

STRAITS ENERGY RESOURCES BERHAD

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

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022

ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2022

SUMMARY OF KEY FINANCIAL INFORMATION

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30 June 2022 RM'000	Quarter Ended 30 June 2021 RM'000	Period Ended 30 June 2022 RM'000	Period Ended 30 June 2021 RM'000
Revenue	827,571	237,053	1,469,280	532,252
Operating profit	8,034	1,484	10,148	6,513
Finance costs	(2,134)	(1,839)	(3,933)	(3,675)
Share of result of associate	1,807	1,907	3,111	1,649
Profit before tax	7,707	1,552	9,326	4,487
Income tax expense	(2,573)	(412)	(3,591)	(1,418)
Profit after taxation	5,134	1,140	5,735	3,069
Profit attributable to :				
Owners of the Parent	4,552	1,084	5,612	1,790
Non-controlling interest	582	56	123	1,279
Profit for the period	5,134	1,140	5,735	3,069
Basic earnings per share (sen)	0.52	0.14	0.66	0.24
Diluted earnings per share (sen)	0.50	0.13	0.63	0.22
Proposed/Declared Dividend per share (sen)	N/A	N/A	N/A	N/A

STRAITS ENERGY RESOURCES BERHAD

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

(Incorporated in Malaysia)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30 June 2022 RM'000	Quarter Ended 30 June 2021 RM'000	Period Ended 30 June 2022 RM'000	Period Ended 30 June 2021 RM'000
Revenue	827,571	237,053	1,469,280	532,252
Operating expenses	(820,981)	(233,304)	(1,457,051)	(523,643)
Interest income	22	8	41	19
Other operating income	6,194	960	6,802	4,299
Depreciation	(4,772)	(3,233)	(8,924)	(6,414)
Operating profit	8,034	1,484	10,148	6,513
Finance costs	(2,134)	(1,839)	(3,933)	(3,675)
Share of result of associate	1,807	1,907	3,111	1,649
Profit before tax	7,707	1,552	9,326	4,487
Income tax expense	(2,573)	(412)	(3,591)	(1,418)
Profit after taxation	5,134	1,140	5,735	3,069
Other comprehensive income, net of tax	2,628	(54)	3,100	1,110
Total comprehensive income for the period	7,762	1,086	8,835	4,179
Profit attributable to :				
Owners of the Parent	4,552	1,084	5,612	1,790
Non-controlling interest	582	56	123	1,279
Profit after taxation	5,134	1,140	5,735	3,069
Total comprehensive income attributable to :				
Owners of the Parent	6,278	1,030	7,660	2,900
Non-controlling interest	1,484	56	1,175	1,279
Total comprehensive income for the period	7,762	1,086	8,835	4,179
Basic earnings per share (sen)	0.52	0.14	0.66	0.24
Diluted earnings per share (sen)	0.50	0.13	0.63	0.22

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 2021 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.

STRAITS ENERGY RESOURCES BERHAD

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

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(These figures have not been audited)

	As At 30 June 2022 (Unaudited) RM'000	As At 31 Dec 2021 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant & equipment	176,440	157,216
Goodwill on consolidation	43,407	30,559
Investment in associates	28,097	25,562
Total Non-Current Assets	247,944	213,337
Current Assets		
Inventories	89,089	37,900
Trade receivables	74,586	52,220
Other receivables, deposits & prepaid expenses	47,511	96,541
Tax recoverable	485	342
Fixed deposits	1,455	500
Cash & bank balances	43,664	46,599
Total Current Assets	256,790	234,102
TOTAL ASSETS	504,734	447,439
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	139,960	124,897
Other reserve	(14,742)	(17,625)
Warrant reserve	16,354	17,625
Forex currency translation reserve	2,701	653
Retained profits	10,286	5,313
Equity Attributable to Owners of the Parent	154,559	130,863
Non-controlling interests	18,430	14,361
Total Equity	172,989	145,224
Non-Current Liabilities		
Other creditors	16,180	22,115
Leased liabilities	7,522	8,930
Bank borrowings	2,336	732
Deferred tax liabilities	4,544	4,544
Total Non-Current Liabilities	30,582	36,321
Current Liabilities		
Trade payables	11,566	91,555
Contract liabilities	1,223	-
Other payables and accruals	174,651	98,975
Bank borrowings	107,058	70,875
Leased liabilities	3,647	3,211
Tax liabilities	3,018	1,278
Total Current Liabilities	301,163	265,894
Total Liabilities	331,745	302,215
TOTAL EQUITY AND LIABILITIES	504,734	447,439
Net asset per share attributable to Owners of the Parent (sen)	17.50	16.77

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 2021 and the accompanying explanatory notes attached to these interim financial statements.

