically in Singapore and internationally in the marine services industry in Malaysia, Hong Kong, Thailand, Indonesia and Vietnam the revenue contribution of each respective port is as follows:-

|              | <-----Audited----->  |               | <-----Unaudited-----> |               |                      |               |                      |               |
|--------------|----------------------|---------------|-----------------------|---------------|----------------------|---------------|----------------------|---------------|
|              | FYE 31 December 2020 |               | FYE 31 December 2021  |               | FYE 31 December 2022 |               | FYE 31 December 2023 |               |
|              | RM'000               | %             | RM'000                | %             | RM'000               | %             | RM'000               | %             |
| Malaysia     | 3,588                | 95.27         | 4,488                 | 86.74         | 6,887                | 93.97         | 7,797                | 96.78         |
| Hong Kong    | -                    | -             | 407                   | 7.87          | 95                   | 1.29          | -                    | -             |
| Singapore    | 64                   | 1.70          | 243                   | 4.69          | 135                  | 1.84          | 230                  | 2.86          |
| Thailand     | 17                   | 0.44          | 26                    | 0.51          | -                    | -             | -                    | -             |
| Vietnam      | 98                   | 2.59          | 10                    | 0.19          | 28                   | 0.38          | -                    | -             |
| Indonesia    | -                    | -             | -                     | -             | 184                  | 2.52          | 29                   | 0.36          |
| <b>Total</b> | <b>3,767</b>         | <b>100.00</b> | <b>5,174</b>          | <b>100.00</b> | <b>7,329</b>         | <b>100.00</b> | <b>8,056</b>         | <b>100.00</b> |

### 2. SHARE CAPITAL

As at the LPD, SMS has a total issued share capital of SGD100,000 comprising 100,000 ordinary shares. As at the LPD, SMS does not have any convertible securities.

### 3. SHAREHOLDERS

As at the LPD, the shareholders of SMS and their direct and indirect shareholdings in SMS are as follows:-

| Name              | Country of incorporation | <-----Direct-----> |      | <-----Indirect*-----> |   |
|-------------------|--------------------------|--------------------|------|-----------------------|---|
|                   |                          | No. of shares      | %    | No. of shares         | % |
| SMF <sup>*1</sup> | Malaysia                 | 51,000             | 51.0 | -                     | - |
| Platinum Gate     | Singapore                | 49,000             | 49.0 | -                     | - |

**Notes:-**

\* Calculated based on Section 8(4) of the Act.

<sup>\*1</sup> SMF is a wholly-owned subsidiary of TMDEL, which is a wholly-owned subsidiary of Straits. For information purpose, TMDEL is deemed interested via its shareholding in SMF. Straits is also deemed interested via its shareholding in TMDEL.

## APPENDIX IV – INFORMATION ON SMS (CONT'D)

### 4. DIRECTORS

As at the LPD, the directors of SMS and their direct and indirect shareholdings in SMS are as follows:-

| Name         | Designation | Nationality | <-----Direct-----> |   | <-----Indirect*-----> |                    |
|--------------|-------------|-------------|--------------------|---|-----------------------|--------------------|
|              |             |             | No. of shares      | % | No. of shares         | %                  |
| Ho Hung Ming | Director    | Malaysian   | -                  | - | -                     | -                  |
| Captain Tony | Director    | Singaporean | -                  | - | 49,000                | 49.0 <sup>*1</sup> |

**Notes:-**

\* Calculated based on Section 8(4) of the Act.

<sup>\*1</sup> Deemed interested via his shareholding in Platinum Gate (i.e. 80%).

### 5. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, SMS has 1 wholly-owned subsidiary and no associate company, the details of which are as follows:-

| Name   | Date of incorporation | Share capital | Place of incorporation | Equity interest | Principal activities  |
|--|-----------------------|---------------|------------------------|-----------------|---|
| <b>Subsidiary</b><br>Straits Maritime Services Pte Ltd | 7 April 2021          | SGD50,000     | Singapore              | 100%            | Provision of shipping services, general cleaning and disinfecting |

### 6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Board is not aware of any material litigation, claims or arbitration, proceedings pending or threatened against SMS Group or of any fact likely to give rise to any proceeding which may materially affect the financial position or business of SMS Group.

### 7. MATERIAL CONTRACTS

As at the LPD, SMS Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the LPD.

