

**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 Adviser to Straits Inter Logistics Berhad for the Proposed Diversification (as defined herein).

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, valuation certificate and report, if any, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**STRAITS INTER LOGISTICS BERHAD**

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

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF STRAITS INTER LOGISTICS BERHAD AND ITS SUBSIDIARIES TO INCLUDE PORT OPERATION, FACILITY MANAGEMENT AND RELATED BUSINESS ACTIVITIES**

**IN CONJUNCTION WITH**

**THE SPECIAL BUSINESS AT THE TWENTY-THIRD ANNUAL GENERAL MEETING**

*Adviser*



**UOB Kay Hian Securities (M) Sdn Bhd**

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

The resolution in respect of the Proposed Diversification will be tabled as special business at the forthcoming Twenty-Third Annual General Meeting of Straits Inter Logistics Berhad ("**Company**") ("**AGM**"), which will be conducted through live streaming from the Broadcast Venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur on Monday, 22 June 2020 at 10.30 a.m. The Notice of AGM together with the Proxy Form are enclosed in the Annual Report of the Company for the financial year ended 31 December 2019.

Shareholders are to attend, participate, speak (including posing questions to the Board via real time submission of typed texts) and vote remotely at the AGM via the remote participation and voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("**TIIH**") via its TIIH Online website at <https://tiih.online>. The Proxy Form should be completed and returned in accordance with the instructions therein and 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 the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. Alternatively, you have the option to lodge the proxy appointment electronically via TIIH Online at <https://tiih.online> or email to [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com) not less than 48 hours before the time appointed for holding the AGM.

Last date and time for lodging the Proxy Form ..... : Saturday, 20 June 2020 at 10.30 a.m.

Date and time of the AGM ..... : Monday, 22 June 2020 at 10.30 a.m.

This Circular is dated 21 May 2020

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## DEFINITIONS

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

<b>Act</b>	:	The Companies Act, 2016
<b>AGM</b>	:	Twenty-Third Annual General Meeting of the Company
<b>Board</b>	:	The Board of Directors of Straits
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad
<b>Circular</b>	:	This Circular dated 21 May 2020
<b>Dato' Seri Tiong</b>	:	Dato' Seri Tiong Chiong Kui
<b>Director(s)</b>	:	The director(s) of Straits and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:  (i) a director of the listed issuer, its subsidiary or holding company; or  (ii) a chief executive of the listed issuer, its subsidiary or holding company
<b>Encik Idjal</b>	:	Encik Idjal Bin Tahir
<b>EPS/ (LPS)</b>	:	Earnings/ (Loss) per share
<b>First Tranche Subscription</b>	:	The first tranche of the subscription carried out on 25 February 2020, pursuant to the Subscription Agreement, whereby:  (i) SPMSB, a wholly-owned subsidiary of Straits and the nominated holder of equity interest in MPMSB, subscribed for 1,530,000 MPMSB Shares at RM1.00 each, representing 51.0% of the enlarged issued shares of MPMSB; and  (ii) LHSB subscribed for 1,469,900 MPMSB Shares at RM1.00 each and had already acquired the existing 100 MPMSB Shares from Dato' Seri Tiong at RM1.00 each, the aggregate of which resulted in LHSB holding 1,470,000 MPMSB Shares, representing 49.0% of the enlarged issued shares of MPMSB
<b>FYE</b>	:	Financial year ended/ ending
<b>GDP</b>	:	Gross domestic product
<b>Independent Market Research Report</b>	:	The independent market research report containing an overview and outlook of the port management and bunkering industry in Malaysia, dated 8 May 2020 prepared by Providence Strategic Partners Sdn Bhd
<b>Labuan Port</b>	:	Labuan Liberty Terminal in the Federal Territory of Labuan
<b>Leased Land</b>	:	The land held under Lot 7079 Bandar Labuan, Wilayah Persekutuan Labuan measuring approximately 20.04 hectares (or approximately 49.52 acres)
<b>LHSB</b>	:	LPM Holdings Sdn Bhd
<b>Listing Requirements</b>	:	ACE Market Listing Requirements of Bursa Securities

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**DEFINITIONS (CONT'D)**

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<b>LOA</b>	:	The letter of award dated 20 January 2020 from LPA to Straits to undertake the Port Management Services of Labuan Liberty Terminal in the Federal Territory of Labuan ( <i>also known as Labuan Port</i> ) for a period of 6 years, commencing from 1 April 2020. For avoidance of doubt, the LOA is not subject to renewal. However, Straits shall have the option to extend the duration of the Principal Agreements (which were entered pursuant to the acceptance of the LOA) for an additional 6 years upon expiry of the initial 6-year period, subject to the terms and conditions of the Principal Agreements
<b>LPA</b>	:	Labuan Port Authority
<b>LPD</b>	:	8 May 2020, being the latest practicable date prior to the dispatch of this Circular
<b>MPMSB</b>	:	Megah Port Management Sdn Bhd
<b>MPMSB Board</b>	:	The Board of Directors of MPMSB
<b>MPMSB Share(s)</b>	:	Ordinary share(s) of MPMSB
<b>NA</b>	:	Net assets attributable to the owners of the Company
<b>OFMA</b>	:	The agreement for the operation and facility management of Labuan Liberty Terminal in Labuan Port limits dated 3 March 2020 entered into between Straits and LPA, whereby LPA had appointed Straits and Straits had accepted the appointment to undertake Port Management Services at Labuan Port, subject to the terms and conditions of the said agreement
<b>PAT/ (LAT)</b>	:	Profit/ (Loss) after taxation
<b>Port Management Services</b>	:	The provision of port operation and facility management services
<b>Principal Agreements</b>	:	The OFMA and land lease agreement, collectively
<b>Proposed Diversification</b>	:	The proposed diversification of the existing principal activities of Straits Group to include port operation, facility management and related business activities
<b>Proposed Subscription</b>	:	The proposed subscription of up to 5,100,000 MPMSB Shares, representing 51.0% of the enlarged equity interest in MPMSB, by SPMSB, a wholly-owned subsidiary of Straits, via the execution of the Subscription Agreement for the parties of the Subscription Agreement to jointly undertake Port Management Services of Labuan Liberty Terminal in the Federal Territory of Labuan pursuant to the acceptance of LOA
<b>RM and sen</b>	:	Ringgit Malaysia and sen, respectively
<b>Shareholders Agreement</b>	:	The shareholders agreement dated 25 February 2020 entered into between SPMSB, LHSB and MPMSB to regulate the relationship among the shareholders of MPMSB in respect of the financial, administrative and other arrangements in relation to MPMSB and the manner in which the affairs of MPMSB are to be regulated, subject to the terms and conditions of the shareholders agreement
<b>SPMSB</b>	:	Straits Port Management Sdn Bhd
<b>SSSB</b>	:	Sailion Shipping Sdn Bhd
<b>Straits or the Company</b>	:	Straits Inter Logistics Berhad
<b>Straits Group or Group</b>	:	Straits and its subsidiaries, collectively

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## DEFINITIONS (CONT'D)

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- Subscription Agreement** : The subscription agreement dated 31 January 2020 entered into between Straits, MPMSB and LHSB, whereby Straits via SPMSB will subscribe for up to 5,100,000 MPMSB Shares at RM1.00 each, representing 51.0% of the enlarged equity interest in MPMSB, and LHSB to subscribe for an additional of up to 4,899,900 MPMSB Shares at RM1.00 each and concurrently or prior thereto acquire the existing 100 MPMSB Shares at RM1.00 each, from the existing shareholder of MPMSB, namely Dato' Seri Tiong, the aggregate of which represents 49.0% of the enlarged issued shares of MPMSB, subject to the terms and conditions of the subscription agreement
- Subscription Price** : Up to RM5,100,000, being the total price to be paid by Straits via SPMSB for the subscription of up to 5,100,000 MPMSB Shares at RM1.00 each pursuant to the Subscription Agreement
- UOB Kay Hian or the Adviser** : UOB Kay Hian Securities (M) Sdn Bhd

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole sen, for ease of reference.

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

Any reference in this 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 in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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## **EXECUTIVE SUMMARY**

*This Executive Summary highlights only the salient information of the Proposed Diversification. The shareholders of Straits are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Diversification before voting at the AGM.*

<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
<b>Summary of the Proposed Diversification</b>	<p>➤ Straits proposes to diversify the existing principal activities of Straits Group to include port operation, facility management and related business activities pursuant to the acceptance of LOA.</p> <p>The Board expects that the net profit attributable to the port management business segment may represent more than 25.0% of the total net profit of Straits Group in the financial years moving forward. Accordingly, the Board proposes to seek for the approval from the shareholders of Straits at the forthcoming AGM for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements, to facilitate the provision of Port Management Services at Labuan Port.</p>	Section 3
<b>Rationale for the Proposed Diversification</b>	<p>➤ The Proposed Diversification will enable Straits Group to mitigate its reliance on a single business segment, which has the potential to provide an additional revenue and income stream as well as to strengthen the Group's financial performance.</p> <p>Port Management Services and the Group's Existing Business are complementary businesses serving the same customer profile. This will allow the Group to leverage on its existing business activities so as to widen its services at ports to future clientele whereby it increases the comprehensiveness of the Group's logistics and transportation services, which in turn improves convenience of service to the existing and potential customers of the Group.</p>	Section 4
<b>Key risks of the Proposed Diversification</b>	<p>➤ Political, economic and regulatory risk – The port industry is highly regulated with the rules and regulation from the domestic port authorities as well as the policies and guidelines governed by specific local and/ or national ministries. With the participation of the Group in the port management industry, its business, prospects, financial condition and level of profitability will be subject, to the developments in the rules and regulation of the port industry and the economic, political and regulatory environment of Malaysia as well as its major trading partners.</p> <p>➤ Business diversification risk – Pursuant to the Proposed Diversification, Straits Group's businesses will be subject to risks inherent in the port management industry, which the Group was not previously exposed to. These include, but are not limited to, adverse changes in supply and demand conditions, cyber security threats, natural disasters, disease outbreaks, attempts by criminal parties to transport illegal goods, fluctuations in global and regional trade volumes, downturns in regional and/ or national economies, changes in law and tax regulations, unfavourable foreign exchange rates or trade duties, increase in labour cost, and changes in business and credit conditions.</p>	Section 6

Key information	Description	Reference to Circular
	<ul style="list-style-type: none"> <li>➤ Dependency on key personnel – Straits Group's success in the delivery of the Port Management Services depends largely on the capabilities, skills, competencies and continued effort of its experienced personnel, namely Dato' Seri Tiong and Encik Idjal at this juncture. The Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and loyalty. Suitable consultant(s), partner(s) and/ or third party contractor(s) will be engaged in the areas necessary for the operation and/ or management of the Port Management Services to manage the risk arising from dependency on key personnel.</li> <li>➤ Competition risk – As with other competitors in the port management industry, Straits Group will face competition risk from other ports in Malaysia and the surrounding region. Such risk includes ports with superior geographical locations, in terms of connectivity to trade routes and proximity to industrial or urban areas. The threat of new entrants, via the development of a nearby port or acquisition of an existing nearby port by new operator, is another form of competition risk. Existing ports close to the Group's operations may undergo expansions and upgrades in facilities and infrastructure, making these ports more competitive.</li> <li>➤ Completion risk of the Proposed Diversification – The Proposed Diversification is subject to the approval by the shareholders of Straits to be obtained at the forthcoming AGM. In the event the approval by the shareholders of Straits is not successfully obtained, the Proposed Diversification will not be completed.</li> </ul>	
<b>Conditionality of the Proposed Diversification</b>	<ul style="list-style-type: none"> <li>➤ The Proposed Diversification is not conditional upon any other proposals undertaken or to be undertaken by the Company. The Proposed Subscription and the Proposed Diversification are not inter-conditional upon each other.</li> </ul>	Section 8
<b>Interested parties and any conflict of interest from the Proposed Diversification</b>	<ul style="list-style-type: none"> <li>➤ None of the Directors and/ or major shareholders of Straits and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Diversification.</li> <li>➤ UOB Kay Hian and Providence Strategic Partners Sdn Bhd are independent parties, which have no conflicts of interest or potential conflicts of interest arising from their respective roles as the Principal Adviser and Independent Market Researcher for this Proposed Diversification.</li> </ul>	Section 9 and Appendix VI
<b>Approvals required</b>	<ul style="list-style-type: none"> <li>➤ The Proposed Diversification is subject to the following approvals being obtained: <ul style="list-style-type: none"> <li>(i) The shareholders of Straits at the forthcoming AGM; and</li> <li>(ii) Any other relevant authority and/ or third parties, if required.</li> </ul> </li> </ul>	Section 8
<b>Board's recommendation</b>	<ul style="list-style-type: none"> <li>➤ The Board recommends that you vote <b>FOR</b> the resolution pertaining to the Proposed Diversification, which will be tabled as special business at the forthcoming AGM, the details of which are set out in the cover page of this Circular, or the Notice of AGM as enclosed in the Annual Report of the Company for the FYE 31 December 2019.</li> </ul>	Section 12