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STRAITS ENERGY RESOURCES BERHAD

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

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022

(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 ("NCI")	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 30 June 2022									
At 1 January 2022	124,897	(17,625)	107,272	17,625	653	5,313	130,863	14,361	145,224
Profit for the period	-	-	-	-	-	5,612	5,612	123	5,735
Translation reserve	-	-	-	-	2,048	-	2,048	1,052	3,100
New issuance of shares	13,792	-	13,792	-	-	-	13,792	-	13,792
Conversion of warrant	1,271	1,271	2,542	(1,271)	-	-	1,271	-	1,271
Share application monies	-	1,612	1,612	-	-	-	1,612	-	1,612
Acquisition of subsidiaries	-	-	-	-	-	-	-	(825)	(825)
Acquisition of NCI	-	-	-	-	-	(639)	(639)	(1,152)	(1,791)
Capital contribution from NCI	-	-	-	-	-	-	-	4,871	4,871
At 30 June 2022	139,960	(14,742)	125,218	16,354	2,701	10,286	154,559	18,430	172,989
Period ended 30 June 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 period	-	-	-	-	-	1,790	1,790	1,279	3,069
Translation reserve	-	-	-	-	1,110	-	1,110	-	1,110
New issuance of shares	20,431	-	20,431	-	-	-	20,431	-	20,431
Acquisition of NCI	-	-	-	-	-	-	-	1,787	1,787
Change in equity shareholdings in subsidiary	-	-	-	-	-	(8,850)	(8,850)	(2,897)	(11,747)
At 30 June 2021	124,897	(17,625)	107,272	17,625	515	2,774	128,186	12,630	140,816

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 2021 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.

STRAITS ENERGY RESOURCES BERHAD

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

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(These figures have not been audited)

	Period Ended 30 June 2022 RM'000	Period Ended 30 June 2021 RM'000
Cash Flows From Operating Activities		
Profit before taxation	9,326	4,487
Adjustments for :		
Depreciation of property, plant and equipment	8,924	6,414
Bad debt written off	2	368
Interest income	(41)	(19)
Finance costs	3,933	3,675
Impairment loss on receivables	578	-
Unrealised forex (gain)/loss	(4,282)	392
Share of result of associates	(3,111)	(1,649)
Operating profit before working capital changes	<u>15,329</u>	<u>13,668</u>
Net change in current assets	(31,855)	7,719
Net change in current liabilities	<u>1,373</u>	<u>8,807</u>
Cash (used in)/from operations	(15,153)	30,194
Tax paid	(1,157)	(277)
Tax refund	109	-
Net cash (used in)/generated from operating activities	<u>(16,201)</u>	<u>29,917</u>
Cash Flows From Investing Activities		
Acquisition of non-controlling interest	(1,150)	(11,747)
Acquisition of subsidiaries	(14,068)	-
Capital contribution from non-controlling interest of a subsidiary	4,871	-
Interest income received	41	19
Purchase of property, plant and equipment	(17,696)	(6,894)
Net cash used in investing activities	<u>(28,002)</u>	<u>(18,622)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of shares	15,063	20,431
Proceeds from issuance of shares in subsidiary	-	1,788
Proceeds from share application monies	1,612	-
Purchase of leased liabilities	-	3,455
Repayment of leased liabilities	(1,670)	(1,323)
Proceeds from/(repayment to) bank borrowings	37,787	(768)
Repayment of vendor financing	(6,743)	(4,519)
Advance to associate company	-	24
Finance costs	(3,933)	(3,675)
Net cash generated from financing activities	<u>42,116</u>	<u>15,413</u>
Net (decrease)/increase in cash and cash equivalents	<u>(2,087)</u>	<u>26,708</u>
Cash and cash equivalents at beginning of the period	47,099	11,601
Effect of exchange rate changes on cash and cash equivalents held	107	22
Cash and cash equivalents at end of the period	<u>45,119</u>	<u>38,331</u>
Cash and cash equivalents at end of the period comprise :		
Fixed deposit	1,455	687
Cash and bank balances	43,664	37,644
	<u>45,119</u>	<u>38,331</u>