### 8. MATERIAL COMMITMENTS

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

### 9. CONTINGENT LIABILITIES

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

## APPENDIX IV – INFORMATION ON SMS (CONT'D)

### 10. SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information of SMS Group for the past 4 financial years up to the FYE 31 December 2023 is set out below:-

|  | Audited 2020 |        | 2021 <sup>*1</sup> |        | Unaudited 2022 <sup>*1</sup> |        | 2023 <sup>*1</sup> |        |
|--|--------------|--------|--------------------|--------|------------------------------|--------|--------------------|--------|
|  | SGD'000      | RM'000 | SGD'000            | RM'000 | SGD'000                      | RM'000 | SGD'000            | RM'000 |
| Revenue                                  | 1,244        | 3,767  | 1,678              | 5,174  | 2,284                        | 7,329  | 2,380              | 8,056  |
| PBT                                      | 446          | 1,359  | 597                | 1,841  | 884                          | 2,836  | 721                | 2,438  |
| PAT attributable to owners of the parent | 408          | 1,243  | 533                | 1,644  | 837                          | 2,695  | 634                | 2,146  |
| Share capital                            | 100          | 309    | 100                | 309    | 100                          | 309    | 100                | 309    |
| Retained earnings                        | 602          | 1,831  | 1,135              | 3,476  | 1,973                        | 6,170  | 2,607              | 8,317  |
| Foreign currency translation reserve     | -            | (8)    | -                  | 19     | -                            | 307    | -                  | 764    |
| Shareholders' funds/ NA                  | 702          | 2,131  | 1,235              | 3,804  | 2,073                        | 6,786  | 2,707              | 9,390  |
| Cash and bank balances                   | 139          | 423    | 626                | 1,931  | 695                          | 2,275  | 331                | 1,148  |
| Total borrowings                         | -            | -      | -                  | -      | 810                          | 2,651  | 770                | 2,671  |
| No. of ordinary shares issued ('000)     | 100          | 100    | 100                | 100    | 100                          | 100    | 100                | 100    |
| EPS (SGD/ RM)                            | 4.08         | 12.43  | 5.33               | 16.44  | 8.37                         | 26.95  | 6.34               | 21.47  |
| NA per share (SGD/ RM)                   | 7.02         | 21.31  | 12.35              | 38.04  | 20.73                        | 67.86  | 27.07              | 93.90  |
| Gross gearing ratio (times)              | -            | -      | -                  | -      | 0.39                         | 0.39   | 0.28               | 0.28   |
| Current ratio (times)                    | 1.58         | 1.58   | 2.37               | 2.37   | 3.60                         | 3.60   | 3.90               | 3.90   |

#### Note:

<sup>\*1</sup> For avoidance of doubt, the individual audited financial statements of SMS and its subsidiary are audited for the past 4 financial years up to FYE 31 December 2023. SMS has not prepared any consolidated audited financial statements for FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023 as it applied the relevant exemptions under Paragraph 4(a) of IFRS 10 which exempts a company from the preparation of a consolidated financial statements. As such, we have denoted the above consolidated SMS Group accounts as unaudited. In view of the above, Straits Group had prepared the unaudited consolidated financial statements of SMS and its subsidiary (based on their individual audited financial statements). The consolidated SMS Group accounts for FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023 have been reviewed by the Group's external auditors, namely Moore Stephens Associates PLT.

For the past 4 financial years up to the FYE 31 December 2023, there were no:-

- exceptional or extraordinary items during the financial years under review;
- accounting policy adopted by SMS which are peculiar to SMS because of the nature of its business or the industry it is involved in; and
- audit qualification of the financial statements of SMS for the financial years under review

**Commentary on past performance:-****FYE 31 December 2020 vs FPE 31 December 2019**

SMS recorded a revenue of RM3.77 million for the FYE 31 December 2020, representing an increase of RM1.72 million or 83.90% as compared with RM2.05 million for the FYE 31 December 2019. The increase in revenue was mainly attributable to the recognition of revenue for the FYE 31 December 2020 as compared to 8 months in the preceding financial period as SMS was incorporated on 23 April 2019.

SMS recorded a PAT of RM1.24 million for the FYE 31 December 2020 which represented an increase of RM0.65 million or 110.17% as compared with RM0.59 million for the FPE 31 December 2019. The increase in PAT was mainly attributable to the recognition of revenue for the FYE 31 December 2020 as compared to 8 months in the preceding financial period as SMS was incorporated on 23 April 2019.

