

25th Virtual AGM on 23 June 2022

Questions & Answers

No	Name	Questions & Answers	
1	Teoh Kensen	Q1	The RM depreciating swiftly against the US dollar as it fell to a two-year low of 4.36. How would this impact the financials of the Group? Please quantify the impact on FY22?
		A1	Traditionally our business will self-hedge itself, as approximately 70% to 80% of our revenue and purchases are in foreign currency, USD in particular. As such, we do not expect this to have significant impact on our financials.
		Q2	Straits is trading at its 5-year low. It irks the investors despite that the Group keep adding businesses via M&As and fleet of bunker ships but contributions to its bottom line are not significant. Essentially, every business that it added in the past was low margins and faced with margin compression. Essentially, is a high-volume low margin business, without economic moat. How the Group plans to transform its ecosystems and business model to pursue higher margins for its services and products.
		A2	The Management is aware of its lack of earnings growth and as such had taken steps by diversifying into inland transportation and port management in 2019 and 2020. However, the Covid-19 Pandemic in 2020 had negatively affected the global economy and in the process affected these new businesses too. However, the Company had continuously look into the provision of better-quality services and premium products to its customers. Together with the enlarged fleet of vessels and wider customers base established over the past few years, we are expecting an increase in our margin. The current price of Straits is affected by many factors, such as the current market sentiments, the ongoing Covid-19 Pandemic and geopolitical factors such as the Russia-Ukraine war.

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1	Teoh Kensen (cont'd)	Q3	How would the non-payment by Sapura Energy to Tumpuan Megah affects the financials of Straits Energy and its future dealings with Sapura Energy's Group?
		A3	Sapura Energy is currently undergoing a restructuring plan with both its lenders and creditors. Tumpuan Megah is currently actively discussing with Sapura Energy on the repayment of the outstanding amount and is hopeful that there will be a full collection.
		Q4	Kindly enlighten the shareholders on the status of its 38% associate firm Banle Energy International Ltd for the initial public offering. It has been a while since the last update by the Group. What are the issues and concerns faced by the Banle to obtain the relevant approvals from the governing authorities? How has Banle fared in FY21?
		A4	The IPO listing application of Banle is still pending approval from the relevant authority. Banle has performed reasonably well in FY21 despite the Covid pandemic period.
Q5	Can the Company shed some light on the businesses of its 38% associate firm Banle Energy International Ltd? How does the chaos affects its businesses in HK?	A5	Banle is a bunkering facilitator operating in Asia Pacific Region. It provides one stop solution to international container liners for vessel refueling in over 30 ports in the region. As such, the chaos in HK do not have any adverse impact on its business operation, but on the contrary, it has been achieving a stable growth.
Q6	How does the rising commodities prices affects the Group's operation costs? Can the Group provide the financial impact of rising commodities prices in FY22?	A6	The rising commodities prices including oil price does not affect the Group's operation costing as our business operations is on a mark up model in terms of our spread. The rising oil price has however resulted in higher vessels activities in the O&G industry which benefited our group business.

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1	Teoh Kensen (cont'd)	Q7	<p>Avarga Investment Pte Ltd somewhere in Mar 21 acquired 10% equity stake in the Company and back then there was an intention to pursue for strategic collaborations with Straits. Why was the collaborations faltered and resulted that Avarga cut ties with Straits? It has resulted to its faltering share prices. What are other collaborations currently explored by the Group and its status to its realisation? Can the Group shed some light on its details of collaboration?</p>
		A7	<p>There was intention then to look into strategic collaborations between Avarga and Straits but it did not materialize. There is currently no collaborations being explored with Avarga.</p>
		Q8	<p>In March 21, Singapore-listed Avarga Ltd emerged as a substantial shareholder of Straits after acquiring a 10% stake in the group for RM13.7 million by way of a married deal. However, subsequently they sold their entire stake. Any material adverse development resulted to this sell-down?</p>
		A8	<p>There is no adverse development to the Company resulting from this sell-down.</p>
Q9	<p>Based on Q1 22, total current assets and current liabilities are RM201m and RM222m, with current ratio of 0.91x. Total debts is 4.71x more than its cash and bank balances of RM14.62m. Its profit margin is 0.2%. It indicates that Straits has an acute financial management issue especially in ensuring availability of funds to repay short-term commitments, without reliance of new equity. Also on the allocation of funds to low margins businesses. Kindly clarify on this and what's the plan to rectify.</p>		
A9	<p>The strategy is to grow Straits' revenue and margin. The enlarged fleet of vessels has resulted in a sharp jump in revenue and the margin is gradually improving.</p> <p>The net debt coverage ratio is manageable at 0.43.</p>		
Q10	<p>With increasing oil price, it is more expensive to fuel the bunker ships to transport oil. Kindly explain the financial impact on the volume and margins with the increasing oil price on its bunkering segment?</p>		
A10	<p>The increasing oil price will not have financial impact on our margin except that it will increase the outlay for the working capital requirement.</p>		