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 2021 and the accompanying explanatory notes attached to these interim financial statements.

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

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022

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 2021. 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 2021.

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 2021, and for the following standards and interpretation which became effective on 1 January 2022:

Amendments to MFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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	

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 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 estimate 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

On 29 June 2022, 1,000,000 of Warrants were exercised at an exercise price of RM0.115 per Warrant for every one new ordinary share of Straits. The issued and paid-up share capital of the Company was increased from RM139,844,968 to RM139,959,968.

Subsequent to the financial period ended 30 June 2022, a total of 58,953,900 Warrants were exercised at an exercise price of RM0.115 per Warrant for every one new ordinary share of Straits, as detailed below:

No.	Date	No. of Warrants Converted (Unit)	Price/Share (RM)	No. of Ordinary Shares (Unit)	Issued and Paid-up Share Capital (RM'000)
1	05/07/2022	1,000,000	0.115	1,000,000	140,075
2	08/07/2022	13,020,000	0.115	13,020,000	141,572
3	13/07/2022	5,600,000	0.115	5,600,000	142,216
4	21/07/2022	905,300	0.115	905,300	142,320
5	22/07/2022	7,244,600	0.115	7,244,600	143,154
6	01/08/2022	91,100	0.115	91,100	143,164
7	04/08/2022	308,000	0.115	308,000	143,199
8	08/08/2022	13,801,200	0.115	13,801,200	144,787
9	11/08/2022	1,600,000	0.115	1,600,000	144,971
10	16/08/2022	12,422,200	0.115	12,422,200	146,399
11	18/08/2022	2,767,000	0.115	2,767,000	146,717
12	22/08/2022	194,500	0.115	194,500	146,740
		<u>58,953,900</u>		<u>58,953,900</u>	

The Exercise Rights of the Warrants has expired and become null and void on 10 August 2022 ("Expiry Date"). There were 83,254,600 unexercised Warrants as at the date of this announcement.

The Warrants have been removed from the official list of Bursa Malaysia Securities Berhad on 11 August 2022.

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

A8 Dividends

A final single tier dividend of 0.2 sen per ordinary share for the financial year ended 31 December 2021 amounting to RM1,764,377 has been paid on 18 July 2022.

A9 Segment information

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

Investment Holding and Management Services

This involves the investment in shares and provision of management services.

Oil Bunkering and Shipping Related Services

This segment includes oil trading & bunkering services and its ancillary support services which is vessels management services, chartering services and shipping agency services.

- Oil trading & bunkering services 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.
- Vessels management services involves the provision of the vessel and marine management services.
- Chartering services involves vessels chartering services for oil trading & bunkering.
- Shipping agency services involves the provision of shipping agency and related services.

Inland Transportation & Logistics

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

Port Operation & Management

This involves the provision of Labuan Port management services.

Ship-to-Ship ("STS") Operation

This involves the provision of STS operation.

Telecommunication & Networking

This involves the provision of solutions, dealing with all kinds of products and services in telecommunication from infrastructure, networking, maintenance, software and hardware and related services.

