

STRAITS ENERGY RESOURCES BERHAD

(f.k.a. STRAITS INTER LOGISTICS BERHAD)

(Company No.: 199601040053 (412406-T))

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

SUMMARY OF KEY FINANCIAL INFORMATION

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31 Dec 2021	Quarter Ended 31 Dec 2020	Year Ended 31 Dec 2021 (Unaudited) RM'000	Year Ended 31 Dec 2020 (Audited) RM'000
Revenue	445,560	176,520	1,319,023	675,316
Operating profit	3,337	2,864	12,418	7,163
Finance costs	(1,890)	(2,173)	(7,380)	(5,973)
Share of result of associate	2,146	1,668	4,986	5,277
Profit before tax	3,593	2,369	10,024	6,467
Income tax expense	(3,730)	(1,609)	(5,585)	(2,495)
(Loss)/Profit after taxation	(137)	760	4,439	3,972
Profit attributable to :				
Owners of the Parent	824	444	4,403	2,839
Non-controlling interest	(961)	316	36	1,133
(Loss)/Profit for the period/year	(137)	760	4,439	3,972
Basic earnings per share (sen)	0.11	0.07	0.58	0.44
Diluted earnings per share (sen)	0.10	0.06	0.53	0.40
Proposed/Declared Dividend per share (sen)	N/A	N/A	N/A	N/A

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31 Dec 2021	Quarter Ended 31 Dec 2020	Year Ended 31 Dec 2021 (Unaudited)	Year Ended 31 Dec 2020 (Audited)
	RM'000	RM'000	RM'000	RM'000
Revenue	445,560	176,520	1,319,023	675,316
Operating expenses	(436,389)	(168,408)	(1,297,242)	(657,520)
Interest income	10	3	39	13
Other operating income	(1,947)	(791)	4,529	1,171
Depreciation	(3,897)	(4,460)	(13,931)	(11,817)
Operating profit	3,337	2,864	12,418	7,163
Finance costs	(1,890)	(2,163)	(7,380)	(5,973)
Share of result of associate	2,146	1,668	4,986	5,277
Profit before tax	3,593	2,369	10,024	6,467
Income tax expense	(3,730)	(1,609)	(5,585)	(2,495)
(Loss)/Profit after taxation	(137)	760	4,439	3,972
Other comprehensive income, net of tax	80	(474)	1,552	(459)
Total comprehensive income for the period/year	(57)	286	5,991	3,513
(Loss)/Profit attributable to :				
Owners of the Parent	824	444	4,403	2,839
Non-controlling interest	(961)	316	36	1,133
(Loss)/Profit after taxation	(137)	760	4,439	3,972
Total comprehensive income attributable to :				
Owners of the Parent	904	(30)	5,955	2,380
Non-controlling interest	(961)	316	36	1,133
Total comprehensive income for the period/year	(57)	286	5,991	3,513
Basic earnings per share (sen)	0.11	0.07	0.58	0.44
Diluted earnings per share (sen)	0.10	0.06	0.53	0.40

Notes :

- 1) The Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.
- 2) Certain comparative figures have been reclassified to conform to the current quarter's presentation.

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(These figures have not been audited)

	As At 31 Dec 2021 (Unaudited) RM'000	As At 31 Dec 2020 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant & equipment	157,219	121,343
Goodwill on consolidation	30,559	30,559
Investment in associates	25,562	21,318
Total Non-Current Assets	213,340	173,220
Current Assets		
Inventories	37,900	18,175
Trade receivables	52,615	63,708
Other receivables, deposits & prepaid expenses	48,444	47,441
Tax recoverable	3	301
Amount owing from associate	-	24
Fixed deposits	1,200	682
Cash & bank balances	45,902	10,919
Total Current Assets	186,064	141,250
TOTAL ASSETS	399,404	314,470
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	124,897	104,466
Other reserve	(17,625)	(17,625)
Warrant reserve	17,625	17,625
Forex currency translation reserve	957	(595)
Retained profits	5,414	9,834
Equity Attributable to Owners of the Parent	131,268	113,705
Non-controlling interests	14,220	12,461
Total Equity	145,488	126,166
Non-Current Liabilities		
Other creditors	22,115	24,899
Leased liabilities	8,673	7,824
Bank borrowings	732	-
Deferred tax liabilities	4,629	1,118
Total Non-Current Liabilities	36,149	33,841
Current Liabilities		
Trade payables	42,561	38,031
Other payables and accruals	99,921	42,299
Bank borrowings	70,875	70,898
Leased liabilities	3,471	2,540
Tax liabilities	939	695
Total Current Liabilities	217,767	154,463
Total Liabilities	253,916	188,304
TOTAL EQUITY AND LIABILITIES	399,404	314,470
Net asset per share attributable to Owners of the Parent (sen)	16.81	17.48