**STRAITS INTER LOGISTICS BERHAD**

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

**Registered Office**

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

21 May 2020

**Board of Directors**

YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud (*Non-Independent & Non-Executive Chairman*)

Dato' Sri Ho Kam Choy (*Group Managing Director*)

Captain Tony Tan Han (Chen Han) (*Executive Director*)

Tan Sri Mohd Bakri Bin Mohd Zinin (*Non-Independent & Non-Executive Director*)

Harison Binti Yusoff (*Non-Independent & Non-Executive Director*)

Leong Fook Heng (*Independent Non-Executive Director*)

Ho Fook Meng (*Independent Non-Executive Director*)

Ho Hung Ming (*Alternate Director to Tan Sri Mohd Bakri Bin Mohd Zinin*)

**To: The shareholders of Straits Inter Logistics Berhad**

Dear Sir/ Madam,

**PROPOSED DIVERSIFICATION**

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**1. INTRODUCTION**

On 20 January 2020, the Board announced that the Company had received the letter of award dated on even date from LPA for the Port Management Services of Labuan Liberty Terminal in the Federal Territory of Labuan (*also known as Labuan Port*) for a period of 6 years commencing from 1 April 2020. Subsequently on 24 January 2020, the Board announced the acceptance of LOA.

Pursuant to the acceptance of LOA, on 31 January 2020, UOB Kay Hian had, on behalf of the Board, announced that the Company proposed to undertake the following:

- (i) the subscription of up to 5,100,000 MPMSB Shares, representing 51.0% of the enlarged equity interest in MPMSB via the execution of the Subscription Agreement for the parties of the Subscription Agreement to jointly undertake Port Management Services of Labuan Liberty Terminal in the Federal Territory of Labuan; and
- (ii) the diversification of the existing principal activities of Straits Group to include port operation, facility management and related business activities.

Please refer to **Appendix I** of this Circular for the salient terms of the Subscription Agreement.



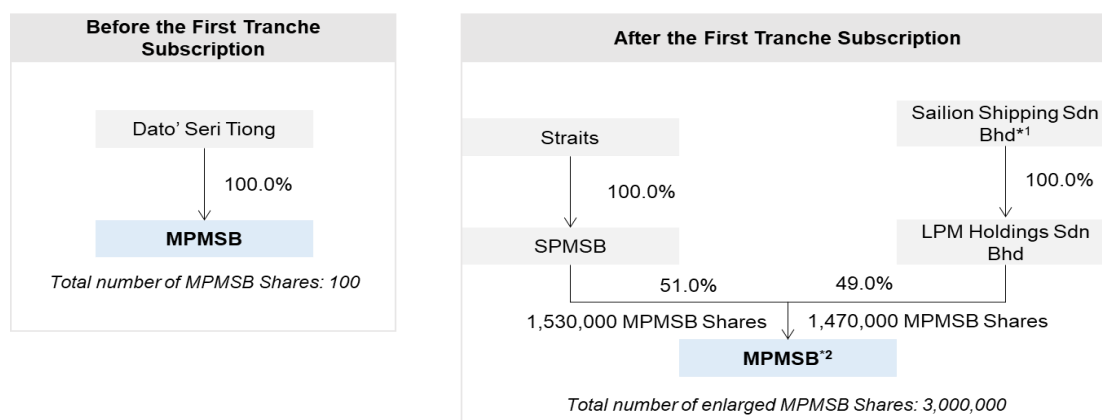
For shareholders information purpose, a chronological summary of the key events leading to MPMSB undertaking Port Management Services at Labuan Port subsequent to the announcement made on 31 January 2020 is set out below:

Dates	Key events
10 February 2020	<ul style="list-style-type: none"> <li>• SPMSB was incorporated as a wholly-owned subsidiary of the Company, principally involved in investment holding activities. It is the intention of the Board to hold the equity interest of MPMSB through SPMSB.</li> </ul> <p>Under the Subscription Agreement, the maximum subscription by SPMSB in MPMSB Shares is up to 5,100,000 MPMSB Shares at RM1.00 each, amounting to RM5,100,000, representing 51.0% of the enlarged issued shares of MPMSB.</p>
13 February 2020	<ul style="list-style-type: none"> <li>• The parties of the Subscription Agreement mutually agreed to extend the deadline to fulfil the conditions precedent of the Subscription Agreement from 14 February 2020 to 25 February 2020.</li> <li>• The parties of the Subscription Agreement fixed the First Tranche Subscription on 25 February 2020.</li> </ul>
25 February 2020	<ul style="list-style-type: none"> <li>• SPMSB entered into the Shareholders Agreement with LHSB and MPMSB to regulate the relationship among the shareholders of MPMSB in respect of the financial, administrative and other arrangements in relation to MPMSB and the manner in which the affairs of MPMSB are to be regulated. Please refer to <b>Appendix II</b> of this Circular for the salient terms of the Shareholders Agreement.</li> <li>• Pursuant to the execution of the Shareholders Agreement on 25 February 2020, the Subscription Agreement became unconditional on even date.</li> <li>• The First Tranche Subscription was carried out pursuant to the Subscription Agreement, following which MPMSB has become a 51.0%-owned subsidiary of SPMSB, which in turn is a wholly-owned subsidiary of Straits.</li> </ul>
3 March 2020	<ul style="list-style-type: none"> <li>• Straits entered into the OFMA with LPA.</li> </ul>
10 March 2020	<ul style="list-style-type: none"> <li>• Straits entered into the land lease agreement with LPA ("<b>LLA</b>"), whereby LPA has sub-leased and Straits has accepted the sub-lease of the Leased Land for a period of 6 years commencing from 1 April 2020 and expiring on 31 March 2026, subject to the terms and conditions of the LLA.</li> <li>• Straits entered into a novation agreement with MPMSB and LPA ("<b>Novation Agreement</b>"), whereby, with the consent and approval of LPA, Straits has novated its rights, title, benefits, interests, covenants, undertakings, duties, liabilities and obligations under the Principal Agreements to MPMSB, subject to the terms and conditions of the Novation Agreement.</li> </ul> <p>Please refer to <b>Appendices III and IV</b> of this Circular for the salient terms of the Principal Agreements and the Novation Agreement, respectively.</p> <ul style="list-style-type: none"> <li>• Pursuant to the completion of the novation by Straits to MPMSB of the Principal Agreements on 10 March 2020, the Shareholders Agreement became unconditional on even date.</li> </ul>
1 April 2020	<ul style="list-style-type: none"> <li>• MPMSB commenced Port Management Services at Labuan Port pursuant to the Novation Agreement and Principal Agreements.</li> </ul>

The first tranche of the subscription of MPMSB Shares by SPMSB and LHSB was carried out on 25 February 2020 pursuant to the Subscription Agreement and entailed the following:

- (i) SPMSB, a wholly-owned subsidiary of Straits, subscribed and paid for 1,530,000 MPMSB Shares at RM1.00 each amounting to RM1,530,000, representing 51.0% of the enlarged issued shares of MPMSB; and
- (ii) LHSB subscribed and paid for 1,469,900 MPMSB Shares at RM1.00 each and had already acquired the then existing 100 MPMSB Shares from Dato' Seri Tiong (the then existing shareholder of MPMSB) at RM1.00 each, the aggregate of which amounted to RM1,470,000 and resulted in LHSB holding 49.0% of the enlarged issued shares of MPMSB.

The shareholding effect in MPMSB before and after the First Tranche Subscription is illustrated as follows:



**Notes:**

\*1 The shareholders of SSSB are Dato' Seri Tiong, who holds 50.0% equity interest and Encik Idjal, who holds the remaining 50.0% equity interest. Both Dato' Seri Tiong and Encik Idjal are also the directors of SSSB.

\*2 Following the First Tranche Subscription, MPMSB has become a 51.0%-owned subsidiary of SPMSB, which in turn is a wholly-owned subsidiary of Straits.

As at the LPD, there were no other subscriptions of MPMSB Shares save for the First Tranche Subscription.

For information purpose, the Proposed Subscription and the Proposed Diversification are not inter-conditional upon each other. In addition, the Proposed Subscription is not subject to the approval of Straits' shareholders, as the highest percentage ratio applicable for the Proposed Subscription pursuant to Rule 10.02(g) of the Listing Requirements is approximately 6.0%. Nevertheless, the details of the Proposed Subscription are set out in **Section 2** of this Circular for shareholders' information purpose only.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF STRAITS WITH THE RELEVANT INFORMATION ON THE PROPOSED DIVERSIFICATION AS WELL AS TO SEEK THE APPROVAL FROM THE SHAREHOLDERS OF STRAITS FOR THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AS SPECIAL BUSINESS AT THE FORTHCOMING AGM. THE NOTICE OF AGM AND THE PROXY FORM ARE ENCLOSED IN THE ANNUAL REPORT OF THE COMPANY FOR THE FYE 31 DECEMBER 2019.**

**SHAREHOLDERS OF STRAITS ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE FORTHCOMING AGM.**

## 2. DETAILS OF THE PROPOSED SUBSCRIPTION

On 31 January 2020, Straits entered into the Subscription Agreement with MPMSB and LHSB, with the agreement to work together and to collaborate for the purpose of undertaking the Port Management Services, whereby MPMSB will function as the operating company to carry out Port Management Services at Labuan Port, pursuant to the acceptance of LOA.

Pursuant to the Subscription Agreement, the parties to the Subscription Agreement mutually agree that the tranches and the number of MPMSB Shares, which SPMSB and LHSB will respectively subscribe in MPMSB, shall from time to time, be maintained at the proportion of 51.0% : 49.0% at RM1.00 per MPMSB Share, equivalent to the equity participation proportion that SPMSB and LHSB shall remain at all times throughout the tenure of the Port Management Services at Labuan Port.

Pursuant to the Subscription Agreement, the maximum subscription consideration is RM9,999,900 for 9,999,900 MPMSB Shares (excluding the RM100 for 100 MPMSB Shares paid by LHSB to Dato' Seri Tiong). The summary of the subscription by MPMSB and LHSB is tabulated as follows:

	Number of MPMSB Shares subscribed/ may be subscribed by SPMSB	Number of MPMSB Shares subscribed/ may be subscribed by LHSB
Upon First Tranche Subscription	1,530,000	1,469,900
Maximum subscription subsequent to the First Tranche Subscription	Up to 3,570,000	Up to 3,430,000
<b>Total</b>	<b>Up to 5,100,000</b>	<b>Up to 4,899,900</b>

Based on the above, SPMSB and LHSB may subscribe for an additional 3,570,000 MPMSB Shares and 3,430,000 MPMSB Shares at RM1.00 each, respectively, as and when the capital expenditure and/ or working capital requirements of MPMSB in undertaking Port Management Services at Labuan Port is required throughout the tenure of Port Management Services as stipulated under the Principal Agreements.

### 2.1. Basis for the total subscription consideration and the intended utilisation of proceeds

The maximum subscription consideration of up to RM9,999,900 for 9,999,900 MPMSB Shares was arrived at, after taking into consideration the estimated capital expenditures and working capital requirements of MPMSB in undertaking the Port Management Services pursuant to the Principal Agreements.