Segmental Revenue For Individual Quarter Ended 30 June 2022

Business Segments	External Revenue RM'000	Inter Segment Revenue RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Investment Holding and Management Services	-	791	(791)	-
Oil Bunkering and Shipping Related Services	823,283	9,861	(9,861)	823,283
Inland Transportation & Logistics	1,223	410	(410)	1,223
Port Operation & Management	2,596	53	(53)	2,596
STS Operation	256	-	-	256
Telecommunication & Networking	213	-	-	213
	<u>827,571</u>	<u>11,115</u>	<u>(11,115)</u>	<u>827,571</u>

Segmental Revenue For Cumulative Quarter Ended 30 June 2022

Business Segments	External Revenue RM'000	Inter Segment Revenue RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Investment Holding and Management Services	-	1,203	(1,203)	-
Oil Bunkering and Shipping Related Services	1,460,941	14,859	(14,859)	1,460,941
Inland Transportation & Logistics	2,546	673	(673)	2,546
Port Operation & Management	5,324	96	(96)	5,324
STS Operation	256	-	-	256
Telecommunication & Networking	213	-	-	213
	<u>1,469,280</u>	<u>16,831</u>	<u>(16,831)</u>	<u>1,469,280</u>

Segmental Revenue For Individual Quarter Ended 30 June 2021

Business Segments	External Revenue RM'000	Inter Segment Revenue RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Investment Holding and Management Services	-	5,385	(5,385)	-
Oil Bunkering and Shipping Related Services	233,134	4,444	(4,444)	233,134
Inland Transportation & Logistics	664	238	(238)	664
Port Operation & Management	3,255	-	-	3,255
	<u>237,053</u>	<u>10,067</u>	<u>(10,067)</u>	<u>237,053</u>

Segmental Revenue For Cumulative Quarter Ended 30 June 2021

Business Segments	External Revenue RM'000	Inter Segment Revenue RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Investment Holding and Management Services	-	5,693	(5,693)	-
Oil Bunkering and Shipping Related Services	523,750	8,213	(8,213)	523,750
Inland Transportation & Logistics	1,591	501	(501)	1,591
Port Operation & Management	6,911	-	-	6,911
	<u>532,252</u>	<u>14,407</u>	<u>(14,407)</u>	<u>532,252</u>

Segmental Profit Before Tax

Business Segments	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30 June 2022 RM'000	Quarter Ended 30 June 2021 RM'000	Period Ended 30 June 2022 RM'000	Period Ended 30 June 2021 RM'000
Investment Holding and Management Services	(340)	4,055	(1,482)	2,864
Oil Bunkering and Shipping Related Services	9,282	1,903	13,352	6,252
Inland Transportation & Logistics	(400)	(608)	(902)	(1,032)
Port Operation & Management	(190)	871	(406)	1,540
STS Operation	(1,522)	(1,410)	(2,920)	(1,410)
Telecommunication & Networking	(469)	-	(711)	-
Share of result of associate	1,807	1,907	3,111	1,649
Others	(40)	52	(57)	49
	<u>8,128</u>	<u>6,770</u>	<u>9,985</u>	<u>9,912</u>
Adjustments and Eliminations	<u>(421)</u>	<u>(5,218)</u>	<u>(659)</u>	<u>(5,425)</u>
	<u>7,707</u>	<u>1,552</u>	<u>9,326</u>	<u>4,487</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 1 April 2022, the Company completed the acquisition of 90% equity interest in Sinar Maju Logistik Sdn Bhd ("SML") for a purchase consideration of RM16,380,000 and the granting by the vendor to the Company of a call option to acquire all the remaining ordinary shares, representing 10% equity interest for a purchase consideration of RM1,820,000 and satisfied entirely via cash.

On 30 April 2022, the Company completed the acquisition of 51% equity interest in Wire and Wireless Sdn Bhd ("W&W") for a purchase consideration of RM1,109,527 and satisfied entirely via cash.

On 31 May 2022, Tumpuan Megah Development Sdn. Bhd ("TMD"), a 70% owned subsidiary of the Company entered into a Sale and Purchase Agreement with En Raja Ismail Bin Raja Mohamed to acquire 7% equity interest in Straits Marine Fuels & Energy Sdn. Bhd ("SMF"), a 67% owned subsidiary of the Company for a purchase consideration of RM1,150,000. The acquisition of SMF by TMD was completed on 30 June 2022.

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 2021.