Note :

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(These figures have not been audited)

	-----> Attributable to Owners of the Parent <-----			-----> Non-Distributable <-----					
	Share Capital	Other Reserve*	Sub-Total	Warrant Reserve	Forex Currency Translation Reserve	Retained Profits	Total	Non- Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Year ended 31 Dec 2021									
At 1 January 2021	104,466	(17,625)	86,841	17,625	(595)	9,834	113,705	12,461	126,166
Profit for the year	-	-	-	-	-	4,403	4,403	36	4,439
Translation reserve	-	-	-	-	1,552	-	1,552	-	1,552
New issuance of shares	20,431	-	20,431	-	-	-	20,431	-	20,431
Acquisition of non-controlling interest	-	-	-	-	-	-	-	1,787	1,787
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	3,399	3,399
Change in equity shareholdings in subsidiary	-	-	-	-	-	(8,823)	(8,823)	(2,924)	(11,747)
Dividend paid	-	-	-	-	-	-	-	(539)	(539)
At 31 Dec 2021	124,897	(17,625)	107,272	17,625	957	5,414	131,268	14,220	145,488
Year ended 31 Dec 2020									
At 1 January 2020	104,466	(17,625)	86,841	17,625	(136)	6,275	110,605	12,142	122,746
Profit for the year	-	-	-	-	-	2,839	2,839	1,133	3,972
Translation reserve	-	-	-	-	(459)	-	(459)	-	(459)
Acquisition of non-controlling interest	-	-	-	-	-	720	720	(814)	(94)
At 31 Dec 2020	104,466	(17,625)	86,841	17,625	(595)	9,833	113,014	14,429	126,166

Note :

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

* Other Reserve represent the discount on issuance of shares and the value of which is represented by the fair value of the warrant. The other reserve, in substance, form part of the issued and paid-up share capital and is presented separately for better understanding.

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(These figures have not been audited)

	Year Ended 31 Dec 2021 (Unaudited) RM'000	Year Ended 31 Dec 2020 (Audited) RM'000
Cash Flows From Operating Activities		
Profit before taxation	10,024	6,467
Adjustments for :		
Depreciation of property, plant and equipment	13,931	11,817
Bad debt written off	368	-
Interest income	(39)	(13)
Finance costs	7,380	5,973
Deposit written off	-	6
Loss on disposal of property, plant and equipment	-	161
Property, plant and equipment written off	2	10
Impairment loss on receivables	-	552
Reversal of impairment loss on receivables	-	(604)
Unrealised forex (gain)/loss	(1,915)	1,158
Share of result of associates	(4,986)	(5,277)
Operating profit before working capital changes	<u>24,765</u>	<u>20,250</u>
Net change in current assets	(8,053)	9,080
Net change in current liabilities	63,265	(37,939)
Cash from/(used in) operations	<u>79,977</u>	<u>(8,609)</u>
Tax paid	(721)	(899)
Tax refund	227	-
Net cash from/(used in) operating activities	<u>79,483</u>	<u>(9,508)</u>
Cash Flows From Investing Activities		
Acquisition of non-controlling interest	(11,747)	(1,633)
Capital contribution from non-controlling interest of a subsidiary	3,399	990
Interest income received	39	13
Proceed from disposal of property, plant and equipment	-	178
Purchase of property, plant and equipment	(39,738)	(8,622)
Net cash used in investing activities	<u>(48,047)</u>	<u>(9,074)</u>
Cash Flows From Financing Activities		
Dividend paid to non-controlling interest	(539)	-
Proceeds from issuance of shares	20,431	-
Proceeds from issuance of shares in subsidiary	1,787	1,470
Purchase of leased liabilities	4,142	-
Repayment of leased liabilities	(2,661)	(1,179)
Proceeds from bank borrowings	(152)	34,905
Repayment of vendor financing	(11,602)	(7,277)
Repayment from/(Advance to) associate company	24	(27)
Finance costs	(7,380)	(5,973)
Net cash from financing activities	<u>4,050</u>	<u>21,919</u>