For information purpose, the intended utilisation of proceeds by MPMSB from the First Tranche Subscription is set out as follows:

Details of utilisation	RM
For the rental deposit <sup>*1</sup> and purchase of operating equipment and office equipment to set up MPMSB	2,999,900

**Note:**

<sup>\*1</sup> In accordance with the LLA, a rental deposit of RM300,000 ("**Rental Deposit**") was paid by MPMSB to LPA in cash via proceeds from the First Tranche Subscription.

For avoidance of doubt, the monthly rent of RM100,000 only, payable by MPMSB to LPA in cash as set out in the LLA, will be financed via internally generated funds and/ or bank borrowings, the breakdown of which is yet to be determined at this juncture. The abovementioned monthly rent is part of the operating expenses of MPMSB in carrying out Port Management Services at Labuan Port.

There is no arrangement for the remaining subscription consideration to be paid on a deferred basis in the Subscription Agreement. As mentioned in **Section 2** of this Circular above, subsequent tranches of subscription in MPMSB Shares shall be payable by SPMSB and LHSB as and when the funding is required by MPMSB.

## 2.2. Source of funding for the Subscription Price

In accordance with the Subscription Agreement, the Subscription Price shall be paid by SPMSB to MPMSB in cash or through the contribution of assets and/ or services as may be required for the Port Management Services. Such contributions shall be mutually agreed by the parties of the Subscription Agreement upon the terms and conditions for the delivery of such assets and/ or services.

Should the Subscription Price be financed purely through cash, the Subscription Price will be financed by Straits Group via internally generated funds and/ or bank borrowings, the allocation of which are yet to be determined at this juncture.

The First Tranche Subscription subscribed by SPMSB was financed by the Group via internally generated funds and wholly satisfied in cash.

## 2.3. Additional financial commitment required by Straits Group

Save for the Subscription Price, which will be the capital investment by SPMSB in MPMSB to undertake the Port Management Services at Labuan Port, there is no additional financial commitment required by Straits Group to facilitate the ordinary course of MPMSB's business at this juncture.

Should the capital expenditure and/ or working capital requirements of MPMSB increase in the future, MPMSB Board may fund the capital expenditure and/ or working capital requirements via internally generated funds and/ or bank borrowings from any licensed financial institution.

## 2.4. Information on MPMSB

### (i) Incorporation and business activity

**Megah Port Management Sdn Bhd** was incorporated in Malaysia on 23 December 2019 as a private company limited by shares under the Act and having its registered office at 1<sup>st</sup> Floor, Lot B11, Jati Commercial Centre, Jalan Tun Mustapha, Labuan, 87000 Wilayah Persekutuan Labuan. As at the LPD, MPMSB is principally involved in Port Management Services.

### (ii) Share capital

As at the LPD, MPMSB has an issued share capital of RM3,000,000 comprising 3,000,000 ordinary shares.

Upon the maximum subscription by SPMSB and LHSB of MPMSB Shares under the Subscription Agreement, the enlarged share capital of MPMSB will be RM10,000,000 comprising 10,000,000 MPMSB Shares.

### (iii) Director and substantial shareholder

As at the LPD, the substantial shareholders' shareholdings in MPMSB are as follows:

Name	Place of incorporation/ nationality	< ----- Direct ----- >		< ----- Indirect ----- >	
		No. of MPMSB Shares	% <sup>*1</sup>	No. of MPMSB Shares	% <sup>*1</sup>
SPMSB	Malaysia	1,530,000	51.0	-	-
LHSB	Malaysia	1,470,000	49.0	-	-
Straits	Malaysia	-	-	1,530,000 <sup>*2</sup>	51.0
Dato' Seri Tiong	Malaysian	-	-	1,470,000 <sup>*3</sup>	49.0
Encik Idjal	Malaysian	-	-	1,470,000 <sup>*3</sup>	49.0

**Notes:**

<sup>\*1</sup> Based on the total issued shares of 3,000,000 in MPMSB.

<sup>\*2</sup> Deemed interest by virtue of its shareholding in SPMSB.

<sup>\*3</sup> Deemed interest by virtue of his shareholding in SSSB, which is the holding company of LHSB.

As at the LPD, save for Ms Ti Le-June, who was appointed as the Independent Director of MPMSB, the other Directors of MPMSB are as follows:

Representatives of Straits

- (i) YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud;
- (ii) Tan Sri Mohd Bakri Bin Mohd Zinin; and
- (iii) Dato' Sri Ho Kam Choy;

Representatives of LHSB

- (iv) Dato' Seri Tiong; and
- (v) Encik Idjal.

**2.5. Information on SPMSB**

**(i) Incorporation and business activity**

**Straits Port Management Sdn Bhd** was incorporated in Malaysia on 10 February 2020 as a private company limited by shares under the Act and having its registered office at Unit B, Lot 49, 1<sup>st</sup> Floor Block F, Lazenda Warehouse 3, Jalan Ranca-Ranca, 87000 Federal Territory of Labuan, Malaysia. As at the LPD, SPMSB is principally involved in investment holding activities and holds 1,530,000 MPMSB Shares representing 51.0% equity interest in MPMSB.

**(ii) Share capital**

As at the LPD, SPMSB has an issued share capital of RM1,530,000 comprising 1,530,000 ordinary shares.

**(iii) Directors and substantial shareholder**

As at the LPD, Straits is the sole shareholder of SPMSB and Dato' Sri Ho Kam Choy, YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud and Tan Sri Mohd Bakri Bin Mohd Zinin are the Directors of SPMSB.

**3. DETAILS OF THE PROPOSED DIVERSIFICATION**

At present, Straits Group is principally engaged in oil trading and oil bunkering services, and land transportation and logistics services ("**Existing Business**"). Oil bunkering services involve provision of refueling marine gas oil and marine fuel oil through vessels to other ocean faring vessels such as oil tankers, container vessels, cargo vessels and cruise ships.

For the latest 3 audited consolidated financial statements of Straits up to the FYE 31 December 2019, the revenue contributed from the oil trading and oil bunkering services segment represents approximately 99.9%, 100.0% and 99.4% of the Group's total revenue, respectively. For avoidance of doubt, Straits Group completed its diversification of business activities into land transportation and logistics in January 2019. For the latest audited consolidated financial statement for the FYE 31 December 2019 of Straits, the revenue derived from the land transportation and logistics segment represents approximately 0.6% of the Group's total revenue.

As the Group's financial performance over the financial years under review has mainly relied on a single business segment, i.e. oil trading and bunkering services, the Group intends to expand its Existing Business to include Port Management Services to diversify its revenue and earnings through the acceptance of LOA.

The acceptance of LOA serves as an opportunity for the Group to venture into Port Management Services, which the Board deems that the business activities are complementary to the Existing Business. The Port Management Services involve the provision of services, which include, but are not limited to, container operations, break bulk (warehouse/ container freight station/ open yard), berthing and mooring, harbor tug services, stevedoring, bunkering, ship chandler to container and conventional vessels such as bulk carrier, general cargo ship, tanker, car carrier and fishing vessel operators.

Considering the prospects of port management industry outlook at Labuan Port as set out in **Section 5.2** of this Circular, the Board expects that the net profit attributable to the port management business segment may represent more than 25.0% of the total net profit of Straits Group in the financial years moving forward. Accordingly, the Board proposes to seek for the approval from the shareholders of Straits at the forthcoming AGM for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements, to facilitate the provision of Port Management Services at Labuan Port.

Notwithstanding the Proposed Diversification, the Board will continue with the existing principal activities of the Group in the same manner.

### **3.1. Details on Labuan Liberty Terminal**

Labuan Liberty Terminal is situated on an island in East Malaysia. Its berths have a total length of 355.6 meters with alongside depths of between 4.6 meters and 10 meters, and can accommodate a deadweight tonnage of 16,000. Labuan Port currently receives vessels carrying containers, dry and liquid bulk, general cargoes, as well as oil and gas products. Some of the key features of Labuan Port as at the LPD are:

- (i) It is a deep-water port (up to 10 meters), allowing it to accommodate large vessels;
- (ii) It is a duty-free port and as such, it does not impose import duties on goods and services;
- (iii) It not only receives vessels carrying dry and liquid bulk and general cargoes, but also oil and gas products as it is surrounded by oil and gas fields;
- (iv) The Labuan Development Blueprint 2030 aims to strengthen logistics systems in Labuan, through the enhancements of cargo facilities and infrastructure in the Labuan Port;
- (v) New port tariffs were enforced by MPMSB to replace the present unregulated port tariff beginning 1 April 2020. Notwithstanding that, a town hall session will be held to discuss and finalise the new port tariffs, amongst other port-related matters, with stakeholders after the Movement Control Order is lifted. This will allow stakeholders to have certainty of the rates in deciding whether to choose Labuan Port as the port destination; and
- (vi) Labuan is a potentially vibrant economic destination, strategically located within the Brunei, Indonesia, Malaysia and the Philippines – East Asean Growth Area, while supported by industrial facilities, investment incentives and financial services.

Premised on the above, the Board believes that Labuan Liberty Terminal, which is strategically located within the Southeast Asia region, may potentially experience future growth in the number of vessels received. In addition, with the implementation of Labuan Development Blueprint 2030 and the Government's initiatives such as ratifying port tariff and improving cargo facilities and infrastructure of Labuan Port in developing such economic activities, the management of Straits and the Board are of the view that the current entry of Port Management Services is timely to attract vessels passing through and to reap the potential benefits arising from such activities, which is in line with the Company's intention to become a full-fledged marine logistics player.

### **3.2. Key management personnel**

The characteristics and nature of Port Management Services share similarities to the oil trading and oil bunkering services of Straits Group, as such, the management of Straits is of the view that the existing skills and experience of its current management team in the existing business of oil trading and oil bunkering services are complementary and similar to the skills and expertise required to undertake the port operation and facility management of Labuan Port. Notwithstanding the above, the Company is lacking specific expertise and comprehensive experience in Port Management Services at present, as such, through the Subscription Agreement and Shareholders Agreement, the Company is able to leverage on the skill and expertise of Dato' Seri Tiong and Encik Idjal, who have the specific skillset and direct experience in port management related activities to carry out such activities at Labuan Port. The Directors of MPMSB are YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud, Tan Sri Mohd Bakri Bin Mohd Zinin, Dato' Sri Ho Kam Choy, Dato' Seri Tiong, Encik Idjal and Ms Ti Le-June, whilst the key management team of MPMSB consists of Dato' Seri Tiong and Encik Idjal.

The qualifications and experience of the key management team and the Independent Director of MPMSB are set out below:

#### **Key management team**

**Dato' Seri Tiong**, a Malaysian aged 58, is the Director of MPMSB, who is responsible for the strategic planning and business direction of MPMSB. Dato' Seri Tiong has accumulated more than 30 years of experience in the shipping and logistics industry. He started his career as a shipping clerk in 1982 with Pan Sarawak Co. Sdn Bhd, where he was responsible for reviewing and documenting ship cargoes.

In 1985, he left Pan Sarawak Co. Sdn Bhd and joined Hock Hua Bank Bhd as a bank clerk handling payments and receipts of the bank. Subsequently in 1988, he left Hock Hua Bank Bhd to join United Pansar Sdn Bhd as a shipping executive, where he was primarily responsible for arranging the provision of port-related services for vessels passing through, such as berthing and cargo loading and unloading until 1991. In 1991, he joined Standard Marine Sdn Bhd as a shipping executive and in 1993, Dato' Seri Tiong left Standard Marine Sdn Bhd to join Mercury Line Sdn Bhd as a shipping executive until 2000. At Standard Marine Sdn Bhd and Mercury Line Sdn Bhd, Dato' Seri Tiong was involved in marketing and overseeing the day-to-day port management and operation related activities.

