

ENECO ENERGY LIMITED
 (the "Company")
 (Co. Reg. No. 200301668R)
 (Incorporated in the Republic of Singapore)

**CLARIFICATION ANNOUNCEMENT ON THE ANNUAL REPORT FOR THE FINANCIAL
 YEAR ENDED 31 DECEMBER 2019**

The Board of Directors ("Board") of the Company refers to the announcement released by the Company via SGXNet on 29 May 2020 in relation to the Annual Report ("AR") for the year ended 31 December 2019 ("AR 2019") of the Company.

The Board is pleased to provide further clarification on the following items in relation to the AR 2019 announcement released on 29 May 2020:-

- a. **Rule 704(6) of the Listing Manual provides that if an issuer has previously announced its preliminary full-year results, any material adjustments to its preliminary full-year results made subsequently by auditors must be immediately announced.**

We note that there are material adjustments to the full year audited results in both (i) value for operating profit/(loss) before working capital changes; and (ii) net cash used in investing activities and there was no SGXNet Announcement made to explain the material adjustments.

Please disclose and explain the material adjustments made.

The variances with corresponding explanations are shown below:-

	Audited 31 Dec 19 S\$'000	Unaudited 31 Dec 19 S\$'000	Variance S\$'000
Operating cash flows before working capital changes	2,247	2,862	(615)
Investing activities :			
Net cash flows used in investing activities	(463)	(934)	471

The variance of S\$615,000 noted between the audited operating cash flows before working capital changes of S\$2,247,000 and the unaudited operating cash flows before working capital changes of S\$2,862,000 as reported in the full-year ("FY") results announcement was mainly due to the allocation of the foreign exchange translation adjustments previously reported in the operating cash flow before working capital changes to the changes in working capital such as trade and other receivables and trade and other payables which forms the cash generated from operations. Cash generated from operations as reported in the audited financial statements of S\$3,750,000 did not differ significantly from the disclosed cash generated from operations of S\$3,857,000.

The variance of S\$471,000 noted between the audited net cash flows used in investing activities of S\$463,000 and the unaudited net cash flows used in investing activities of S\$934,000 as reported in the FY results announcement was mainly due to the set-off of proceeds received from the disposal of right-of-use assets against the lease liability payments in the cash flows from financing activities in the unaudited results announcement. The variance has been re-grossed into the respective categories in the cash flows used in investing and financing activities in the audited financial statements respectively.

- b. Rule 1207(10C) of the Listing Manual provides, inter alia that, the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including the Audit Committee's comment on whether the internal audit function is independent, effective and adequately resourced.**

On page 34 of the Annual Report, the Company disclosed that the AC reviews the adequacy and effectiveness of the IA function annually and as and when the circumstances require, but did not comment on whether the IA function is independent, effective and adequately resourced.

Yes, the internal audit function is independent. Eneco Energy Limited had appointed Wensen Consulting Asia (S) Pte. Ltd. ("Wensen") as its Internal Auditor to conduct the internal audits for FY2019. The Internal Auditors are effective, adequately resourced and independent of the activities it audits with competent professionals and reported directly to the Chairman of the Audit Committee.

- c. In this regard, please provide the Audit Committee's comment and information on the relevant experience of accounting firm and the engagement team.**

Eneco Energy Limited had appointed Wensen, being a leading professional services firm specialising in the provision of audit and assurance, corporate services, transaction support and risk advisory services. There are two Engagement Managers, Sin Siew Mun and Shawn Lee being assigned to Eneco Energy Limited who report to Edward Yap.

Edward Yap (Group Managing Director) started his career in Year 1995 when he joined Ernst & Young, where he audited a diversified portfolio of companies in banking, trading and manufacturing, hotel management, property development, plantations, constructions and project management, etc. In addition, he was involved in special audits and financial due diligence reviews. In Year 1998, he progressed his career in Deloitte, where besides auditing a diversified portfolio of companies, he was also involved in special audits as reporting accountant, valuation engagements, financial due diligence and litigation support engagements. He was also involved in conducting other inhouse technical training organised by the firm.

Edward left Deloitte in 2002 where he founded and started Wensen. He is responsible for directing the Group's operations and business development, including managing a diversified portfolio of companies listed in Singapore and Malaysia which have operations in Singapore, Malaysia, People's Republic of China ("PRC"), United Arab Emirates ("UAE"), etc. Edward Yap is a practicing member of the Institute of Singapore Chartered Accountants ("ISCA"), a member of the Malaysian Institute of Accounts ("MIA") and a fellow member of the Association of Chartered Certified Accountants ("ACCA") of the United Kingdom.

Sin Siew Mun (Senior Manager) started her career as Internal Auditor with a local Malaysian based internal audit outsourcing firm in 2007. During her employment, she was involved in assessing and evaluating the overall effectiveness of client's internal controls and business processes. Upon completion of her certification as Information Systems Auditor, she progressed her career with Deloitte Enterprise Risk Services Sdn. Bhd. specialising in reviewing general computer controls, application/automated business transactions and data processing (i.e. Information Technology Audit) and has extensive experience in industries such as retail, trading, manufacturing, insurance, property development, construction and servicing industries. She subsequently joined Wensen since Year 2010, managing various portfolios of clients with operations in Singapore, Malaysia, Indonesia, PRC and UAE.