	Year Ended 31 Dec 2021 (Unaudited) RM'000	Year Ended 31 Dec 2020 (Audited) RM'000
Net increase in cash and cash equivalents	35,486	3,337
Cash and cash equivalents at beginning of the year	11,601	8,264
Effect of exchange rate changes on cash and cash equivalents held	15	-
Cash and cash equivalents at end of the year	47,102	11,601
Cash and cash equivalents at end of the year comprise :		
Fixed deposit	1,200	682
Cash and bank balances	45,902	10,919
	47,102	11,601

Note :

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

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

A1 Basis of preparation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2020. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial year ended 31 December 2020.

A2 Significant accounting policies

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

The financial information presented herein have been prepared in accordance with the accounting policies used in preparing the audited financial statements for the financial year ended 31 December 2020, and for the following standards and interpretation which became effective on 1 January 2021:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform Phase 2
Amendments to MFRS 16	Covid-19-Related Rent Concessions

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

Effective for financial periods beginning on or after 1 April 2021

Amendments to MFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018–2020	

Effective for financial periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate Joint Venture
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The adoption of the above standards and amendments are not expected to have any material impact on the financial statements of the Group.

A3 Auditors report of preceding annual financial statements

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

A4 Seasonal or cyclical factors

The Group's interim operations are normally affected by the monsoon season and festive period in the first and fourth quarter of the year.

A5 Unusual items

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

A6 Material changes in estimates

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

A7 Debt and equity securities

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

On 8 February 2022, the issued and paid-up share capital of the Company was increased from RM124,895,843 to RM124,902,628 by way of issuance of 59,000 new ordinary shares arising from the conversion of 59,000 warrants at the exercise price of RM0.115 for every one new ordinary share of Straits.

On 18 February 2022, the issued and paid-up share capital of the Company was increased from RM124,902,628 to RM138,694,968 by way of issuance of 91,340,000 new ordinary shares at RM0.151 each for a Private Placement exercise.

A8 Dividends

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

A9 Segment information

The Group's business has been segregated into the following core business segments:

Investment Holding

Investment in shares and provision of management services.

Oil Trading & Bunkering Services

This involves the provision of refuelling marine gas oil and marine fuel oil through vessels to other ships and ocean faring vessels such as container vessels, cargo vessels and oil tankers. In essence, oil bunkering services entail the offering of marine logistics and marine supports services to companies mainly in the fields of marine transportation and oil and gas industries.

Inland Transportation & Logistics

This involves the provision of transportation services by land, mainly through tankers, trucks and/or lorries.

Vessel Management

This involves the provision of the vessel and marine management services.

Port Management

This involves the provision of Labuan Port management services.

Ship-to-Ship (“STS”) Operations

This involves the provision of STS operations.

BUSINESS SEGMENTS	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31 Dec 2021	Quarter Ended 31 Dec 2020	Year Ended 31 Dec 2021	Year Ended 31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
Oil Trading & Bunkering Services	440,926	171,838	1,301,869	662,244
Inland Transportation & Logistics	1,657	879	4,114	2,959
Vessel Management	245	541	1,056	546
Port Management	2,732	3,262	11,984	9,567
	<u>445,560</u>	<u>176,520</u>	<u>1,319,023</u>	<u>675,316</u>
<u>Segment Profit Before Tax</u>				
Investment Holding	(1,252)	(1,199)	(4,004)	(3,964)
Oil Trading & Bunkering Services	4,989	2,383	11,118	7,287
Inland Transportation & Logistics	(583)	(1,013)	(2,283)	(2,920)
Vessel Management	221	341	1,833	1,358
Port Management	(212)	192	1,262	(543)
STS Operations	(1,700)	-	(2,856)	-
Share of result of associate	2,146	1,668	4,986	5,277
Others	(16)	(3)	(32)	(28)
	<u>3,593</u>	<u>2,369</u>	<u>10,024</u>	<u>6,467</u>

A10 Valuation of property, plant & equipment

There were no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have effect in the current quarter under review.

A11 Subsequent material events

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

A12 Changes in the composition of the Group

On 9 November 2021, the Company 70% indirect-owned subsidiary, Victoria STS (Labuan) Sdn Bhd, incorporated two wholly-owned subsidiary namely Victoria 1 Limited and Victoria 2 Limited in Labuan under the Labuan Companies Act 1990 with an issued and paid-up capital of USD 100 comprising 100 ordinary shares of USD1 each, respectively. Victoria 1 Limited and Victoria 2 Limited intended activity is investment holding.