In 2000, Dato' Seri Tiong co-founded and became the Managing Director of SSSB, a position that he still holds today. Subsequently in 2006, 2008 and 2018, Dato' Seri Tiong founded and became the Managing Director of Lion Logistics Sdn Bhd (a company involved in warehousing activities, yard rental and container haulage), Lion Transport Sdn Bhd (a company involved in the management and operation of heavy equipment) and Lion Shipcare Sdn Bhd (a company mainly involved in providing assistance in arranging temporary laid up anchorage position of vessels), respectively. Dato' Seri Tiong still holds the position of Managing Director of Lion Logistics Sdn Bhd, Lion Transport Sdn Bhd and Lion Shipcare Sdn Bhd until today. As the Managing Director of these companies, Dato' Seri Tiong is responsible for overseeing day-to-day Port Management Services and developing business and strategic planning for these companies.

**Encik Idjal**, a Malaysian aged 49, is the Chief Executive Officer of MPMSB, who is responsible for the day-to-day operations and the overall management of MPMSB in respect of the port management services at Labuan Port. Encik Idjal has accumulated approximately 20 years of experience in the port management industry in Labuan.

He started his career in 1989 at Mercury Line Sdn Bhd as an operation executive where his main responsibilities involved overseeing the operation of all vessels under Mercury Line Sdn Bhd. In 2001, he co-founded and became the Director of SSSB, mainly responsible for general cargo and container operations for SSSB, a position that he still holds today.

#### **Independent Director**

**Ms Ti Le-June**, a Malaysian aged 29, is the Independent Director of MPMSB.

She started her career in 2013 at WG Advisory Sdn Bhd as an executive, primarily involved in human resources, administrative and other office operations. In 2014, she left WG Advisory Sdn Bhd and joined StoreHub Sdn Bhd as a village administrator, mainly responsible for tracking monthly accounting reports and financial statements and managing employee leave and payroll documentation until 2016.

In 2015, Ms Ti Le-June founded and became an Executive Director of ST Papers & Prints Sdn Bhd, a position that she still holds today. At ST Papers & Prints Sdn Bhd, she is responsible for overseeing its accounts, human resources and office administration and management.

Upon obtaining shareholders' approval for the Proposed Diversification, Straits may explore additional viable ventures into Port Management Services in Labuan and elsewhere, including but are not limited to, strategic businesses/ investments, joint ventures, collaborative arrangements, and/ or mergers and acquisitions of suitable businesses/ investments in the port management and operation industry, subject to applicable compliance/ rules required under the Listing Requirements and other relevant acts or authorities applicable at the material times.

As at the LPD, MPMSB has approximately 100 permanent staff (excluding senior management personnel), which consist of 40 port workers, 35 security staff, 15 maintenance staff and 10 accounting and administrative staff. Notwithstanding the above, the management of Straits and MPMSB are still in the midst of reviewing the internal organisational structure of MPMSB, and may, from time to time, review the capabilities and resources needed for the port management business segment. Should the needs arise, MPMSB may recruit additional permanent and/ or contractual staff, which include but are not limited to, the employees of the former operator of Labuan Port that meets MPMSB's employees criteria and who are experienced specifically in port management and operation activities to support this business segment. At this juncture, MPMSB will embark on the port management business under the leadership of Dato' Seri Tiong and Encik Idjal.

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#### 4. RATIONALE OF THE PROPOSED DIVERSIFICATION

As disclosed in **Section 3** of this Circular, the revenue and profit contribution from oil trading and oil bunkering services segment represents more than 90.0% of the total revenue and profit of Straits Group over the last 3 financial years up to the FYE 31 December 2019, as set out below:

Segment	Audited					
	FYE 31 December 2019		FYE 31 December 2018		FYE 31 December 2017	
	Revenue RM'million	PAT/ (LAT) RM'million	Revenue RM'million	PAT/ (LAT) RM'million	Revenue RM'million	PAT/ (LAT) RM'million
<b>Oil trading and bunkering services</b>	<b>659.37</b>	<b>10.16</b>	<b>255.79</b>	<b>5.68</b>	<b>134.38</b>	<b>5.63</b>
Sales and distribution of air filtration system, fast moving consumer products, ancillary support services and general trading	-	-	-	-	0.19	(1.88)
Land transportation and logistics <sup>*1</sup>	3.81	(1.18)	-	-	-	-
Investment holding	-	(1.14)	-	(2.46)	-	(2.07)
Chartering of vessels services	-	(1.24)	-	1.55	-	0.52
Vessel management	-	0.59	-	-	-	-
Share of result of associate	-	2.14	-	-	-	-
Others	-	(0.06)	-	(0.04)	-	-
Adjustments/ Elimination	-	0.15	-	0.20	-	0.50
<b>Group</b>	<b>663.18</b>	<b>9.42</b>	<b>255.79</b>	<b>4.93</b>	<b>134.57</b>	<b>2.70</b>

**Note:**

<sup>\*1</sup> The diversification of the business activities of Straits Group to include land transportation and logistics was completed in January 2019

As shown above, the Group's profitability is vulnerable to the fluctuations of the Malaysian oil trading and oil bunkering services industry. The Proposed Diversification, along with the recent diversification into land transportation and logistics services, will enable Straits Group to mitigate its reliance on a single business segment, which has the potential to provide an additional revenue and income stream as well as to strengthen the Group's financial performance.

After due deliberation and in view of the Group's existing license under Petroleum Development Act 1974 to provide oil bunkering services at Labuan Liberty Terminal, the acceptance of LOA to carry out Port Management Services is expected to increase the Group's competitive strength in the said port, where it already has presence to provide both Port Management Services and oil bunkering services to the port users.

Port Management Services and the Group's Existing Business are complementary businesses serving the same customer profile, namely logistics & shipping companies transporting cargo by sea, who will dock the vessels/ ships at port, or require storage or docking facilities at port. This will allow the Group to leverage on its existing business activities so as to widen its services at ports to the future clientele whereby it increases the comprehensiveness of the Group's logistics and transportation services, which in turn improves convenience of service to existing and potential customers of the Group. Additionally, the Group will also be able to render its oil bunkering and land logistics services to its customers.

Premised on the above and barring any unforeseen circumstances, the Board believes that the Proposed Diversification will potentially contribute positively to the Group's future earnings and improve its financial position moving forward.

For shareholders' information purpose, the Proposed Subscription involves the subscription of shares in MPMSB (the operating company for carrying out Port Management Services at Labuan Port), which enables Straits to leverage on the skills and expertise of Dato' Seri Tiong and Encik Idjal in Port Management Services, of which the Group is lacking of strong expertise and comprehensive experience at present. In addition, the Proposed Subscription will allow the Group to share the financial commitment with LHSB thereby reducing the investment risk of the new business venture, whilst maintaining its controlling stake in the operating company, namely MPMSB, for the purpose of undertaking Port Management Services at Labuan Port.

## 5. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

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

The Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020 (2019: 4.3%), which was the lowest growth since the third quarter of 2009 of -1.1%, reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the Movement Control Order ("**MCO**") in Malaysia. On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%).

Essential services include telecommunications, finance, production and the provision of food supplies, healthcare, utilities, electrical and electronics, as well as selected industries in the primary and consumer clusters in the manufacturing sector. Sectors which were more labour intensive and require face-to-face interaction were more impacted by the MCO. In particular, construction activity was completely prohibited during the MCO phase. In contrast, the production capacity in industries which were more capital intensive, such as mining and the electrical and electronics manufacturing subsector, were affected to a lesser extent. The MCO also led to weaker private sector activity given mobility restrictions, closures of non-essential services, such as retail subsectors, and a temporary halt in ongoing investments

Domestic demand registered a modest growth of 3.7% in the first quarter of 2020 (4Q 2019: 4.8%), due mainly to weaker capital spending by both the private and public sectors. The subdued investment activity was mainly attributable to the containment measures undertaken by authorities both globally and domestically. Domestic demand was also affected by weaker consumer sentiments and business confidence, given the heightened uncertainty surrounding COVID-19. In addition, net exports performance was also a large drag to growth during the quarter.

Nonetheless, growth was supported by continued expansion in private and public consumption. During the first quarter, private consumption growth moderated to 6.7% (4Q 2019: 8.1%). In January and February, retail and financing data indicated continued strength in consumption spending growth. The MCO in the second half of March affected spending to some extent, but mainly for big-ticket and leisure-related items such as car purchases and recreational services. Amid soft labour market conditions, stimulus measures such as bringing forward the Bantuan Sara Hidup disbursement from the second quarter to March, and the cut in the Overnight Policy Rate particularly in January provided important support to spending. The availability of online delivery platforms also cushioned the impact of movement restrictions. Public consumption expanded at a faster pace of 5.0% (4Q 2019: 1.3%), supported by higher spending on both emoluments and supplies and services.

Gross fixed capital formation registered a larger contraction of 4.6% (4Q 2019: -0.7%), weighed by lower capital spending from both the private and public sectors. This reflected weaker global demand conditions and disruptions to supply chains, which led to slower progress in capital spending. Furthermore, ongoing investment projects were temporarily halted during the MCO. By type of assets, the weakness was broad-based, as investment in structures as well as machinery and equipment declined by 4.0% (4Q 2019: 0.1%) and 6.2% (4Q 2019: -2.6%), respectively. Private investment growth registered its first contraction of -2.3%, since the fourth quarter of 2010 (4Q 2019: 4.3%), as subdued external conditions and heightened uncertainty affected business sentiments and investment intentions. In addition, the MCO had resulted in some disruption to ongoing construction projects and delivery of machinery and equipment. Public investment recorded a larger decline of 11.3% (4Q 2019: -8.0%). This was due to a larger contraction in capital spending by both general government and public corporations during the quarter.

*(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020, Bank Negara Malaysia)*

Against a highly challenging global economic outlook, Malaysia's GDP growth is projected to be between -2.0 to 0.5% in 2020. The domestic economy will be impacted by the necessary global and domestic actions taken to contain the COVID-19 outbreak. Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports. The implementation and subsequent extension of the MCO, while critical, will dampen economic activity following the suspension of operations by non-essential service providers and lower operating capacity of manufacturing firms. Beyond the MCO period, reduced social and recreational activities until the pandemic is fully controlled globally and domestically will continue to dampen consumption and investment activity. Apart from the pandemic, the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector. Unfavourable weather conditions and maintenance works will weigh on the production of oil palm, crude oil and natural gas.

Given the significant headwinds to growth arising from COVID-19, the Government and Bank Negara Malaysia have introduced large countercyclical policy measures to mitigate the economic impact of the pandemic. Two economic stimulus packages amounting to RM250 billion were introduced to provide immediate relief to affected households and businesses. These packages also include loan guarantees and an automatic 6-month moratorium on loan repayments for individuals and small and medium enterprises. The economic stimulus measures were complemented by two consecutive Overnight Policy Rate reductions early this year and measures to provide additional liquidity in the banking system.

Private consumption is expected to be dampened by weak labour market conditions, mobility restrictions and subdued sentiments. Nonetheless, policy measures introduced in the two economic stimulus packages, including cash transfers to vulnerable households, flexibility to withdraw from Employees Provident Fund savings and the moratorium on loan repayments will increase disposable income and improve cash flow for households. In addition to supporting household spending, these broad-based measures will facilitate a gradual recovery in private consumption as labour market conditions eventually stabilise following the projected improvement in global and domestic economic activities.

Domestic growth prospects are expected to improve towards the end of the year, in line with the projected recovery in global demand and amid continued support from policy measures. Recovering external demand will lift growth in the export-oriented sectors. Consumer sentiments are also expected to gradually improve following the easing of travel restrictions and resumption of tourism activities as risks from the pandemic subside. In addition, the anticipated recovery from supply disruptions in the commodities sector and higher public sector expenditure will support the gradual improvement in the Malaysian economy in the latter part of the year. Public sector spending will be underpinned by the continuation of large-scale transport-related projects by public corporations and the implementation of more small-scale projects worth RM4 billion by the Federal Government.

Overall risks to the domestic growth outlook are tilted to the downside, mainly due to the risk of a prolonged and wider spread of COVID-19 and its effects on the global and domestic economy. Domestic growth also remains susceptible to a recurrence of commodities supply shocks and continued low commodity prices which could pose additional risks to production in the commodities sector, exports and income growth. In addition, heightened financial market volatility due to ongoing external uncertainties may lead to tighter domestic financial market conditions. The baseline growth projection could, however, be lifted by a stronger-than-expected impact from the various stimulus measures by the Federal Government and additional measures implemented by several state governments.