**FYE 31 December 2021 vs FYE 31 December 2020**

SMS recorded a revenue of RM5.17 million for the FYE 31 December 2021, representing an increase of RM1.40 million or 37.14% as compared with RM3.77 million for the FYE 31 December 2020. The increase in revenue was mainly attributable to a higher demand for vessel management services from the 4 additional vessels acquired by Straits Group in 2020 (1 vessel) and 2021 (3 vessels).

SMS recorded a PAT of RM1.64 million for the FYE 31 December 2021 which represented an increase of RM0.40 million or 32.26% as compared with RM1.24 million for the FYE 31 December 2020. The increase in PAT was mainly attributable to the increase in revenue for the FYE 31 December 2021.

**FYE 31 December 2022 vs FYE 31 December 2021**

SMS recorded a revenue of RM7.33 million for the FYE 31 December 2022, representing an increase of RM2.16 million or 41.78% as compared with RM5.17 million for the FYE 31 December 2021. The increase in revenue was mainly attributable to an increase in demand for vessel management services due to the additional ship management services required for the 3 additional vessels that were acquired in 2021 by Straits Group.

SMS recorded a PAT of RM2.69 million for the FYE 31 December 2022 which represented an increase of RM1.05 million or 64.02% as compared with RM1.64 million for the FYE 31 December 2021. The increase in PAT was mainly attributable to a higher revenue generated from the vessel management services segment.

**FYE 31 December 2023 vs FYE 31 December 2022**

SMS recorded a revenue of RM8.05 million for the FYE 31 December 2023, representing an increase of RM0.72 million or 9.80% as compared with RM7.33 million for the FYE 31 December 2022. The increase in revenue was mainly attributable to an increase in dry docking services provided in FYE 2023.

SMS recorded a PAT of RM2.15 million for the FYE 31 December 2023 which represented a decrease of RM0.54 million or 20.07% as compared with RM2.69 million for the FYE 31 December 2022. The decrease in PAT was mainly attributable to higher operating and administrative expenses recorded in the FYE 31 December 2023 in the form of staff costs and tax expenses.

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**APPENDIX IV – INFORMATION ON SMS (CONT'D)**


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**11. EXTRACT OF THE AUP REPORT OF SMS GROUP FOR FYE 31 DECEMBER 2023**
**Note:**

*The unaudited consolidated statements above have been extracted from the AUP Report that was prepared by Moore Stephens Associates PLT for the purpose of the Board's consumption.*

**STRAITS MARINE SERVICES PTE. LTD.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|  | Unaudited<br>2023<br>RM | Unaudited<br>2022<br>RM |
|--|-------------------------|-------------------------|
| Revenue  | 8,055,568               | 7,328,517               |
| Other income   | 56,840                  | 47,324                  |
| Administrative expenses  | (5,300,379)             | (4,415,188)             |
| Other expenses   | (250,563)               | (95,467)                |
| <b>Profit from operations</b>  | <b>2,561,466</b>        | <b>2,865,186</b>        |
| Finance costs  | (123,261)               | (29,071)                |
| <b>Profit before tax</b>   | <b>2,438,205</b>        | <b>2,836,115</b>        |
| Income tax expense   | (291,833)               | (141,482)               |
| <b>Profit for the year</b>   | <b>2,146,372</b>        | <b>2,694,633</b>        |
| <b>Other comprehensive income, net of tax</b>  |                         |                         |
| Foreign currency translation, representing total other comprehensive income for the financial year | 458,411                 | 279,609                 |
| <b>Total comprehensive income for the year</b>   | <b>2,604,783</b>        | <b>2,974,242</b>        |

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**APPENDIX IV – INFORMATION ON SMS (CONT'D)**

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**11. EXTRACT OF THE AUP REPORT OF SMS GROUP FOR FYE 31 DECEMBER 2023****STRAITS MARINE SERVICES PTE. LTD.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