On 8 December 2021, the Company acquired 75% of the paid-up share capital of Straits Technology Solutions Sdn Bhd (“TECH”) representing 750 units of ordinary shares for a total purchase consideration of RM750. TECH’s intended activity is investment holding.

On 8 December 2021, the Company’s 75% owned subsidiary, TECH, acquired 70% of the paid-up share capital of a shelf company, Straits CommNet Solutions Sdn Bhd (“SCS”) representing 700 units of ordinary shares for a total purchase consideration of RM700. SCS’s intended activity is to participate in the vast business opportunities of the 4G and 5G network solution rollout and the digitalization transformation of the port, oil and gas industry through the Smart Technologies and Internet of Things (“IoT”) in Malaysia and regionally.

Save as disclosed above, there has been no other material change in the composition of the Group during the financial quarter under review.

A13 Contingencies

There were no contingent liabilities or contingent assets arising since 31 December 2020.

A14 Capital commitments

Capital expenditures as at the date of this report but not recognised in the financial statements are as follows:

	Year Ended 31 Dec 2021 RM'000	Year Ended 31 Dec 2020 RM'000
Approved and contracted	<u>8,330</u>	<u>6,071</u>

A15 Significant related party transactions

Save as disclosed below, there were no other significant related party transactions during the financial quarter under review:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31 Dec 2021 RM'000	Quarter Ended 31 Dec 2020 RM'000	Year Ended 31 Dec 2021 RM'000	Year Ended 31 Dec 2020 RM'000
Shipping agency services	670	227	2,219	661
Launch boat services	91	-	274	-
Provision of fresh water	<u>(8)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>

A16 Profit before taxation

Profit before tax is arrived at after charging / (crediting) the following items:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31 Dec 2021 RM'000	Quarter Ended 31 Dec 2020 RM'000	Year Ended 31 Dec 2021 RM'000	Year Ended 31 Dec 2020 RM'000
(a) Bad debt written off	-	-	368	-
(b) Depreciation & amortisation	3,897	4,460	13,931	11,817
(c) Deposits written off	-	6	-	6
(d) Finance costs	1,890	2,163	7,380	5,973
(e) Interest income	(10)	(3)	(39)	(13)
(f) Impairment loss on receivables	-	552	-	552
(g) Income from profit guarantee shortfall	-	-	1,019	-
(h) Reversal of impairment loss on receivables	-	(604)	-	(604)
(i) Property, plant and equipment written off	2	10	2	10
(j) Loss on disposal of property, plant and equipment	-	-	-	161
(k) Foreign exchange (gain) / loss - unrealised	(4,261)	764	(1,915)	1,158
- realised	7,016	549	471	(770)

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance

The Group's revenue in the current quarter surged by RM269.1 million to RM445.6 million, from RM176.5 million recorded in the corresponding quarter of the previous year. The increase was substantially contributed by the oil trading & bunkering services segment which had expanded its market coverage into Port Klang, apart from benefiting continuously from the recovery of the maritime industry and rising global oil prices. Revenue generated from inland transportation had almost doubled to RM1.6 million in the current quarter as the construction industry picked up on the back of the Malaysian economy recovering from the COVID-19 Pandemic. However lower revenue was generated by our port management segment due to quarantine implementation by Kementerian Kesihatan between October and November 2021 on Labuan Port. The revenue from the vessel management segment also dropped due to less vessels calling into Singapore Port.

The Group profit before tax ("PBT") increased by RM1.2 million to RM3.6 million in the current quarter from RM2.4 million in the previous corresponding quarter. This was contributed by a higher PBT of RM2.6 million by the oil trading & bunkering segment, an increase of RM0.5 million in share of profits from its associate company and reduced losses of RM0.5 million by its Inland transportation segment as its revenue double up during the same period. However, these profits were partially offset by a lower profit of RM0.4 million by the port management segment and a further initial start-up and pre-operational cost of RM1.7 million incurred by the STS operation.