A14 Capital commitments

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

	Period Ended 30 June 2022 RM'000	Period Ended 30 June 2021 RM'000
Approved and contracted	<u>3,745</u>	<u>6,665</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 30 June 2022 RM'000	Quarter Ended 30 June 2021 RM'000	Period Ended 30 June 2022 RM'000	Period Ended 30 June 2021 RM'000
Shipping agency services	1,014	264	1,811	441
Launch boat services	48	100	113	100
Provision of fresh water	<u>(12)</u>	<u>-</u>	<u>(23)</u>	<u>-</u>

A16 Profit before taxation

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter	Quarter	Period	Period
	Ended	Ended	Ended	Ended
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	RM'000	RM'000	RM'000	RM'000
(a) Bad debt written off	2	32	2	368
(b) Depreciation & amortisation	4,772	3,233	8,924	6,414
(c) Finance costs	2,134	1,839	3,933	3,675
(d) Interest income	(22)	(8)	(41)	(19)
(e) Impairment loss on receivables	289	-	578	-
(f) Foreign exchange (gain) / loss - unrealised	(3,654)	1,584	(4,282)	392
- realised	(2,391)	(1,826)	(2,265)	(3,706)

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STRAITS ENERGY RESOURCES BERHAD

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance

The Group's revenue in the current quarter increased by RM590.5 million to RM827.6 million, from RM237.1 million recorded in the corresponding quarter of the previous year, representing an increase of 249%. The significant increase was mainly contributed by the Oil Bunkering and Shipping Related Services segment which increased by RM590.1 million as a result of its market expansion into Port Klang and the spike in global oil prices.

The Group's profit before tax ("PBT") jumped significantly by RM6.1 million to RM7.7 million in the current quarter, from RM1.6 million in the previous corresponding quarter. This increase in PBT was wholly contributed by an increase of RM7.4 million in the PBT of the Oil Bunkering and Shipping Related Services segment in the current quarter to RM9.3 million from RM1.9 million in the previous year corresponding quarter, as cargo volume sold increased in line with its market expansion strategy.

B2 Variation of results against preceding quarter

	Current Quarter	Preceding Quarter	Changes	
	30 June 2022 RM'000	31 Mar 2022 RM'000	RM'000	%
Revenue	827,571	641,709	185,862	29.0
Profit Before Tax	7,707	1,619	6,088	376.0
Profit After Tax ("PAT")	5,134	601	4,533	754.2
Profit Attributable to Owners of the Parent	4,552	1,060	3,492	329.4

The revenue in the current quarter increased by RM185.9 million from RM641.7 million in the preceding quarter to RM827.6 million driven mainly by the Oil Bunkering and Shipping Related Services segment as a result of higher global oil prices. Meanwhile, the maiden STS Operation in May 2022 had contributed the remaining RM0.3 million increase in the Group revenue.

The PBT in the current quarter increased by RM6.1 million to RM7.7 million from RM1.6 million in the preceding quarter substantially due to a higher contribution of RM5.2 million from the Oil Bunkering and Shipping Related Services segment and RM0.5 million from its share of associate's profit.

B3 Group's prospects

For the period up to 30 June 2022, the Group had completed the acquisition of 90% equity interest in SML and 51% equity interest in W&W via Straits Technology Solutions Sdn Bhd, a 75% owned subsidiary of the company.

SML 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.

The acquisition of W&W will enable SCS to tap into W&W's exposure in engineering services implementation and installation. Besides, W&W would be able to provide in-house engineering services to Straits' Telecommunication and Networking division.

Despite the impact of the COVID-19 pandemic, the Group achieved a revenue of RM1.47 billion in its cumulative second quarter ended 30 June 2022. The Group is optimistic on the growth prospect for 2022 moving forward.

B4 Profit forecast and profit guarantee

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

B5 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	RM'000	RM'000	RM'000	RM'000
Income tax				
Current tax	1,887	124	2,644	980
Underprovision in prior year	<u>372</u>	<u>-</u>	<u>372</u>	<u>2</u>
	<u>2,259</u>	<u>124</u>	<u>3,016</u>	<u>982</u>
Tax on share of associate's profit	314	288	575	436
	<u>2,573</u>	<u>412</u>	<u>3,591</u>	<u>1,418</u>

The Group's higher effective tax rate of 33% in the current quarter was mainly due to the underprovision of prior year tax and non-allowable expenses incurred in current quarter and provision for taxation for inter-group transactions.

