



OILTEK INTERNATIONAL LIMITED

(Company Registration Number: 202109778W)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RELATION TO THE ANNUAL GENERAL MEETING TO BE HELD ON 27 MAY 2022

The Board of Directors (the "**Board**") of Oiltek International Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") refers to the Company's annual report for the financial year ended 31 December 2021 ("**Annual Report 2021**") and the notice of annual general meeting ("**AGM**") released by the Company on 12 May 2022 in relation to the Company's AGM to be held by way of electronic means on Friday, 27 May 2022 at 10 a.m. (Singapore Time).

The Board would like to provide responses to questions from the Securities Investors Association (Singapore) ("**SIAS**") ahead of the AGM as follows:

SIAS Question 1

Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

- (i) **How is the group positioning itself to capitalise on the new/heightened demand in Indonesia following the export ban of palm oil by the Indonesian government?**

Company's Response

The recent export ban of palm oil by the Indonesian government provides a new catalyst to further uplift domestic demand in Indonesia for the expansion and installation of new processing lines. The Group is well positioned to tap into this opportunity as a vendor with a proven track record in supplying and delivering processing plants in Indonesia which are still in operation today and employ cutting-edge technologies that cater to the latest market requirements. However, on 19 May 2022, Indonesian government announced that the palm oil export ban will be lifted on 23 May 2022 as the average price of cooking oil domestically has begun to decrease. Despite the lifting of the ban, the Indonesian government would continue to monitor the situation to ensure that prices are affordable

for the people. The Group will continue to monitor the situation in Indonesia market to continue to tap into any opportunities available in the market.

(ii) Has the group's ability to acquire new customers in Central America, Latin America and Africa been impaired in the past 2 years due to travel restrictions during the pandemic? Going forward, what is the group's strategy to acquire new customers?

Company's Response

With the imposition of travel restrictions in the last two years due to the COVID-19 pandemic, the Group has refined its marketing strategy by kickstarting project discussions with new and existing clients via an online meeting platform. This is then supported by local agents physically approaching the client to supplement the online discussion.

The recent relaxation of travel restrictions, albeit in stages, will allow a resumption of travelling for management to meet with clients as needed. Having said that, for the reason mentioned above, the Group's efforts to acquire new customers overseas had not been significantly affected despite the travel restrictions. The Group successfully secured new clients from Africa and Central America in the last two years, and those projects are currently being executed. The Group has also been able to secure new clients in Pakistan, Philippines and Indonesia during this period.

Moving forward, the Group will continue to seek a balanced portfolio in terms of its geographical reach while leveraging on its expertise and extensive experience in the vegetable oils industry to further strengthen its international market presence. The Group also intends to further strengthen and expand its geographical reach to other emerging palm oil markets with good prospects.

(iii) The group's order book increased from RM173.06 million during the IPO to RM198.1 million as at 30 April 2022. Are there any impact on the group's profit margins caused by increasing manpower costs, labour shortages, raw material cost pressure and supply chain disruption and if so, what are management's plans to maintain/increase its profit margins?

Company's Response

Increasing manpower costs, labour shortages, rising raw material costs, and supply chain disruptions are relatively new challenges faced not just by the Group but by all industries across the market. The Company's management is continually making plans and operational changes to mitigate the impact of these challenges on its business as and when they arise, in order to minimise any impact on profit margins.

(iv) Is management satisfied with the efficiency/yield of the group's flagship enzymatic biodiesel plant? How is the group securing more EPCC customers for the flagship biodiesel plant?

Company's Response

The Group is generally satisfied with the performance of its flagship enzymatic biodiesel plant which has successfully demonstrated the conversion of high free fatty acid oil from non-edible sources into biodiesel. The Group believes that the technology used in its enzymatic biodiesel plant will meaningfully address the shortage of edible base raw materials as feedstock while concurrently continuing with the global renewable energy agenda. At the same time, the Group will strive to further optimise this meaningful waste-to-energy process as part of its Environmental, Social, and Governance (“**ESG**”) agenda. The Group has also successfully secured an additional new order for an enzymatic biodiesel plant from an Indonesian plantation company, and that project is currently being executed.

(v) Product sales and trading: Can management provide, for shareholders' information, a breakdown of revenue by major products and by brands? What progress had been made in the trading of specialty chemical products which had commenced in 1H2021?

Company's Response

The Company is unable to disclose the revenue breakdown by major products and by brands for the Product Sales and Trading segment as such information is commercially sensitive. While the Company is not able to disclose the breakdown, the list of major products and brands can be found on Page 10 of our Annual Report.

The trading of speciality chemical products has received repeat orders from existing clients which indicate continual interest in the product, but the growth in demand has been slower than expected partly due to disruptions caused by the COVID-19 pandemic. After the completion of the first flagship enzymatic biodiesel plant, the Group had successfully secured an additional new order from its client in Indonesia for a second enzymatic biodiesel plant which will require specialty chemical products once operation commences.