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1	Teoh Kensen (cont'd)	<p>Q11</p> <p>Based on Q1'22 quarterly results, revenue increased to RM117.4% to RM641.7m. ROE is only 3.23% with profit margin of only 0.2%. The Group into buying spree with recently 90% equity stake Sinar Maju Logistik but this maybe another low margin acquisition. Debt keeps increasing and short-term cash flow is unable to cover short-term commitments. What is the plan of the Group to refocus its businesses and improve its margins and streamlining its costs?</p> <p>A11</p> <p>The profit margin of Sinar Maju is higher than the bunkering segment. The Group's strategy now is to increase its revenue and profit margin concurrently.</p>	
		<p>Q12</p> <p>It is already a year since the announcement of Straits' 38%-associate, Banle Energy International Ltd filling of IPO in HK. What is the status of the IPO and the restructuring exercise of Straits Group? The excitement towards the restructuring exercise, especially to streamline its operations and focused of cash generation have waned. Kindly comment on this.</p> <p>A12</p> <p>The IPO listing application of Banle is still pending approval from the relevant authority. Banle has performed reasonably well in FY21 despite the Covid pandemic period.</p>	
2	Foong Zhen Hin	<p>Q</p> <p>Hello, all leaders, I have a question that I have wanted to ask for a long time, and it also troubles me as a minority shareholder. In 2021, why does the revenue reach an exciting 1.3b but the total net profit is only 4.4m. Where did the rest of the money go, is it because the cost is too high, and if so, why is the cost so high? My question is here. I hope that this question can be selected by the company to answer in the upcoming meeting. Thank you in advance.</p> <p>A</p> <p>The major revenue contributor to the group comes from its oil bunkering business. The oil bunkering business is typically a high-volume business with fine profit margin. As FY 2021 is affected by the Covid pandemic, there was further margin compression during that year.</p>	

No	Name	Questions & Answers	
3	Looi Boon Ping	Q1	What is the outlook of the company going forward as Singapore has been dominate majority of the bunkering market? What action plan or strategies to compete and win more customers from them?
		A1	The outlook for oil bunkering business is bright as we have now got a solid business network and an enlarged fleet size of 15 vessels to capture a bigger market. Our entry into the Klang bunkering market has been very fruitful and we will continue with our strategy to further expand our market base with our branding and established reputation. Singapore is not dominant in the Malaysian market.
		Q2	What is the total 15 fleets capacity in metric tons per year? Are there in full capacity now? Are there any plan to procure/hire/charter more vessels?
		A2	The total capacity for the 15 vessels is about 40,000 metric tonnes. We are currently running at 50% to 60% of our capacity with a lot of room to accommodate more business.
		Q3	What Part of the Business Is Giving You the Most Trouble Now?
		A3	We have been able to handle the major challenges during the Covid pandemic period and we are now pushing forward to tap the business post pandemic.
Q4	What is the margin of STS operation in Labuan? Would it be higher in double or low single digit than bunkering's margin?		
A4	The margin of the STS operation is higher than the bunkering segment.		
Q5	What is the total capacity in metric tons for all the 15 vessels?		
A5	The total capacity for our 15-vessel fleet is 40,000 metric tonnes.		
Q6	How many times of bunkering each vessel can operate per year?		
A6	Our vessels can do 3 to 4 loadings per month.		

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3	Looi Boon Ping (cont'd)	Q7	What is the margin of STS operation at Labuan? Why vessel need STS bunkering not ordinary barge to ship bunkering?
		A7	The margin of the STS operation in Labuan is higher than the bunkering segment. The STS bunkering is to accommodate transshipment from very large crude carrier ("VLCC") to smaller vessels before sailing and berthing at other ports which are not big enough to accept such VLCCs.
4	Toh Gaik Bee	Q1	Will future dividends to be declared be affected by the share consolidation exercise as the number of shares have decreased?
		A1	It would be a good financial practice that any distribution of dividend should be based on a dividend policy resting on the company's annual profitability & its future expansion plans. Based on this, the total dividend to be distributed would be the same, irrespective of the number of shares in issued post consolidation.
		Q2	What is the next course of action if the share price that has doubled after the share consolidation exercise drops further?
		A2	The share price post consolidation is determined by many factors as local and international economic factors, geopolitical events and investors perception of the company outlook and financials.
5	Lee Mun Hoe	Q	What strategy will be implemented in order to generate more revenue and profit in consistent way?
		A	The revenue for the group has grown substantially the last few years despite the Cover Pandemic period. The group business infrastructure and enlarged fleet size of 15 vessels is now established and post pandemic, the operation profit is expected to grow further consistently.