B2 Variation of results against preceding quarter

	Current Quarter 31 Dec 2021 RM'000	Preceding Quarter 30 Sept 2021 RM'000	Changes	
			RM'000	%
Revenue	445,560	341,211	104,349	30.6
PBT	3,593	1,944	1,649	84.8
(Loss)/Profit after tax ("PAT")	(137)	1,507	(1,644)	(109.1)
Profit Attributable to Owners of the Parent	824	1,789	(965)	(53.9)

The revenue in the current quarter increased by RM104.3 million to RM445.6 million from RM341.2 million achieved in the preceding quarter mainly due to the oil trading & bunkering services segment expanding its footprint into Port Klang, amidst increasing global oil prices and the continuous recovery in the maritime industry.

The PBT in the current quarter increased by RM1.7 million to RM3.6 million compared to the preceding quarter. The oil and bunkering services segment and its associate contributed an additional profit of RM4.2 million and RM1.0 million respectively. However, these higher profits were eroded by the RM1.9 million in the STS initial setup and pre-operational costs, and RM0.2 million incurred for the private placement exercise. A one-off profit guarantee shortfall payment of RM1.0 million received from Encik Raja Ismail bin Raja Mohamed, the vendor of the 55% equity stake in Tumpuan Megah Development Sdn Bhd ("TMD"), was also recognised in the preceding quarter. The drop in vessels calling to the Singapore port in the current quarter too had lowered the PBT contribution by the vessel management.

B3 Group's prospects

In line with the Group's business strategy to further expand its bunkering services and supply of marine fuel oil ("MFO"), it had on 15 October 2021, through its 51% indirect-owned subsidiary, SMF Beluga Ltd, entered into a Bareboat Charter Hire Agreement to acquire a vessel, namely M.T. Empower for a purchase consideration of USD3.5 million. This vessel has since been renamed as M.T. SMF Beluga.

The Group via its indirect subsidiary, Victoria STS (Labuan) Sdn Bhd ("Victoria") had on 12 July 2021 received a letter of approval ("LOA") from Marine Department Malaysia for the development of Ship to Ship ("STS") Energy Transshipment Hub to provide and carry out liquid cargo transfer activities. The Group is looking to widen its business coverage into the STS operations and Victoria is scheduled to commence operation in second quarter of 2022. The Group aims to be a major player in the Sustainable and Alternative Energy industry in addition to its current fuel bunkering, vessel management, inland transportation and port operation business.

The Group had on 25 October 2021 announced the proposed acquisition of 90% equity interest in Sinar Maju Logistik Sdn Bhd ("Sinar Maju") and the proposed granting by the vendor to Straits of a call option to acquire remaining 10% equity interest in Sinar Maju. The proposed acquisition is targeted to be completed in April 2022. This acquisition will be a horizontal expansion of the Group's port operation and facility management services, which will allow the Group to offer a broader range of related services within the port operation, logistics and transportation sector to provide additional value to clients and enhance the revenue and earnings of Straits Group.

The Company, via its 70% indirect-owned subsidiary, Straits CommNet Solutions Sdn Bhd ("SCS") is mobilising its resources to participate in the vast business opportunities of the 4G and 5G network solution rollout and the digitalization transformation of the port, oil and gas industry through the Smart Technologies and Internet of Things ("IoT") in Malaysia and regionally.

Malaysia is accelerating its journey towards industry 4.0 where 4G, 5G, IoT and wireless network play vital roles. The deployment of the nationwide next-generation wireless cellular technology is expected to increase the number of IoT and Smart Industry use cases in the country. Wireless network like 4G, 5G, private networks will power innovation in areas such as automation, robotics, remote control across various industries. SCS will look into the digital transformation for Straits Group businesses and to ride on this technology wave in both the private enterprise and public sector.

As the COVID-19 pandemic continues to pose challenges to the global business environment since its outbreak in March 2020, the economy outlook remains highly uncertain with the continuous mutation of the COVID-19 virus.

With the majority of the Group's businesses being classified as essential services, the Group is able to continue operating and concurrently complying with the Standard Operating Procedures ("SOP") to ensure the safety and wellness of its employees and also to ensure the continuous growth and smooth execution of its expansion programs.

B4 Profit forecast and profit guarantee

The Group has not provided any profit forecast or profit guarantee in any public document.