SIAS Question 2

As shown in Note 12 (page 74 – Trade and other receivables), net trade receivables increased by 128% from RM6.5 million to RM14.8 million as at 31 December 2021.

From Note 21 (b) (page 81 – Credit risk), the RM8.3 million increase in trade receivables can be attributed to customers in Malaysia (RM2.1 million), Indonesia (RM1.3 million) and Pakistan (RM5.8 million). In addition, an amount of RM2.8 million is past due by 1-6 months as at 31 December 2021.

- (i) Given the current difficult operating environment, does management see any challenges in collecting its receivables?**

Company's response

As at the date of this announcement, approximately 92% of the trade receivables as at 31 December 2021 has been collected. With a strong credit management process in place and close monitoring and follow-up by the finance team on overdue account receivables, the Company does not foresee any challenges in the collection of receivables.

- (ii) What is the reason for the increase in trade receivables from customer(s) in Pakistan? Can management clarify if the outstanding trade receivables from the customer in Pakistan have been collected since the end of the financial year?**

Company's response

The outstanding trade receivables from a customer in Pakistan was due to the timing of fulfilment of a contract with the customer. The contract was secured in the financial year ended 31 December 2021 with the delivery performed and invoice rendered in December 2021, hence resulting in the outstanding trade receivables as at 31 December 2021. Payment by this customer was by way of letter of credit, and the outstanding payment has been fully collected in January 2022.

- (iii) Can management elaborate further on how it assesses the credit quality of customers/potential customers in overseas markets, especially in Central America, South America and Africa?**

Company's Response

Projects with new customers are generally based on cash terms, advance payments, or secured financial instruments such as letters of credit, until the customer has demonstrated a prompt payment track record following which, the Group may decide to extend the appropriate credit terms. The Group follows an internal credit quality assessment process which requires due diligence to be done on the customer and this includes obtaining official company business records and past audited accounts.

In addition, as disclosed in Note 21(a)(i) (page 79 – Financial risk management: Market risk: Currency risk), the group has net USD exposure amounting to RM36.3 million as the group held cash and bank balances of RM31.5 million in USD.

- (iv) Can the board help shareholders better understand the group's risk management approach by holding its excess cash in USD?**

Company's Response

The Group monitors foreign currency exchange rate movements closely to manage its exposure. Excess cash is primarily held in USD to better manage fluctuations in foreign exchange rates in relation to the Group's purchases which are mainly in EUR, SGD and USD.

SIAS Question 3

The board comprises six directors of which three are deemed independent. The three independent directors are Mr. Hew Koon Chan (as chairman of the board), Mr. Lai Wai Kit Andrew and Ms. Tan Yee Peng. The profiles of all six directors can be found on pages 16 and 17 of the annual report.

All the directors are seeking their respective re-election at the annual general meeting. Pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST, the information relating to the retiring directors as set out in Appendix 7F to the Catalist Rules are on pages 95 to 115 of the annual report.

- (i) Has the nominating committee reviewed the current competency matrix of the board and had identified any gaps in skills or competencies that need to be addressed in future director appointments?**

Company's Response

The nominating committee ("NC") and the Board are of the view that the present Board has the necessary mix of expertise, experience and competencies such as accounting or finance, legal, business or management experience and industry knowledge for the effective functioning of the Board and is appropriate for the current scope and nature of the operations of the Group. The NC, as part of its duties, will review the mix of skills and competencies of the Board on an ongoing basis, so as to identify any gaps in skills or competencies in the Board that needs to be addressed in future director appointments.

- (ii) Can the nominating committee help shareholders better understand if the independent directors have the appropriate skills sets, knowledge, experience, especially in refinery, oils and fats, process engineering and experience of doing business in Malaysia, Indonesia, Pakistan, Africa and Central/South America, etc to engage in effective and constructive debate and discussions with the executive directors and senior management?**

Company's Response

The NC and the Board are of the view that the present Board has the necessary mix of expertise, experience, and competencies for an effective functioning of the Board and is appropriate for the current scope and nature of operations of the Group. Although the Independent Directors, do not have direct experience in refinery, oils and fats, process engineering, they have good commercial exposure and possess wide-ranging

experiences and expertise across different industries and geographies. The NC and the Board are of the view that the Independent Directors, together with the Non-Executive Directors, are more than able to engage in effective and constructive debate and discussions with the Executive Director and senior management, as they collectively have extensive skills, knowledge and experience in areas such as strategic planning, business and general management, corporate governance, legal, and finance.

BY ORDER OF THE BOARD

Mr. Yong Khai Weng
Executive Director and Chief Executive Officer

20 May 2022

*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms Lee Khai Yinn (Telephone: +65 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.*