Headline inflation is forecasted to average within the range of -1.5 to 0.5% in 2020, mainly reflecting significantly lower global oil and commodity prices. Without the direct downward impact from lower global oil prices, underlying inflation, as measured by core inflation, is projected to remain positive, averaging between 0.8 to 1.3%. This reflects subdued demand pressures, expectations for a negative output gap this year, as well as weak labour market conditions.

*(Source: Executive Summary, Economic and Monetary Review 2019, Bank Negara Malaysia)*

## **5.2. Overview and outlook of the port management industry in Malaysia**

The port management industry in Malaysia, as measured by the industry revenues of port management companies in the country, grew from RM4.9 billion in 2014 to RM5.3 billion in 2018, registering a compound annual growth rate ("CAGR") of 2.0% during the period. Moving forward, the port management industry in Malaysia is expected to grow to reach an industry size of RM5.5 billion in 2021, registering a CAGR of 1.2% between 2018 and 2021.

The growth of the port management industry in Malaysia is bolstered by the growth in port activities in the country, which is driven by the following factors:

### **(i) Malaysia's stable economy will increase import and export activities, which will benefit the country's port management industry**

The economy in Malaysia has been growing, in terms of its GDP, at a CAGR of 5.3% between 2015 and 2018, from RM1.2 trillion in 2015 to RM1.4 trillion in 2018 at constant 2015 prices. The GDP in Malaysia is estimated to have grown by 4.3% in 2019 as compared to 2018.

Imports and exports of food based goods (such as grains and oil) as well as non-food based goods (such as iron ore, coal, oil and gas products, palm oil products and timber logs) generally grow in tandem with a country's economy. As the country's economy grows, its population will have more spending power to purchase goods, thus increasing consumption of international goods. This would lead to greater imports of international goods which would increase seaborne trade, and consequently benefit the port management industry in Malaysia.

Further, a growing economy also indicates constant growth in the commercial, agriculture and industrial sectors in the country, which could lead to a growth in exports of the goods produced in the country. The major products exported from Malaysia include electrical and electronic products, oil and gas products and rubber products. As such, the growth in these sectors in the country could lead to higher exports of these products, thus benefiting the port management industry in Malaysia.

Export of cargo throughputs through major ports in Malaysia grew from 182.9 million freight weight tonnes in 2009 to 222.9 million freight weight tonnes in 2018, while import of cargo throughputs through major ports in Malaysia grew from 169.0 million freight weight tonnes in 2009 to 214.3 million freight weight tonnes in 2018. The export and import of cargo throughputs through major ports in Malaysia is estimated to grow, in terms of freight weight tonnes, from 223.8 million and 215.8 million in 2019 to 224.7 million and 217.3 million in 2020, respectively. Meanwhile, export of containers through major ports in Malaysia grew from 2.9 million twenty-foot equivalent units ("TEUs") in 2009 to 4.4 million TEUs in 2018. Imports of containers through major ports in Malaysia also saw growth, from 2.8 million TEUs in 2009 to 4.3 million TEUs in 2018. The export and import of containers through major ports in Malaysia is estimated to grow, in terms of TEUs, from 4.5 billion and 4.4 billion in 2019 to reach 4.7 billion and 4.5 billion in 2020, respectively.

**(ii) Increase in global demand for international goods will increase imports and exports activities, thus benefiting the port management industry**

The proliferation of e-commerce platforms has given rise to globalisation. As international goods have become easily accessible and economical to consumers globally, import and export activities are expected to increase accordingly. As port operation, facility management and related activities are vital in facilitating seaborne transportation of goods, there will be greater demand for port operation, facility management and related activities and this will benefit the port management industry in Malaysia.

**(iii) Malaysia is strategically located to benefit from trans-shipment activities, and this will continue to contribute to the growth of the port management industry**

Malaysia is strategically located where the seaborne trade routes between the Europe, Oceania and Asian regions converge. As such, Malaysia tends to benefit from trans-shipment activities, which refers to the shipment of goods to Malaysia as an intermediate destination before it is shipped to the next destination.

Between 2009 and 2018, trans-shipment of cargo throughputs have been growing at a faster CAGR of 4.1% as compared to exports and imports of cargo throughputs which have been growing at CAGRs of 2.2% and 2.7%, respectively. Meanwhile, trans-shipment of container throughputs through major ports in Malaysia also grew at CAGR of 5.3%, which was relatively higher compared to exports and imports of container throughputs which grew at CAGRs of 4.7% and 4.9%, respectively. A large proportion of containers were trans-shipped, contributing 64.8% of the trade flows for containers through major ports in Malaysia in 2018. Between 2019 and 2020, the trans-shipment of cargo throughputs and containers is estimated to grow at CAGRs of 1.6% and 1.8%, respectively.

**(iv) Government initiatives to drive and support the port management industry**

The Government of Malaysia has also recognised the importance of growing the ports in Malaysia and has been working towards improving port infrastructure in Malaysia. The Logistics and Trade Facilitation Masterplan 2015-2020 was developed to provide strategic directions for the development of the country's logistics industry to further improve its productivity and competitiveness, with the end-goal of becoming "The Preferred Logistics Gateway to Asia".

Meanwhile in Labuan, the Labuan Development Blueprint 2030 was launched in January 2018 to drive the transformation of Labuan into a smart and sustainable city. One of the plans is to strengthen the island's logistics, through the enhancements of cargo facilities and infrastructure.

By developing and enhancing the logistics facilities and infrastructure in the country as well as in Labuan, there will be a demand for port management services to facilitate the seamless administration of the various port activities.

*(Source: Independent Market Research Report)*

**5.3. Overview and outlook of the bunkering industry in Malaysia**

Bunkering services refers to the provision of marine fuels to ships, as well as other ocean faring vessels, such as oil tankers, container vessels, cargo vessels, cruise ships and ferries, as well as vessels utilised in the upstream oil and gas industry such as offshore support vessels, submersible and semisubmersible rigs and floating, production, storage and offloading vessels.

Demand for marine fuels can be depicted by the number of vessels calling by ports in Malaysia. The vessels calling by major ports in the country grew, in terms of gross registered tonnage, from 714.4 million tonnes in 2014 to 758.4 million tonnes in 2018, registering a CAGR of 1.5%. Moving forward, the number of vessels calling by major ports in Malaysia is expected to reach 786.1 million tonnes in gross registered tonnage by 2021, registering a CAGR of 1.2% between 2018 and 2021.

The growth of the bunkering industry in Malaysia is expected to be driven by the following factors:

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

Malaysia's external trade, comprising total imports and total exports, increased from RM1.5 trillion in 2014 to RM1.9 trillion in 2018, at a CAGR of 6.8%. This translates to a growth in port activities, as elaborated in **Section 5.2** of this Circular. However, Malaysia's total imports and exports experienced a decline by 5.3% to RM1.8 trillion in 2019. In January 2020, Malaysia's total imports and exports declined by 2.6% compared to December 2019.

Malaysia's external trade will impact cargo throughput, and subsequently create potential demand for road, rail, air and marine logistical services to accommodate this growth. Greater demand for marine logistical services will positively influence the demand for oil bunkering services.

**(ii) Growth in the tourism industry signifies growth opportunities for the oil bunkering industry**

The tourism industry in Malaysia has witnessed a rise in tourists between the period 2014 and 2018. Over the period, tourist receipts increased from RM72.0 billion to RM84.1 billion, recording a CAGR of 4.0%. Between January and September 2019, tourist receipts in Malaysia was recorded at RM66.1 billion, which was a 6.9% increase from the total tourist receipts recorded between January and September 2018. Malaysia Tourism Promotion Board targets to achieve RM100 billion in tourist receipts in 2020 through Visit Malaysia 2020. This target may, however, be affected by the recent coronavirus disease 2019 or COVID-19 outbreak which occurred early in 2020.

Malaysia's regional economic corridors in Malaysia contribute towards sector growth and overall economic development. Under the 11<sup>th</sup> Malaysia Plan, tourism is featured as one of the key focus areas in the Iskandar Malaysia regional economic corridor, and thus, the Government's plan to strengthen this regional economic corridor would result in a growth in Malaysia's tourism industry. Further, under the Iskandar Malaysia Transportation Blueprint (2010 – 2030) there are 3 focus areas to enhance the public transportation system in Johor, namely urban transportation, freight transportation and green transportation.

The tourism industry is provided with growth opportunities, thus creating growth potential for the oil bunkering industry.

**(iii) Growth in the oil and gas industry propels the oil bunkering industry, creating demand for marine fuels**

Malaysia is located near several oil and gas fields. The major oil and gas fields in Malaysia are primarily located off the shores of Terengganu, Sarawak and Sabah. The oil and gas fields off the shores of Terengganu and Kuantan are served by the Kertih Port and Kuantan Port respectively, while the oil fields off the shores of Sabah and Sarawak are served by the Sabah Oil and Gas Terminal and the Bintulu Port respectively.

As such, the oil and gas industry is a significant contributor to Malaysia's GDP. Between 2014 and 2018, the oil and gas industry in Malaysia contributed between 9.7% and 11.0% of the country's total GDP, signifying its importance to overall economic development.

Growth in oil and gas activities signify greater demand for bunker fuels, thus benefitting industry players that provide oil bunkering products and services. As a result of the recent COVID-19 pandemic causing a slump in oil prices, the short-term outlook of the global oil and gas industry appears challenging. Nevertheless, the prospects of the oil and gas industry is expected to progressively recover after COVID-19 is successfully curbed.

**(iv) Naval military activities signify growth opportunities for the oil bunkering industry**

According to the International Maritime Bureau Piracy Reporting Centre, the number of piracy attacks in the Straits of Malacca have decreased due to an increase in maritime patrol. The town of Tanjung Piai in Johor has also witnessed reduced attacks. Nonetheless, ships transiting the Straits of Malacca are advised to continue maintaining strict anti-piracy and anti-robbery watches while ships transiting the Tanjung Piai waters are advised to remain vigilant. Efforts to combat piracy through greater frequency of maritime patrols and the establishment of the Quick Reaction Force squad signify growth opportunities for the oil bunkering industry.

Further, the Royal Malaysian Navy is expanding its asset base, particularly ships, in order to increase security in local waters. In 2017, the Government of Malaysia signed a contract with Boustead Naval Shipyard Sdn Bhd in collaboration with China Shipbuilding and Offshore International Co Ltd for 4 new littoral mission ships. The first of these 4 littoral mission ships was launched in 2019 and the remaining are expected to be built before 2021. As the Royal Malaysian Navy continues to expand, this signifies growth potential for the oil bunkering industry.

*(Source: Independent Market Research Report)*

#### **5.4. Prospects of the Proposed Diversification**

The Proposed Diversification represents an opportunity for Straits Group to continue developing into an integrated logistics solution provider and to diversify and grow its earnings base. Given the synergy and similarities between the nature and business activities of Port Management Services and the Group's oil trading and oil bunkering services, the Board believes that the Group will be able to use its existing expertise, assets and knowledge in transportation and logistics services to carry out Port Management Services. For information purpose, the Proposed Subscription will also enable the Group, via MPMSB, to leverage the strong expertise and direct experience of Dato' Seri Tiong and Encik Idjal in managing and carrying out Port Management Services at Labuan Port. The successful execution of Port Management Services may potentially increase the enlarged Group's reputation in the port management services, logistics and transportation sector and allow the enlarged Group to enhance its future revenue and earnings.

Upon completion of the Proposed Diversification, Straits will continuously seek viable ventures into Port Management Services, which include, but are not limited to, strategic businesses/ investments, joint ventures, collaborative arrangements, and/ or mergers and acquisitions of suitable businesses/ investments in the port management and operation industry, subject to applicable compliance/ rules required under the Listing Requirements and other relevant acts or authorities applicable at the material times. At present, save for the Port Management Services at Labuan Port via MPMSB, the Group has yet to identify any viable ventures into Port Management Services, which the Board deems appropriate and to be in the best interest of the Group. As such, the financing and time frame required for Straits Group's future ventures into Port Management Services are not determinable at this juncture.