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 30 June 2022. There was no purchase or disposal of quoted securities for the current quarter.

B8 Corporate Exercise

On 15 December 2021, Straits had received the approval from Bursa Malaysia approving the implementation of the private placement of up to 186,811,479 new ordinary shares of Straits, representing up to 20% of the total enlarged number of issued shares of Straits to third party investors to be identified and at an issue price to be determined later pursuant to Rule 6.60(1) of the ACE Market Listing Requirements ("Private Placement").

On 18 February 2022, the Company had completed the first tranche of the Private Placement and had placed out 91,340,000 new ordinary shares of Straits at an issue price of RM 0.151 per each Placement Shares to third party investors.

Subsequently, on 30 June 2022, Straits had received the approval from Bursa Malaysia for an extension of time of 6 months from 15 June 2022 until 14 December 2022 to complete the implementation of the Private Placement.

On 7 April 2022, the Company had proposed to consolidate every 2 existing ordinary shares held by the shareholders of Straits into 1 ordinary share, on an entitlement date to be determined and announced later. This proposal has been approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 29 April 2022 and approved by shareholders at Annual General Meeting on 23 June 2022. The Company has 6 months validity period from 29 April 2022 to implement the said proposal.

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 first tranche of Private Placement on 18 February 2022

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 SML	13,790	13,790	Fully utilised	-	-	-
	TOTAL	13,790	13,790		-	-	

B10 Group borrowings and debt securities

	Period Ended 30 June 2022 RM'000	Period Ended 30 June 2021 RM'000
CURRENT		
Secured		
Leased liabilities	3,647	3,253
Term loan	548	176
Tawarruq financing	106,510	69,992
	110,705	73,421
NON-CURRENT		
Secured		
Leased liabilities	7,522	9,338
Term loan	2,336	824
	9,858	10,162
	120,563	83,583

The lease liabilities of the Group bears an interest rate of between 2.22% to 4.35% per annum.

The term loan of the Group bears an interest rate of between 3.50% to 6.24% per annum.

The tawarruq financing the Group bears an interest at rate of 7.50% 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. Accordingly, TMD is taking steps to strenuously resist this attempt to enforce an invalid arbitration award issued without jurisdiction and TMD's solicitors had on 27 April 2021 filed an application to the High Court of Malaya, Kuala Lumpur to set aside the earlier mentioned sealed Order and undated Notice of Registration of Foreign Judgement.

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

The hearing for stay of Setting Aside Application pending the Appeal was held and stay was granted. The record of Appeal was duly filed on 18 March 2022 and Case Management for the Appeal was earlier fixed for 2 June 2022 to update the filing of Grounds of Judgement and Notes of Proceedings, if made available. The Case Management for the Appeal is still ongoing and the next Case Management is fixed on 6 December 2022.

Notwithstanding the ongoing arbitration which commenced on 2 May 2017, the Vendor (Raja Ismail Bin Raja Mohamed) via an irrevocable Personal Guarantee dated 30 April 2020 had undertaken to indemnify the Company against the liabilities of TMD arising from the arbitration and shall promptly pay such liabilities upon receipt of a payment demand from the Company and accordingly, no provisions have been made in the financial statements.

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	Quarter Ended	Period Ended	Period Ended
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Profit after tax attributable to the owners of the Parent (RM'000)	4,552	1,084	5,612	1,790
Basic Earnings Per Share				
Weighted Average Number of Ordinary Shares in Issue ('000)	883,718	780,790	855,725	738,371
Basic Earnings Per Share (sen)	<u>0.52</u>	<u>0.14</u>	<u>0.66</u>	<u>0.24</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.

Diluted Earnings Per Share

Weighted Average Number of Ordinary Shares in Issue ('000)	907,705	853,020	887,371	803,875
Diluted Earnings Per Share (sen)	<u>0.50</u>	<u>0.13</u>	<u>0.63</u>	<u>0.22</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 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 29 Aug 2022.

By Order of the Board

Dato' Sri Ho Kam Choy
Group Managing Director
Kuala Lumpur
Date : 29 Aug 2022