|                                      | Unaudited<br>2023<br>RM | Unaudited<br>2022<br>RM |
|--------------------------------------|-------------------------|-------------------------|
| <b>ASSETS</b>                        |                         |                         |
| <b>Non-current asset</b>             |                         |                         |
| Property, plant and equipment        | 3,929,797               | 3,717,707               |
| <b>Current assets</b>                |                         |                         |
| Trade receivables                    | 8,308,519               | 4,631,042               |
| Other receivables                    | 1,289,676               | 821,402                 |
| Cash and bank balances               | 1,147,761               | 2,275,448               |
|                                      | 10,745,956              | 7,727,892               |
| <b>Total Assets</b>                  | 14,675,753              | 11,445,599              |
| <b>EQUITY AND LIABILITIES</b>        |                         |                         |
| <b>Equity</b>                        |                         |                         |
| Share capital                        | 308,558                 | 308,558                 |
| Retained earnings                    | 8,316,792               | 6,170,420               |
| Foreign currency translation reserve | 764,947                 | 306,536                 |
| <b>Total Equity</b>                  | 9,390,297               | 6,785,514               |
| <b>Non-current liability</b>         |                         |                         |
| Borrowing                            | 2,532,061               | 2,515,119               |
| <b>Current liabilities</b>           |                         |                         |
| Trade payables                       | 251                     | -                       |
| Other payables                       | 2,281,163               | 1,592,825               |
| Borrowing                            | 139,174                 | 135,679                 |
| Tax payables                         | 332,807                 | 416,462                 |
|                                      | 2,753,395               | 2,144,966               |
| <b>Total Liabilities</b>             | 5,285,456               | 4,660,085               |
| <b>Total Equity and Liabilities</b>  | 14,675,753              | 11,445,599              |

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**APPENDIX V – FURTHER INFORMATION**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

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

**2. CONSENT**

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

AER, being the Independent Adviser for the Proposed Acquisition of SMS, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

**3. DECLARATION OF CONFLICT OF INTEREST**

UOBKH has given their written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Adviser to Straits for the Proposed Acquisitions.

AER has given their written confirmation that there is no situation of conflict of interest that exists nor is likely to exist in relation to its role as the Independent Adviser to Straits for the Proposed Acquisition of SMS.

**4. MATERIAL COMMITMENTS**

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

**5. CONTINGENT LIABILITIES**

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

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- i. the Constitution of Straits, TMD and SMS;
- ii. the audited consolidated financial statements of Straits for the past 2 financial years up to the FYE 31 December 2023;
- iii. the individual audited financial statements of TMD and its subsidiaries for the past 2 years up to the FYE 31 December 2022 and the consolidated audited financial statement of TMD for the FYE 31 December 2023 as referred to in **Section 10** of **Appendix III** of this Circular;
- iv. the individual audited financial statements of SMS and its subsidiary for the past 2 financial years up to the FYE 31 December 2023 as referred to in **Section 10** of **Appendix IV** of this Circular;
- v. the letter of consent and declaration of conflict of interest referred to in **Sections 2** and **3** hereinabove, respectively;
- vi. SSAs as referred to in **Appendix I** and **Appendix II** of this Circular;
- vii. AUP Report for SMS Group for the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023 prepared by Moore Stephens Associates PLT as referred to in **Appendix IV** of this Circular;
- viii. The relevant cause papers in respect of TMD Group's material litigation set out in **Section 6** of **Appendix III** of this Circular; and
- ix. The material contracts of TMD Group and TMDEL referred to in **Section 7** of **Appendix III** of this Circular.





**STRAITS ENERGY RESOURCES BERHAD**

Registration No. 199601040053 (412406-T)  
(Incorporated in Malaysia)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting ("**EGM**") of Straits Energy Resources Berhad ("**Straits**" or the "**Company**") will be conducted on a fully virtual basis through live streaming and online meeting platform at TIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd ("**Tricor**") in Malaysia via Remote Participation and Electronic Voting ("**RPV**") facilities at <https://tiih.online> on **Thursday, 30 May 2024 10.00 a.m.**, or any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:-

**ORDINARY RESOLUTION 1**

**PROPOSED ACQUISITION BY STRAITS MARINE FUELS & ENERGY SDN BHD ("SMF" OR THE "PURCHASER"), A WHOLLY-OWNED SUBSIDIARY OF TMD ENERGY LIMITED ("TMDEL"), WHICH IS A WHOLLY-OWNED SUBSIDIARY OF STRAITS, OF 4,500,000 ORDINARY SHARES IN TUMPUAN MEGAH DEVELOPMENT SDN BHD ("TMD") ("TMD SHARE(S)"), REPRESENTING THE REMAINING 30% OF THE EQUITY INTEREST IN TMD, FROM DATO' MOHD SUHAIMI BIN HASHIM ("DATO' SUHAIMI") AND GOO YONG SING ("MR. GOO") HELD EQUALLY FOR A PURCHASE CONSIDERATION OF RM9,720,989 (EQUIVALENT TO USD2,085,557) TO BE SATISFIED ENTIRELY BY THE ISSUANCE OF 3,474,934 NEW ORDINARY SHARES IN TMDEL ("TMDEL SHARE(S)") ("PROPOSED ACQUISITION OF TMD")**