Notwithstanding the above, upon obtaining shareholders' approval for the Proposed Diversification, the Board will endeavour to look for viable opportunities in other ports in Malaysia to carry out Port Management Services. On this note, Straits may prioritise ports that the Group has an existing presence via its existing business of the provision of oil trading and bunkering services. As this business segment expands, the management of Straits may need to recruit additional personnel who are experienced in the port management sector to support and strengthen the operations of the Group's port management segment. Nevertheless, the Board will closely monitor the performance of its venture into Port Management Services.

The Board, after having considered all the relevant aspects, including the salient terms of the LOA, Subscription Agreement, Shareholders Agreement, the rationale of the Proposed Diversification as set out in **Section 4** of this Circular, and the outlook of the port management industry in Malaysia as set out in **Section 5.2** of this Circular, is of the opinion that the Proposed Diversification is expected to enhance the future financial performance of the Group.

*(Source: Management of Straits Group)*



## 6. RISK FACTORS

Pursuant to the Proposed Diversification, Straits Group will be exposed to risks inherent in the port management industry which include, but are not limited to, the following:

### 6.1. Political, economic and regulatory considerations in respect of port management industry

Port industry is highly regulated with the rules and regulation from the domestic port authorities as well as the policies and guidelines governed by specific local and/ or national ministries. With the participation of the Group in the port management industry, its business, prospects, financial condition and level of profitability will be subject, to a certain extent, the developments in the rules and regulation of the port industry and the economic, political and regulatory environment of Malaysia as well as its major trading partners.

Notwithstanding that, the Group will constantly keep abreast with the political, economic and regulatory developments through various media, events and/ or seminars, and may also engage in discussion or meeting with the relevant stakeholders to evaluate, introduce and/ or undertake measures with the aim of mitigating impact of the aforementioned risks. However, there can be no assurance that any adverse development in the economic, political and regulatory environment in Malaysia will not have any material adverse effect on the business operation and financial performance of the Group.

### 6.2. Business diversification risk

Pursuant to the Proposed Diversification, Straits Group's businesses will be subject to risks inherent in the port management industry, which the Group was not previously exposed to. These include, but are not limited to, adverse changes in supply and demand conditions, cyber security threats, natural disasters, disease outbreaks attempts by criminal parties to transport illegal goods, fluctuations in global and regional trade volumes, downturns in regional and/ or national economies, changes in law and tax regulations, unfavourable foreign exchange rates or trade duties, increase in labour cost, and changes in business and credit conditions.

Notwithstanding that, Straits intends to conduct a periodic review of its business and site operations and also adopt prudent financial management and efficient operating procedures to limit the impact of the aforementioned risks. In addition, the Group will ensure that regular emergency drills, maintenance assessments and training sessions are in place to lower the safety and security risks which are relevant to port management related activities. However, there can be no assurance that the Group may be able to successfully mitigate the various risks inherent in the port management industry, and if unable to do so, the business operation and financial performance of the Group may be adversely affected.

With the recent ongoing COVID-19 outbreak, the Group in carrying out Port Management Services, may also be exposed to the risk of COVID-19 impacting the business operations of MPMSB. The impact of COVID-19 is dependent on the severity and duration of the coronavirus disease, which is beyond the Group's control. In addition, the COVID-19 outbreak has led to the implementation of national lockdown policies in many countries worldwide, including Malaysia. While port management is deemed as an essential service and port management companies are allowed to operate during the national lockdown period in Malaysia, the national lockdown has restricted other industries from operating. Further, the implementation of national lockdown policies in other countries have led to a slowdown in manufacturing activities worldwide, and this is expected to lead to less shipments and trans-shipments of products.

Notwithstanding the above, the Group will continuously monitor the COVID-19 outbreak and take mitigating action against the coronavirus disease if necessary, such as splitting team operations to reduce the number of employees working on-site, health screening of visitors who pass through Labuan Port, home-quarantine for employees who have had close contact with suspected and confirmed COVID-19 cases, and increased daily sanitisation in the workplace. However, there can be no assurance that the continuation of COVID-19 or any other disease outbreak will not adversely impact the Group's performance in providing Port Management Services.

### **6.3. Dependency on key personnel**

Straits Group's success in the delivery of the Port Management Services depends largely on the capabilities, skills, competencies and continued effort of its experienced personnel. Recognising the importance of the key personnel as set out in **Section 3.2** of this Circular, the Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and loyalty. Suitable consultant(s), partner(s) and/ or third party contractor(s) will be engaged in the areas necessary for the operation and/ or management of the Port Management Services to manage the risk arising from dependency on key personnel. However, there is no assurance that the loss of any such key personnel will not adversely affect the Group's ability to succeed and compete in the Port Management Services.

### **6.4. Competition risk**

As with other competitors in the port management industry, Straits Group will face competition risk from other ports in Malaysia and the surrounding region. Such risk includes ports with superior geographical locations, in terms of connectivity to trade routes and proximity to industrial or urban areas. The threat of new entrants, via the development of a nearby port or acquisition of an existing nearby port by new operator, is another form of competition risk. Existing ports close to the Group's operations may undergo expansions and upgrades in facilities and infrastructure, making these ports more competitive.

Nevertheless, the Group will continue to take proactive measures to remain competitive in this business by inter-alia, maintaining its port facilities and procedures to be of industry-leading quality and when appropriate, expanding its port infrastructure to maximize its share of regional trade volume. However, there can be no assurance that the Group will be able to compete effectively with existing players and new entrants in business similar to the Port Management Services in the future, which may materially affect the Group's financial performance.

### **6.5. Completion risk of the Proposed Diversification**

The Proposed Diversification is subject to the approval by the shareholders of Straits to be obtained at the forthcoming AGM. In the event the approval by the shareholders of Straits is not successfully obtained, the Proposed Diversification will not be completed.

Notwithstanding the foregoing, Straits shall take all reasonable steps to ensure that the approval by the shareholders of Straits is obtained at the forthcoming AGM to facilitate the completion of the Proposed Diversification.

## 7. FINANCIAL EFFECTS

The effects of the Proposed Diversification on the issued share capital, NA per share and gearing level, substantial shareholders' shareholdings, earnings and earnings per share of Straits Group are set out below:

### 7.1. Issued share capital and substantial shareholders' shareholdings

The Proposed Diversification will not have any effect on the issued share capital and the substantial shareholders' shareholdings of the Company as the Proposed Diversification does not involve any issuance of new shares of Straits.

### 7.2. Earnings and earnings per share

The Proposed Diversification is not expected to have any immediate material effect on the earnings of the Group. However, as set out in **Section 4** of this Circular, barring any unforeseen circumstances, the Proposed Diversification is expected to contribute positively to the future earnings of the Group as and when the benefits therefrom are realized.

### 7.3. NA per share and gearing level

Barring any unforeseen circumstances, the Proposed Diversification is not expected to have any immediate material effect on the NA or NA per share, and gearing level of the Group. However, the future NA and/ or gearing level of the Group will depend on the manner of funding chosen for the Proposed Diversification.

Save for the Port Management Services at Labuan Port, the Group has yet to identify viable and appropriate ventures in Port Management Services that are deemed to be in the best interest of the Group at present. As such, the amount and breakdown of funding required for the Proposed Diversification are not determinable at this juncture. Notwithstanding the above, should the Group identify any opportunity to carry out Port Management Services, the Group may utilise its internally generated funds and/ or bank borrowings to finance this business segment.

### 7.4. Convertible securities

Save for the outstanding 153,267,500 warrants of Straits ("**Warrant(s)**"), as at the LPD, the Company does not have any other convertible securities.

The Proposed Diversification is not expected to give rise to any adjustments on the exercise price and/ or subscription rights of the Warrants pursuant to the deed poll dated 4 July 2017 constituting the Warrants.

## 8. APPROVALS REQUIRED

The Proposed Diversification is subject to the following approvals being obtained:

- (i) The shareholders of Straits at the forthcoming AGM; and
- (ii) Any other relevant authority and/ or third parties, if required.

As set out in **Section 1** of this Circular, the Proposed Subscription is not subject to the shareholders' approval and/ or any regulatory authorities. The highest percentage ratio applicable to the Proposed Subscription pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 6.0%.

The Proposed Subscription and the Proposed Diversification are not inter-conditional upon each other. Should the Proposed Diversification not be approved by the majority shareholders of Straits, the Board will continue with the Proposed Subscription to carry out Port Management Services but at a lesser extent to ensure that the contribution from the Port Management Services segment does not tantamount to a diversification of business activities of Straits Group. In addition, 3 of the Directors of MPMSB are represented and appointed by Straits, who will monitor the business activities and financial contribution of MPMSB. Therefore, the Board will take the necessary steps to ensure that the Group is not in breach in any provision of the Listing Requirements in relation to the Port Management Services.

The Proposed Diversification is not conditional upon any other proposals undertaken or to be undertaken by the Company. The voting on the resolution pertaining to the Proposed Diversification at the forthcoming AGM will be taken on a poll, of which the results of the poll will be validated by an independent scrutineer to be appointed.

**9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM**

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

**10. TENTATIVE TIMETABLE FOR IMPLEMENTATION**

Barring any unforeseen circumstances, the Proposed Diversification will take immediate effect upon obtaining approval from the shareholders of Straits at the AGM to be convened.

**11. PROPOSALS ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed Subscription and Proposed Diversification (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.

**12. DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board, after having considered the salient terms of the LOA, the rationale of the Proposed Diversification as set out in **Section 4** of this Circular, the prospects of the Proposed Diversification as set out in **Section 5.4** of this Circular, the effects of the Proposed Diversification on the Group as set out in **Section 7** of this Circular, and the Independent Market Research Report, is of the opinion that the Proposed Diversification is in the best interest of the Company.

Accordingly, the Board recommends that you **vote in favour** of the resolution pertaining to the Proposed Diversification to be tabled as special business at the forthcoming AGM.

**13. AGM**

The AGM, the notice of which is enclosed in the Annual Report of the Company for the FYE 31 December 2019, will be conducted through live streaming from the Broadcast Venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur on Monday, 22 June 2020 at 10.30 a.m., for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Diversification. An extract of the relevant resolution in relation to the Proposed Diversification as set out in the Notice of AGM is enclosed in this Circular.

Shareholders who appoint proxies to participate in the AGM via remote participation and voting facilities ("**RPV**") must ensure that the duly executed proxy forms are deposited at the office of the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Wilayah Persekutuan or the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. Alternatively, you have the option to lodge the proxy appointment electronically via TIIH Online at <https://tiih.online> or email to [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com) not less than 48 hours before the time appointed for holding the AGM. Please follow the procedures provided in the Information Guide to Shareholders on the AGM in order to register to attend, participate, speak and vote remotely at the AGM via RPV.

#### **14. FURTHER INFORMATION**

Shareholders of Straits are advised to refer to the attached appendices for further information.

Yours faithfully,  
For and on behalf of the Board  
**STRAITS INTER LOGISTICS BERHAD**

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

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## APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

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### 1. SUBSCRIPTION

- (i) The Subscription Agreement outlines the intention of Straits, MPMSB and LHSB to collaborate in Port Management Services at Labuan Port through the subscription of the MPMSB Shares by Straits (via Topco, i.e. SPMSB) and LHSB at the subscription price of RM1.00 per MPMSB Shares.
- (ii) The parties of the Subscription Agreement acknowledge and agree that the percentage equity shareholding of Straits (via SPMSB/ Topco) and LHSB in MPMSB shall at all times be 51.0% : 49.0% ("**Equity Participation**"), respectively unless otherwise agreed to in writing by Straits and LHSB.
- (iii) Upon the Subscription Agreement becoming unconditional, the parties of the Subscription Agreement shall from time to time mutually agree upon the tranches and the number of MPMSB Shares, which Straits and LHSB will respectively subscribe in MPMSB based on the capital commitment requirements of Port Management Services at Labuan Port, both at the subscription price of RM1.00 each, subject always to the Equity Participation ratio being maintained with the first tranche of the subscription being as follows:
  - (a) Straits via SPMSB/ TopCo will subscribe for 1,530,000 MPMSB Shares at RM1.00 each, representing 51.0% of the enlarged issued shares of MPMSB; and
  - (b) LHSB will subscribe for 1,469,900 MPMSB Shares at RM1.00 each, representing 49.0% of the enlarged issued shares of MPMSB and Dato' Seri Tiong shall before or concurrently transfer the existing 100 MPMSB Shares currently held by him to LHSB at RM1.00 each.