A Share Sale Agreement ("SSA") dated 7 June 2018 has been executed by the Company and En Raja Ismail Bin Raja Mohamed ("Vendor"), to purchase 8,250,000 ordinary Shares of TMD representing 55% of the entire issued and paid-up Shares of TMD in consideration of RM7.8 million cash and an aggregate of 116,458,333 new ordinary shares of the Company. It is a term of the SSA that the Vendor agrees, undertakes and guarantees that the aggregate PAT for the financial years ended 31 December 2019 and 31 December 2020 shall be not less than RM10 million. Based on the TMD's aggregate audited financial statements for the both financial years, the profit guarantee shortfall amounts to RM1.9 million and amount attributable to the Company is RM1.0 million, representing 55% of the shortfall. On 13 August 2021, the Company had issued a notice to Vendor informing the aggregate PAT achieved by TMD, the Shortfall amount and the Shortfall amount attributable to the Company. The Vendor had credited the shortfall to the Company on 17 August 2021.

B5 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31 Dec 2021 RM'000	Quarter Ended 31 Dec 2020 RM'000	Year Ended 31 Dec 2021 RM'000	Year Ended 31 Dec 2020 RM'000
Income tax				
Current tax	(518)	29	630	306
Underprovision in prior year	398	(25)	400	20
	<u>(120)</u>	<u>4</u>	<u>1,030</u>	<u>326</u>
Deferred tax				
Origination of temporary differences	553	1,303	553	1,303
Underprovision in prior year	2,959	29	2,959	29
	<u>3,512</u>	<u>1,332</u>	<u>3,512</u>	<u>1,332</u>
Tax on share of associate's profit	338	273	1,043	837
	<u>3,730</u>	<u>1,609</u>	<u>5,585</u>	<u>2,495</u>

The Group's high effective tax rate of 103.8% in the current quarter was mainly due to underprovision of deferred tax expense of RM2.8 million in prior year due to over recognition of deferred tax asset arising from unutilised business losses estimated in year of assessment ("YA") 2020 whereby additional non-deductible expenses were added back in finalisation of YA 2020 tax compliance in current financial year. In addition, the non-allowable expenses incurred in current quarter and provision for taxation for inter-group transactions further added on to the corporate tax expense.

B6 Unquoted investments and properties

There was no acquisition or disposal of unquoted investment and properties during the financial period under review.

B7 Quoted and marketable securities

The Group does not hold any quoted or marketable securities as of 31 December 2021. There was no purchase or disposal of quoted securities for the current quarter.

B8 Corporate Exercise

On 25 October 2021, the Company proposed to undertake the following:

- (i) A private placement of up to 20% of the total number of issued shares of Straits (excluding treasury shares) to third party investor(s) to be identified later ("Proposed Private Placement"); and
- (ii) An acquisition of 270,000 ordinary shares in Sinar Maju Logistik Sdn Bhd ("Sinar Maju") ("Sale Share(s)"), representing 90% equity interest in Sinar Maju, from Tan Sri Mohd Bakri Bin Mohd Zinin ("Tan Sri Mohd Bakri" or the "Vendor") for a purchase consideration of RM16,380,000 ("Purchase Consideration") to be satisfied entirely via cash ("Proposed Acquisition"); and
- (iii) The granting by the Vendor to Straits of a call option ("Call Option") for Straits to acquire all the remaining ordinary shares in Sinar Maju ("Sinar Maju Share(s)") to be held by the Vendor after the completion of the Proposed Acquisition ("Call Options Share(s)"), representing 10% equity interest in Sinar Maju, for a purchase consideration of RM1,820,000 ("Call Option Price") to be satisfied entirely via cash in a single transaction by serving a written notice to the Vendor ("Call Option Notice") ("Proposed Call Option").

The Proposed Private Placement, Proposed Acquisition and Proposed Call Option are collectively referred to as the "Proposals". The Proposals have been approved by the Company's shareholders at the Extraordinary General Meeting held on 19 January 2022. The acquisition of Sinar Maju is scheduled for completion by April 2022.

Save for the above, there has been no ongoing corporate exercise during the financial quarter under review.

B9 Status of utilisation of proceeds raised from the Private Placement Completed on 1 March 2021

No	Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe For Utilisation	Deviation RM'000	Deviation %	Explanation
1	Cash consideration for the proposed acquisition of TMD	11,715	11,715	Fully utilised	-	-	-
2	Working capital	8,386	8,386	Fully utilised	-	-	-
3	Defray estimated expenses	330	330	Fully utilised	-	-	-
	TOTAL	20,431	20,431		-	-	

B10 Group borrowings and debt securities

	Year Ended 31 Dec 2021 RM'000	Year Ended 31 Dec 2020 RM'000
CURRENT		
Secured		
Leased liabilities	3,471	2,540
Term loan	181	-
Banker acceptances	70,694	70,898
	<u>74,346</u>	<u>73,438</u>
NON-CURRENT		
Secured		
Leased liabilities	8,673	7,824
Term loan	732	-
	<u>9,405</u>	<u>7,824</u>
	<u>83,751</u>	<u>81,262</u>

The lease liabilities of the Group bear an interest at rates of 2.32% to 4.35% per annum.