**"THAT**, subject to the conditions precedent stipulated under the conditional shares sale and purchase agreement dated 7 February 2024 ("**TMD SSA**") between SMF, TMDEL, Dato' Suhaimi and Mr. Goo in respect of the Proposed Acquisition of TMD being fulfilled or waived, approval be and is hereby given to the Company, through SMF, to acquire the 4,500,000 TMD Shares for a purchase consideration of RM9,720,989 (equivalent to USD2,085,557) to be satisfied entirely via the issuance of 3,474,934 new TMDEL Shares, based on the terms and conditions contained in TMD SSA and the letter dated 29 April 2024 executed by SMF, TMDEL, Dato' Suhaimi and Mr. Goo to supplement the TMD SSA;

**AND THAT** the Board of Directors of the Company ("**Board**") be and is hereby authorised and empowered to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company, all such agreements, arrangements and documents as the Board may deem fit, necessary, expedient and/ or appropriate in order to implement, finalise, give full effect to and complete the Proposed Acquisition of TMD (including without limitation, to delegate such authority to designated officer(s)), with full powers to assent to and/ or accept any conditions, variations, modifications and/ or amendments in any manner as may be imposed or permitted by any relevant authorities and/ or parties and/ or as the Board may deem fit in connection with the Proposed Acquisition of TMD in the best interest of the Company."

**ORDINARY RESOLUTION 2**

**PROPOSED ACQUISITION BY SMF OF 49,000 ORDINARY SHARES IN STRAITS MARINE SERVICES PTE LTD ("SMS") ("SMS SHARE(S)"), REPRESENTING THE REMAINING 49% OF THE EQUITY INTEREST IN SMS, FROM PLATINUM GATE CAPITAL PTE LTD ("PLATINUM GATE" OR THE "SMS VENDOR") FOR A PURCHASE CONSIDERATION OF RM3,324,902 (EQUIVALENT TO USD713,330) TO BE SATISFIED ENTIRELY BY THE ISSUANCE OF 1,188,543 NEW TMDEL SHARES ("PROPOSED ACQUISITION OF SMS")**

**"THAT**, subject to the conditions precedent stipulated under the conditional shares sale and purchase agreement dated 7 February 2024 ("**SMS SSA**") between SMF, TMDEL and Platinum Gate in respect of the Proposed Acquisition of SMS being fulfilled or waived, approval be and is hereby given to the Company, through SMF, to acquire the 49,000 SMS Shares for a purchase consideration of RM3,324,902 (equivalent to USD713,330) to be satisfied entirely via the issuance of 1,188,543 new TMDEL Shares, based on the terms and conditions contained in SMS SSA and the letter dated 29 April 2024 executed by SMF, TMDEL and SMS Vendor to supplement the SMS SSA;

**AND THAT** the Board be and is hereby authorised and empowered to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company, all such agreements, arrangements and documents as the Board may deem fit, necessary, expedient and/ or appropriate in order to implement, finalise, give full effect to and complete the Proposed Acquisition of SMS (including without limitation, to delegate such authority to designated officer(s)), with full powers to assent to and/ or accept any conditions, variations, modifications and/ or amendments in any manner as may be imposed or permitted by any relevant authorities and/ or parties and/ or as the Board may deem fit in connection with the Proposed Acquisition of SMS in the best interest of the Company."

**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  
15 May 2024

**NOTES**

**1. Mode of Meeting**

The EGM of the Company will be conducted on fully virtual basis through live streaming and online remote voting using RPV facilities via the online meeting platform at <https://tihi.online> provided by Tricor.

**Please follow the steps and procedures provided in the Administrative Guide to Shareholders for the EGM in order to register, participate and vote remotely via the RPV platform.**

**2. Members Entitled to Attend**

For the purpose of determining a member who shall be entitled to attend the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 20 May 2024.

Only a depositor whose name appears on the **Record of Depositors as at 20 May 2024** shall be regarded as members and be entitled to attend, participate, speak and vote at the EGM.

**3. Voting**

All resolutions in the Notice of the EGM are to be conducted by poll voting as per Rule 8.31A (1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad via the RPV Platform.

For this purpose, the Company has appointed Tricor as poll administrator to conduct the poll voting electronically and Asia Securities Sdn Berhad as the scrutineers to verify the poll results.