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6	Teo Cher Ming	<p>Q1 In Q1 result it was mentioned the maiden STS transfer was completed on 10 May 2022. Has the STS segment seen more successful transfers to date? And does the management expect the STS segment to provide meaningful contribution financially to the company from Q2 2022 onwards.</p> <p>A1 After having set up the operation for Victoria STS the last few months, we have completed the maiden STS operation on 10 May 2022. We are currently in discussion with other parties for further STS operation in Victoria Bay.</p>	
		<p>Q2 With the high fuel price, do the company expects to be adversely impacted for the rest of 2022 for the oil trading and bunkering segment.</p> <p>A2 The increasing oil price will not have financial impact on our margin except that it will increase the outlay for the working capital requirement.</p>	
7	Chan Fung Han	<p>Q1 What is the expected contribution from STS Operations to the Group's revenue and profit after the commencement of operation?</p> <p>A1 We have just commenced our first STS operation in May 2022 and is currently arranging for our other STS operation schedule.</p>	
		<p>Q2 What is the expected contribution from Sinar Maju to the Group's revenue and profit since the completion of acquisition?</p> <p>A2 Sinar Maju is currently further expanding its customer network and market share.</p>	
		<p>Q3 Note 6 - Why there was about RM3 million of deferred tax under-provision in prior year? Where the deferred tax under-provision originated from?</p> <p>A3 The deferred tax is due to certain expenses which were disallowed for tax purposes.</p>	

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7	Chan Fung Han (cont'd)	Q4	Had the shortfall on profit guarantee of RM1 million been received by the Group from vendor?
		A4	The Profit Guarantee Shortfall amount attributable to Straits of approximately RM1 million, has been paid.
		Q5	Note 8a - Had the prior year amount owing to vendor of RM3,272,000 for the acquisition of PPE been paid in current financial year? Unable to locate such payment from the reconciliation.
		A5	Yes, the amount has been paid in current financial year.
		Q6	SAT is still loss-making. Hence, what are the strategies planned by the Board and Management to turn it around?
		A6	The management is looking into alternative use of its prime mover, including some strategic working relationship with some other construction material suppliers and manufacturers, while widening its cement customers that provides better margins and more economical trips at better trip charges.
		Q7	Note 32 - What is the status of the capital commitment for the acquisition of oil tanker which without changes since FY2020?
		A7	We are not proceeding with acquisition of the oil tanker as the delivery period has already expired.
Q8	Why the Chairman missed the 3 out of 8 Board Meetings?		
A8	<p>As Brigadier Jeneral and serving Komander of Rejimen 512 AW, our Chairman was on official National duty manning and assisting the Nation and State of Terengganu in controlling the spread of Covid-19 pandemic and therefore, he was based in the army camp for the entire duration of the pandemic.</p> <p>Though he was busy on National duty, he had always made time for the Company and attended most meetings. However, due to poor connectivity of internet services at the Army Camp and clash of duties, he was unable to participate for the said 3 meetings.</p>		

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7	Chan Fung Han (cont'd)	<p>Q9</p> <p>A9</p>	<p>Any intention from the Board to increase the number of independent directors and the number of female director to comply with MCCG Practice 5.2 and Practice 5.9?</p> <p>The composition of the Board meets the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad of at least one-third (1/3) of the Board being independent.</p> <p>Currently, the lack of majority Independent Directors in terms of delivering 50% of composition does not jeopardise independent Boards' deliberations and all decisions are made in the best interests of the Company.</p> <p>The NOMREM has assessed the Board composition and acknowledged that the current size and composition of Directors would need to be reviewed in order to provide a balance mix of gender and race required in the Boardroom. The Board is mindful of the recommendation of the MCCG that the Board must comprise of at least half of independent directors.</p> <p>Board acknowledge the importance of Boardroom diversity and will commit to diversity at the leadership and employee levels. In tandem with the heightened emphasis on the dimension of gender, the Board ensures there is clear commitment to develop a corporate culture that also embraces the aspect of gender diversity.</p> <p>The Board does not set any specific target for female Directors on the Board but will actively work towards having more female Directors on the Board.</p> <p>The Group currently has two (2) female Directors on the Board i.e one in the Company and one in the subsidiary.</p>
8	E-Vouchers	<p>Q</p> <p>A</p>	<p>E-Vouchers</p> <p>As announced during the AGM, the Company will pay RM50.00 via e-Voucher to all shareholders who had participated in the AGM via RPV.</p>