The term loan of the Group bears an interest at rate of 6.24% per annum.

The banker acceptances of the Group bear an interest at rate of 7.00% per annum.

B11 Material litigation / arbitration

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

The Claimants alleged that on 19 December 2013, a series of financing agreements were entered to between O.W. Bunker & Trading A/S ("OWBAS"), together with certain subsidiary companies (including OWBFE) and a syndicate of banks and ING (in its capacity as a security agent under a revolving borrowing base facilities agreement). As part of that transaction, ING entered into an English Law Omnibus Security Agreement dated 19 December 2013 ("OSA") with OWBAS and certain of its subsidiaries (including OWBFE) to assign to ING certain trade and intercompany receivables, insurances and brokerage accounts. The Claimants further alleged that pursuant to the aforesaid, notice of assignment of supply receivables was given to TMD.

The Claimants also alleged that on or about 17 October 2014 and 29 October 2014, TMD and OWBFE entered into contracts both made orally or by yahoo messenger evidenced by a nomination sheet, invoice and sales order confirmation whereby OWBFE agreed in the ordinary course of business to supply and/ or sell to TMD 423.73 MT of gas oil at a price of USD753 per MT for delivery at the port of Pasir Gudang and 794.915 MT of gas oil at a price of USD775.50 per MT for delivery at the port of Kuantan respectively.

On 14 April 2021, TMD received a sealed Order dated 22 March 2021 and undated Notice of Registration of Foreign Judgement and this represents an attempt by the Claimants to enforce an English Judgment for USD937,353.24 with interest and cost of which TMD has disputed jurisdiction.

TMD is taking steps to strenuously resist this attempt to enforce an invalid arbitration award issued without jurisdiction. On 27 April 2021, TMD's solicitors had filed an application to set aside the sealed Order dated 22 March 2021 and undated Notice of Registration of Foreign Judgment. On 3 June 2021, TMD's solicitors had filed an Affidavit in Reply in relation to the application to set aside the Sealed Order dated 22 March 2021 and the undated Notice of Registration of Foreign Judgment.

Notwithstanding the aforesaid, the vendor of TMD in the initial acquisition of TMD by Straits (i.e. Raja Ismail bin Raja Mohamed) via an irrevocable personal guarantee dated 30 April 2020 had undertaken to indemnify Straits against the liabilities of TMD arising from the arbitration and to promptly pay such liabilities upon receipt of a payment demand from Straits and accordingly, no provision have been made in the financial statements.

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

B12 Dividends

There is no dividend proposed in the current quarter.

B13 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31 Dec 2021	Quarter Ended 31 Dec 2020	Year Ended 31 Dec 2021	Year Ended 31 Dec 2020
Profit after tax attributable to the owners of the Parent (RM'000)	824	444	4,403	2,839
Basic Earnings Per Share				
Weighted Average Number of Ordinary Shares in Issue ('000)	780,790	650,658	759,755	650,658
Basic Earnings Per Share (sen)	<u>0.11</u>	<u>0.07</u>	<u>0.58</u>	<u>0.44</u>

Basic earnings per share are calculated by dividing the profit after tax attributable to the owners of the Parent by the weighted average number of shares in issue during the period/year.

Diluted Earnings Per Share

Weighted Average Number of Ordinary Shares in Issue ('000)	844,813	699,734	824,771	704,275
Diluted Earnings Per Share (sen)	<u>0.10</u>	<u>0.06</u>	<u>0.53</u>	<u>0.40</u>

Diluted earnings per share are calculated by dividing the net profit attributable to the owners of the Parent by the weighted average number of ordinary shares in issue during the period/year after taking into consideration of all dilutive potential ordinary shares.

B14 Authorisation for Issue

The unaudited condensed consolidated financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 28 February 2022.

By Order of the Board

Dato' Sri Ho Kam Choy
Group Managing Director
Kuala Lumpur
Date : 28 February 2022