#### 4. Proxy(ies)

- (i) A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.
- (ii) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- (iii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.
- (iv) Any alterations in the Proxy Form must be initialed by the member.
- (v) An instrument appointing a proxy shall be in writing and in the case of an individual, shall be signed by the appointor or by his/her attorney; and in the case of a corporate member, shall be either under its common seal or signed by its attorney or an officer on behalf of the corporation.
- (vi) The instrument appointing a proxy must be deposited at the Share Registrar's office, 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 **not less than 48 hours** before the time holding the EGM i.e. **no later than 28 May 2024 at 10.00 a.m.** or at any adjournment thereof.

Alternatively, you have the option to lodge the proxy appointment electronically via TIIH Online at <https://tiih.online> **not less than 48 hours** before the time holding the EGM i.e. **no later than 28 May 2024 at 10.00 a.m.** or at any adjournment thereof.

- (vii) A member who has appointed proxy(ies) or attorney or authorised representative to attend, participate and vote at the EGM via RPV facilities must request his/her proxy(ies) or attorney or authorised representative to register himself/herself for RPV at TIIH Online website at <https://tiih.online>.

**Please follow the steps and procedures provided in the Administrative Guide to Shareholders for the EGM for the electronic lodgement of proxy form.**

#### 5. Corporate Representatives

As an alternative to the appointment of a proxy, a corporate member may appoint its corporate representative to attend the EGM pursuant to Section 333 of the Companies Act 2016. For this purpose and pursuant to Section 333(5) of the Companies Act 2016, the corporate member shall provide a certificate under its common seal as prima facie evidence of the appointment of the corporate representative.

#### 6. Publication of Notice of EGM on Corporate Website

Pursuant to Section 320(2) of the Companies Act 2016, a copy of this Notice together with the proxy form are available on the corporate website of the Company at <https://www.straits-energyresources.com>.

#### 7. Personal Data Privacy

By submitting an instrument appointing proxy(ies) and/or representative(s) to attend, participate, speak and vote at the EGM and/or any adjournment thereof, a member of the Company:-

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

|                    |  |
|--------------------|--|
| CDS Account No.    |  |
| No. of Shares Held |  |

**PROXY FORM**

\*I/We, \_\_\_\_\_  
(FULL NAME OF SHAREHOLDER AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

\*NRIC/Passport No./Company No. \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_  
(FULL ADDRESS)

being a member of STRAITS ENERGY RESOURCES BERHAD hereby appoint:

**FIRST PROXY**

| Full Name of Proxy in Capital Letters |  | Proportion of Shareholdings |   |
|---------------------------------------|--|-----------------------------|---|
|                                       |  | No. of Shares               | % |
| NRIC No./ Passport No.                |  |                             |   |

and

**SECOND PROXY**

| Full Name of Proxy in Capital Letters |  | Proportion of Shareholdings |   |
|---------------------------------------|--|-----------------------------|---|
|                                       |  | No. of Shares               | % |
| NRIC No./ Passport No.                |  |                             |   |

or failing him/her, the Chairman of the meeting as \*my/our proxy/proxies on my/our behalf in the EGM of the Company which will be held on a fully virtual basis through live streaming and online meeting platform at TIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") in Malaysia via Remote Participation and Electronic Voting ("RPV") facilities at <https://tiah.online> on **Thursday, 30 May 2024 at 10.00 a.m.**, or at any adjournment thereof on the following resolutions referred to in the Notice of EGM.

\*My/our proxy is to vote as indicated below:-

| RESOLUTIONS NO.       | RESOLUTION  | FOR | AGAINST |
|-----------------------|---|-----|---------|
| Ordinary Resolution 1 | Proposed Acquisition of Tumpuan Megah Development Sdn Bhd |     |         |
| Ordinary Resolution 2 | Proposed Acquisition of Straits Marine Services Pte Ltd   |     |         |

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.....2024.

\_\_\_\_\_  
Signature/ common seal of shareholder

\* Delete if not applicable



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- (vi) The instrument appointing a proxy must be deposited at the Share Registrar's office, 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 **not less than 48 hours** before the time holding the EGM i.e. **no later than 28 May 2024 at 10.00 a.m.** or at any adjournment thereof.

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- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



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*Then fold here*

AFFIX  
STAMP

**STRAITS ENERGY RESOURCES 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

*1<sup>st</sup> fold here*