### 2. CONDITIONS PRECEDENT

The Subscription Agreement is conditional on the following:

- (i) Straits and LHSB or any one of them conducting or causing to be conducted due diligence on MPMSB and the results of which are to the satisfaction of Straits and LHSB on or before 14 February 2020 or such other extended date to be mutually agreed between all parties to the Subscription Agreement;
- (ii) Straits and LHSB obtaining the approval of their respective board of directors for their respective subscription of MPMSB Shares upon the terms and conditions of the Subscription Agreement;
- (iii) The execution of shareholders agreement in respect of MPMSB on or before 14 February 2020 or such other extended date to be mutually agreed between all parties; and
- (iv) The approvals, consents authorisations, permits or waivers of any other relevant governmental or regulatory body ("**Relevant Authorities**") and any other third parties necessary or appropriate to carry out the subscription and allotment of the subscription shares pursuant to the terms of the Subscription Agreement having been obtained.

The date the last of the conditions precedent is fulfilled or otherwise waived by Straits and LHSB shall be the "**Unconditional Date**".

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## APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)

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### 3. DISBURSEMENT MILESTONE AND SUBSCRIPTION OF SHARES

Subject to the fulfilment of the conditions precedent as stated above, the disbursement of the subscription price and the subscription of MPMSB Shares by Straits via SPMSB/ TopCo and LHSB of up to the amount of Ringgit Malaysia Nine Million Nine Hundred Ninety-Nine Thousand and Nine Hundred (RM9,999,900) only, shall be made by Straits or SPMSB/ TopCo and LHSB and be received by MPMSB progressively with the first tranche on or before 1 April 2020 or such other dates to be mutually agreed between all parties to the Subscription Agreement, and shall also subject, but are not limited, to the following conditions (unless otherwise waived in writing by Straits and LHSB):

- (i) all agreements pertaining to the subscription of MPMSB Shares have been duly executed and stamped and a certified true copy of the resolution passed by the shareholders of MPMSB and its board of directors authorizing the issuance of MPMSB Shares in favour of the relevant party having been furnished to Straits and LHSB;
- (ii) Straits' and LHSB's approvals on the utilisation of subscription monies received by MPMSB;
- (iii) MPMSB has satisfied and complied with all statutory requirements by the relevant statutory bodies;
- (iv) MPMSB, Straits and LHSB performing all their respective obligations as set out in the Subscription Agreement and the Shareholders Agreement and that no breach of the Subscription Agreement and/ or the Shareholders Agreement has occurred which has not been remedied by the defaulting party or waived by the non-defaulting party;
- (v) subject to **Section 1(iii) of Appendix I** above, Straits and LHSB having concurrently disbursed their respective subscription monies for the subscription of new MPMSB shares in MPMSB in proportion to the Equity Participation ratio;
- (vi) in respect of the subscription of the first tranche of MPMSB Shares, LHSB having prior or concurrently obtained and successfully acquired the existing 100 Shares from the existing shareholder of MPMSB;
- (vii) the absence of injunctions or legal proceedings prohibiting the subscription of MPMSB Shares in accordance with the terms and conditions contained in the Subscription Agreement;
- (viii) the absence of any shares, stock, warrant, convertible notes or other securities in MPMSB, which is to be issued or divested or which is under option or agreed to be under option save as contemplated in the Subscription Agreement or the shareholders agreement (when executed); and
- (ix) there being no circumstances which in the reasonable opinion of Straits and LHSB or any one of them having a material adverse effect on MPMSB.

### 4. SUBSCRIPTION PRICE

- (i) The Subscription Price shall be paid by Straits (via SPMSB/ TopCo) and LHSB to MPMSB in exchange for the allotment and issue of MPMSB Shares, which may be paid in cash, or through the contribution of assets and/ or services as may be required for the Port Management Services at Labuan Port.
- (ii) Where the Subscription Price is to be satisfied through the contribution of assets and/ or services as may be required for the Port Management Services at Labuan Port, the parties of the Subscription Agreement shall mutually agree upon the terms and conditions for the delivery of such assets and/ or services.

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## APPENDIX II – SALIENT TERMS OF THE SHAREHOLDERS AGREEMENT

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### 1. CONDITIONS PRECEDENT

- (i) The Shareholders Agreement is conditional upon:
  - a) the subscription of the first tranche of MPMSB Shares by both SPMSB and LHSB of collectively 2,999,900 Shares; and
  - b) the transfer of the existing 100 MPMSB Shares from the existing shareholder Dato' Seri Tiong to LHSB, and
  - c) the completion and perfection of the novation by Straits to MPMSB of the definitive agreement(s) to be executed between LPA and Straits pursuant to the LOA which is envisaged to comprise a port management and facility management agreement and a land lease agreement to be entered into between Straits and LPA (collectively referred to as the "**Public Procurement Contracts**") including having obtained the LPA's express acknowledgement, confirmation and approval of the novation in the Public Procurement Contracts without recourse or reversion to Straits;

in accordance with the Subscription Agreement (the "**Effective Date I**").
- (ii) If the Subscription Agreement is terminated or lapses before the Effective Date I, then the Shareholder Agreement shall lapse and cease to have any further force or effect concurrently and thereafter none of the parties to the Shareholders Agreement shall have any further rights against the other(s) in respect of the Shareholders Agreement.

### 2. BUSINESS OF MPMSB AND ITS SUBSIDIARIES

- (i) Subject to any approvals as may be required from any public authority, the principal activity of MPMSB shall be the carrying on of Port Management Services unless otherwise unanimously agreed by the MPMSB Board and all the shareholders of MPMSB ("**MPMSB Shareholders**").
- (ii) SPMSB and LHSB agree to be liable under the LOA and the Public Procurement Contracts in proportion to the MPMSB Shareholders' respective Equity Participation (as defined in **Section 1 of Appendix I**) and shall indemnify the MPMSB Shareholder incurring a liability (including but not limited to any liquidated damages) directly to LPA thereunder (not due to such MPMSB Shareholder's default or negligence) proportionately to their respective equity participation for the liabilities incurred by such MPMSB Shareholder.

### 3. FINANCIAL REQUIREMENTS

- (i) The financial requirements of MPMSB shall be met from Port Management Services and revenue generated by MPMSB and/ or by borrowings/ banking facility(s) from licensed financial institutions secured by the revenues and assets of MPMSB, grants or financial assistances from government and subscription proceeds received from the MPMSB Shareholders pursuant to the Subscription Agreement, and where determined by way of special resolution the subscription for MPMSB Shares by MPMSB Shareholders in accordance with the terms of the Shareholders Agreement. The foregoing shall apply mutatis mutandis to each subsidiary of MPMSB.
- (ii) Where borrowings and/or banking facilities are or has been obtained by MPMSB or any of its subsidiaries, the said company shall satisfactorily maintain the banking and borrowing facilities obtained by the said company without default, in particular the facilities obtained for the purpose of purchase of inventory.



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## APPENDIX II – SALIENT TERMS OF THE SHAREHOLDERS AGREEMENT (CONT'D)

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- (iii) Notwithstanding the foregoing, none of the MPMSB Shareholders shall be required to provide or procure financial assistance and any security including, but not limited to, guarantees to secure the borrowings of MPMSB or any of its subsidiaries without the prior written approval of such MPMSB Shareholder in which such approval shall not unreasonably be withheld.
- (iv) Each MPMSB Shareholder shall be given a first right of refusal for any future equity and/ or debt financing requirement of MPMSB on a proportionate basis with their respective equity participation in MPMSB.

### 4. SHARES IN MPMSB

- (i) The MPMSB Shareholders hereto agree that the shareholdings of MPMSB shall, unless otherwise varied in accordance with the provisions of the Shareholders Agreement, be maintained at all times in the proportions set out below:
  - a) SPMSB: 51%
  - b) LHSB: 49%
- (ii) Subject to the Companies Act, 2016, the MPMSB Shareholders hereby agree and undertake with one another that if additional capital is required by MPMSB in addition to the subscription proceeds raised by MPMSB pursuant to the Subscription Agreement, such additional capital shall be provided by way of subscription of further MPMSB Shares ("**Further Shares**") for cash for such amount, in such manner and at such time as may be mutually agreed among the MPMSB Shareholders provided always that the Further Shares shall be subscribed by the MPMSB Shareholders in proportion with their Equity Participation in accordance with the terms of the Shareholders Agreement.

For the avoidance of doubt and subject to the Subscription Agreement, no allotment or issue of new MPMSB Shares shall be made unless first offered to all MPMSB Shareholders in proportion to their Equity Participation except as otherwise mutually agreed between the parties to the Shareholders Agreement.

### 5. TAG ALONG

If consent is given under the Shareholders Agreement for a MPMSB Shareholder ("**Selling Shareholder**") to sell or transfer all or any of its MPMSB Shares to any person pursuant to a bona fide arm's length transaction, the other MPMSB Shareholder shall have the right to require the sale or transfer of all or any of its MPMSB Shares held to the said third party under the same terms and conditions offered to the Selling Shareholder, in accordance with the terms of the Shareholders Agreement.

### 6. DIRECTORS OF MPMSB

- (i) Upon or immediately after the Effective Date I, the MPMSB Board shall consist of up to 5 directors of whom:
  - a) SPMSB shall be entitled to appoint 3 directors; and
  - b) LHSB shall be entitled to appoint 2 directors.

Each MPMSB Shareholder may require similar board representation in the subsidiaries of MPMSB, whereupon this clause shall apply mutatis mutandis.

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**APPENDIX II – SALIENT TERMS OF THE SHAREHOLDERS AGREEMENT (CONT'D)**

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- (ii) The MPMSB Shareholders shall be on a rotational basis entitled to nominate at its absolute discretion on who among the Directors of MPMSB shall act as Chairman at the MPMSB Board meetings and general meetings. Each MPMSB Shareholder is entitled to make such nominations on a rotational basis each time when the said meeting is held. The Chairman of MPMSB shall have a second and casting vote in the event of an equality in votes.

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## APPENDIX III – SALIENT TERMS OF THE PRINCIPAL AGREEMENTS

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### 1. SALIENT TERMS OF THE OFMA

#### 1.1. Appointment and consideration

LPA appoints Straits and Straits accepts the appointment to manage the operation and facility of Labuan Liberty Terminal for a consideration, as stipulated under the LLA.

#### 1.2. Effective date and commencement date

The OFMA shall take effect on 3 March 2020. Straits' management of the Labuan Port's operations and facility shall commence on 1 April 2020.

#### 1.3. Contract period

The OFMA shall be for a period of 6 years starting from 1 April 2020 and ending 31 March 2026 or as determined by both parties, unless extended or terminated earlier in accordance with the provisions of the OFMA.

The contract period of the OFMA shall be inter-conditional with the duration of the LLA and the expiry or termination of one shall constitute the expiry and termination of the other.

#### 1.4. Scope of Straits' responsibility

- (i) Straits shall manage Labuan Port's facility and provide port services and marine services in accordance with the performance standards set out in the OFMA; and
- (ii) Straits shall at all times maintain, preserve and keep Labuan Port's facility in good repair, working order and condition, normal wear and tear excepted, and shall from time to time make all needful and proper repairs, renewals, replacements and additions thereto so that at all times, the efficiency of Labuan Port's facility thereof shall be fully preserved and maintained. Straits shall also utilise Labuan Port's facility in an efficient and profitable manner to achieve the performance standards as stipulated in the OFMA.

#### 1.5. Option to extend the OFMA

Provided Straits is not in default of its obligations under the OFMA, Straits shall have the option to extend the duration of the OFMA for an additional 6 years.

#### 1.6. Termination due to default of Straits

LPA may terminate the OFMA, among others, for the following events:

- (i) Straits without reasonable cause suspends the implementation of the Port Management Services at Labuan Liberty Terminal and fails to proceed regularly and diligently with the performance of its obligations under the OFMA;
- (ii) Straits without reasonable cause breaches any of its obligations or fails to comply with any other terms and conditions of the OFMA; and
- (iii) Straits goes into liquidation.

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**APPENDIX III – SALIENT TERMS OF THE PRINCIPAL AGREEMENTS (CONT'D)**

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**1.7. Termination by Straits**

Straits shall be entitled to terminate the OFMA if LPA without reasonable cause fails to perform or fulfil any of its obligations which adversely affects Strait's obligations under the OFMA.

**2. SALIENT TERMS OF THE LLA****2.1 Agreement to sub-lease**

Subject to the terms and conditions contained in the LLA, LPA sub-leases and Straits accepts a sub-lease of the Leased Land for a period of six years commencing on 1 April 2020 and expiring on 31 March 2026 ("**Sub-Lease Period**"), at a monthly rent of RM100,000 only.

The Sub-Lease Period shall be inter-conditional with the duration of the OFMA and the expiry or termination or extension of one of the Principal Agreements shall constitute the expiry or termination or extension of the other Principal Agreement.

**2.2 Termination**

- (i) In the event of early termination of the LLA by Straits or due to default of the LLA by Straits:
  - (a) the Leased Land and/ or any interest thereof shall revert to or be vested in LPA at no cost and expense to LPA;
  - (b) all buildings, structures, installations and fixtures on the Leased Land shall without any payment, costs, compensation or damages whatsoever to Straits become the property of LPA and shall be handed over to LPA in good condition fair wear and tear excepted; and
  - (c) the Rental Deposit shall be forfeited.
- (ii) In the event of early termination of the LLA by LPA:
  - (a) the Leased Land and/ or any interest thereof shall revert to or be vested in LPA;
  - (b) all buildings, structures, installations and fixtures on the Leased Land shall become the property of LPA and shall be handed over to LPA in good condition fair wear and tear excepted, subject to payment, costs, compensation or damages as determined in accordance with the OFMA; and
  - (c) the Rental Deposit shall be returned to Straits free of interest.

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## APPENDIX IV – SALIENT TERMS OF THE NOVATION AGREEMENT

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### 1. NOVATION

#### 1.1 MPMSB to be bound

MPMSB agrees and undertakes with the parties to the Novation Agreement ("**Novation Party(ies)**") that it shall permanently and irrevocably assume all rights, title, benefits, interests, covenants, undertakings, duties, liabilities and obligations of Straits under the Principal Agreements arising prior, on and/ or after to the date of the Novation Agreement ("**Effective Date II**").

#### 1.2 Straits permanently and irrevocably ceases to have any right or obligation

Straits irrevocably confirms and acknowledges that with effect from the Effective Date II, it permanently and irrevocably has no further rights, title, benefits, interest, property, remedies, claims, demands, obligations or liabilities whatsoever under the Principal Agreements. Without prejudice to the foregoing, Straits transfers and assigns to MPMSB all rights, title, benefits, interest, property, remedies, claims or demands whatsoever which it may have received or is entitled under the Principal Agreements.

#### 1.3 Absolute novation from Straits to MPMSB

The novation made by Straits on its rights, title, benefits, interests, covenants, undertakings, duties, liabilities and obligations under the Principal Agreements to MPMSB and assumed by MPMSB under the Novation Agreement is absolute and irrevocable.

The novation under the Novation Agreement remains valid irrespective of any change in control or shareholder of any party. Under no circumstances including situation where MPMSB is alleged to have been in breach of the terms and conditions of the Novation Agreement or the Principal Agreements, shall MPMSB be obliged to revert Port Management Services at Labuan Port and/ or Principal Agreements to Straits Group provided always MPMSB is fully liable for all liabilities damages cost and expense arising therefrom such circumstance(s) and indemnifies Straits for the foregoing.

### 2. APPROVAL AND ACKNOWLEDGEMENT BY LPA

LPA acknowledges, consents and approves the novation of the Principal Agreements on terms and conditions of the Novation Agreement.

The Novation Parties agree that LPA will not be liable to any of the Novation Parties in granting its agreement, acknowledgement and/ or approval of the terms and conditions of the Novation Agreement.

### 3. SPECIFIC REPRESENTATIONS AND WARRANTIES BY MPMSB

MPMSB agrees, undertakes, warrants and covenants with the other Novation Parties as follows:

- (i) that MPMSB will at all times save harmless and keep indemnified the other Novation Parties against all actions, proceedings, damages, penalties, costs, claims and demands arising by reason or on account of the non-payment, non-performance and/ or non-observance by MPMSB of all and every sum of money stipulation agreement proviso and condition mentioned and/ or contained in the Principal Agreements and to be paid performed and/ or observed on and/ or after the Effective Date II by MPMSB;

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**APPENDIX IV – SALIENT TERMS OF THE NOVATION AGREEMENT (CONT'D)**

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- (ii) all terms and obligations under the Principal Agreements to be complied with on or after the Effective Date II will be complied with by MPMSB;
- (iii) MPMSB has the requisite power capacity and authority to enter into deliver and perform the Novation Agreement, and has taken all necessary corporate action required by it for the execution of the Novation Agreement; and
- (iv) compliance with the terms of the Novation Agreement does not and will not conflict with or constitute a default under:
  - a) the constitution of MPMSB; or
  - b) any order, judgment, award or injunction by which MPMSB is bound.

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## APPENDIX V – BACKGROUND INFORMATION ON MPMSB

### 1. INCORPORATION AND BUSINESS ACTIVITY

MPMSB was incorporated in Malaysia on 23 December 2019 as a private company limited by shares under the Act and having its registered office at 1<sup>st</sup> Floor, Lot B11, Jati Commercial Centre, Jalan Tun Mustapha, Labuan, 87000 Wilayah Persekutuan Labuan. As at the LPD, MPMSB is principally involved in Port Management Services.

As at the LPD, MPMSB has no subsidiary or associate company.

### 2. SHARE CAPITAL

As at the LPD, MPMSB has an issued share capital of RM3,000,000 comprising 3,000,000 ordinary shares.

### 3. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders' shareholdings in MPMSB are as follows:

Name	Place of incorporation/ nationality	< ----- Direct ----- >		< ----- Indirect ----- >	
		No. of MPMSB Shares	% <sup>*1</sup>	No. of MPMSB Shares	% <sup>*1</sup>
SPMSB	Malaysia	1,530,000	51.0	-	-
LHSB	Malaysia	1,470,000	49.0	-	-
Straits	Malaysia	-	-	1,530,000 <sup>*2</sup>	51.0
Dato' Seri Tiong	Malaysian	-	-	1,470,000 <sup>*3</sup>	49.0
Encik Idjal	Malaysian	-	-	1,470,000 <sup>*3</sup>	49.0

**Notes:**

<sup>\*1</sup> Based on the total issued shares of 3,000,000 in MPMSB.

<sup>\*2</sup> Deemed interest by virtue of its shareholding in SPMSB.

<sup>\*3</sup> Deemed interest by virtue of his shareholding in SSSB, which is the holding company of LHSB.

As at the LPD, the directors of MPMSB are as follows:

Directors	Nationality	< ----- Direct ----- >		< ----- Indirect ----- >	
		No. of MPMSB Shares	%	No. of MPMSB Shares	%
YAM Dato' Seri Tengku Baharuddin Ibni Sultan Mahmud	Malaysian	-	-	-	-
Tan Sri Mohd Bakri Bin Mohd Zinin	Malaysian	-	-	-	-
Dato' Sri Ho Kam Choy	Malaysian	-	-	-	-
Dato' Seri Tiong	Malaysian	-	-	1,470,000 <sup>*1</sup>	49.0
Encik Idjal	Malaysian	-	-	1,470,000 <sup>*1</sup>	49.0
Ms Ti Le-June	Malaysian	-	-	-	-

**Note:**

<sup>\*1</sup> Deemed interest by virtue of his shareholding in SSSB, which is the holding company of LHSB.

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**APPENDIX V – BACKGROUND INFORMATION ON MPMSB (CONT'D)**

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**4. MATERIAL CONTRACTS**

Saved as disclosed below, as at the LPD, MPMSB 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 date of this Circular:

- (i) the Subscription Agreement;
- (ii) the Shareholders Agreement; and
- (iii) the Novation Agreement.

**5. MATERIAL COMMITMENTS**

As at the LPD, MPMSB Board is not aware of any material commitments incurred or known to be incurred by MPMSB that has not been provided for, which may have a material impact on the financial results/ position of MPMSB.

**6. CONTINGENT LIABILITIES**

As at the LPD, save for the obligations and liabilities as stated in the Subscription Agreement, Shareholders Agreement and Novation Agreement, MPMSB Board is not aware of any contingent liabilities incurred or known to be incurred by MPMSB which, upon becoming enforceable, may have a material impact on the financial results/ position of MPMSB.

**7. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

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

**8. SUMMARY OF FINANCIAL INFORMATION**

As at the LPD, MPMSB has not released any interim/ unaudited financial results nor audited financial statements.

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## APPENDIX VI – 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

UOB Kay Hian, being the Principal Adviser for the Proposed Diversification, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Providence Strategic Partners Sdn Bhd, being the Independent Market Researcher for the Proposed Diversification, has given and has not subsequently withdrawn its written consent to the inclusion of its name, report and all references thereto in the form and context in which they appear in this Circular.

### 3. DECLARATION OF CONFLICT OF INTERESTS

UOB Kay Hian has given its written confirmation that as at the date of this Circular, there are no situations of conflict of interests that exist or is likely to exist in relation to its role as the Principal Adviser to Straits for the Proposed Diversification.

Providence Strategic Partners Sdn Bhd has given its written confirmation that as at the date of this Circular, there are no situations of conflict of interests that exist or is likely to exist in relation to its role as the Independent Market Researcher to Straits for the Proposed Diversification.

### 4. MATERIAL COMMITMENTS

Save as disclosed below, 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 may have a material impact on the financial results/ position of the Group:

	RM'000
Capital commitments of the Group based on its latest audited consolidated financial statement for the FYE 31 December 2019 are as follows:	
i. Approved and contracted	795
ii. Approved but not contracted	-

### 5. CONTINGENT LIABILITIES

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

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**APPENDIX VI – FURTHER INFORMATION (CONT'D)**

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**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at No.149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan, during normal business hours (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:

- (i) the Constitution of Straits;
- (ii) the LOA, Subscription Agreement, Shareholders Agreement, Principal Agreements, Novation Agreement and Independent Market Research Report;
- (iii) Audited consolidated financial statements of Straits Group for the past 2 financial years up to the FYE 31 December 2019; and
- (iv) The letter of consent and declaration of conflict of interests referred to in **Sections 2 and 3** of Appendix VI.

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## **STRAITS INTER LOGISTICS BERHAD**

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

### **EXTRACT OF NOTICE OF TWENTY-THIRD ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Third Annual General Meeting ("**AGM**") of Straits Inter Logistics Berhad ("**Straits**" or the "**Company**") will be conducted through live streaming from the Broadcast Venue at Tricor Boardroom, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur on Monday, 22 June 2020 at 10.30 a.m., for the purpose of considering and if thought fit, passing with or without modifications the following resolutions set out below:

#### **ORDINARY RESOLUTION**

#### **PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF STRAITS AND ITS SUBSIDIARIES TO INCLUDE PORT MANAGEMENT AND RELATED BUSINESS ACTIVITIES ("PROPOSED DIVERSIFICATION")**

"**THAT**, subject to the approvals of all relevant authorities and/ or parties being obtained, approval be and is hereby given to the Company and its subsidiaries to diversify its existing principal activities to include port management and related business activities as described in the circular to shareholders dated 21 May 2020;

**AND THAT** the Board of Directors of Straits ("**Board**") be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Diversification with full power to assent to any conditions, variations, modifications, and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matter relating thereto and to take all such steps to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Diversification."

**By Order of the Board**

**WAN HASLINDA WAN YUSOFF (MAICSA 7055478)**  
**SSM PC No: 202008002798**

**SANGAR NALLAPPAN (MACS 01413)**  
**SSM PC No: 202008002985**  
Company Secretaries

Port Klang  
21 May 2020