Shawn Lee (Manager) started his career in Year 2008 as Finance Executive in a multinational corporation and joined Wensen in early 2010 as an Audit Assistant responsible for performing internal audit review on companies listed in Singapore with operations in Singapore, Malaysia and the PRC. Shawn was promoted to Audit Senior in Year 2011 leading a team of qualified professionals in performing internal audit review on clients. Besides performing internal audit reviews, Shawn was actively involved in Risk Management Engagements of Wensen, conducting Enterprise Risk Management workshops and handling risk profiling and documentation work for clients. Shawn was promoted to Manager in 2016 and is currently assisting the Directors of Wensen Consulting in managing a portfolio of clients involved in manufacturing, project management, trading, etc.

- d. Rule 1207(20) of the Listing Manual provides, inter alia that, the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including where the proceeds are used for general working capital purposes, the issuer must announce a breakdown with specific details on the use of proceeds for working capital. Where there is any material deviation from the stated use of proceeds, the issuer must also announce the reasons for such variation. We note that the net proceeds from the private placement on 14 December 2018 has been fully utilized, as disclosed on page 38. [were there deviations from stated use of proceeds?]**

In this regard, please disclose the breakdown with specific details on the use of proceeds for working capital. Where there is any material deviation from the stated use of proceeds, please also disclose the reasons for such variation.

There is no material deviation from the original stated use of the proceeds as per announcement dated 22 November 2018. Please refer to the attached announcement made on 02 June 2020, where EEL disclosed the use of the proceeds from the placement which had been fully utilised.

- e. Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.**

We note that the Company had not complied with Provision 8.1 and 8.2 of the Code of Corporate Governance 2018 (the "Code") with regards to the disclosure of remuneration, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Under the provision 8.1 of the Code of Corporate Governance

In setting the remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry as well as the Group's relative performance and the performance of its individual Directors. The level and structure of remuneration is aligned with the long-term interest and risk policies of the Company. The Independent and Non-Executive Directors are paid Directors' fees, which take into account factors including but not limited to the effort, time spent and the scope of responsibilities of the Directors. Directors' fees are recommended by the Board for approval at the Company's AGM. The Non-Executive and Independent Directors should not be over compensated to the extent that their independence may be compromised and no Director is involved in deciding his own remuneration. The Executive Directors do not receive Directors' fees.

The remuneration packages of the Executive Directors and the key management personnel comprise primarily a basic salary and a variable component, which is inclusive of bonuses, based on the performance of the Group as a whole, the individual Director's performance and other benefits. This performance-related remuneration aligns the interests of the Executive Directors and key management personnel with that of the shareholders and promotes the long-term success of the Company.

Due to the current focus of the company there is no long-term incentive scheme in place, this will be reviewed and revised as and when the Remuneration Committee ("RC") deems to be the right time to implement. The service agreement may be terminated by either party giving to the other not less than six (6) months prior written notice. The Company will review, consider and adopt contractual provisions in the service agreements or employment agreements to reclaim incentive components of remuneration paid in prior years from the Executive Directors and key management personnel. The RC may choose at any time to seek independent expert advice on the remuneration of Executive Directors and Independent Directors if it deems necessary.

The Code recommends that a Company should fully disclose the remuneration of each individual Director and the CEO on a named basis, this can be found on Page 29 of the AR.

The Code also recommends that the Company should fully disclose the names and remuneration of at least the top 5 Key Management personnel (who are not Directors or the CEO) in bands of S\$250,000. The Board, on review, is of the opinion that it is in the best interests of the Group not to disclose the actual remuneration as well as the names of the top 5 Key Management personnel, as such disclosure is disadvantageous to the business interest of the Group given the competitive nature of the industry and the sensitive nature of such information.

Under the provision 8.2 of the Code of Corporate Governance

There are no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company.

- f. We note that the Company had not complied with Provision 9.2(a) of the Code with regards to the Board requiring and disclosing in the company's annual report that it has received assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances.**

The Board received written assurance from the CEO, which was reported on page 30 and 31 of the Annual Report that the financial records had been properly maintained and that the financial statements gave a true and fair view of the Company's operations and finances. At the time of the preparation of the Annual Report, the position of the CFO was still vacant.

- g. Please clarify if the Board has received assurance from the CFO as recommended under Provision 9.2(a) and explain as to how the practices the Company had adopted are consistent with the intent of Principle 9 of the Code, which provides that the Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.**

The Board has received assurance from the CEO and management of key subsidiaries in the form of representation letters that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the risk management and internal control systems are operating effectively to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

To ensure that internal controls and risk management processes are adequate and effective, the Audit Committee is assisted by various independent professional service providers. The assistance of the Internal and External Auditors enabled the Audit Committee to carry out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the Internal and External Auditors to further improve the internal controls were reported to the Audit Committee. The Audit Committee will also follow up on actions taken by the Management on the recommendations made by the Internal and External Auditors.

The Audit Committee and the Board also received quarterly risks management updates from the Risk Management Committee and monitor progress of all key risks by the risk management process.

By Order of the Board
ENECO ENERGY LIMITED

Colin Peter Moran
Executive Director cum Chief Executive Officer
30 August 2020

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(Company Registration No.: 200301668R)

UTILISATION OF PROCEEDS FROM PLACEMENT

The Board of Directors (the “Board”) of Eneco Energy Limited (“Company”) refers to the announcement made by the Company on 16 January 2019 disclosing the use of the net proceeds amounting to S\$9.82 million (after deducting related expenses incurred in connection with the placement) (the “Net Proceeds”) raised from the placement on 14 December 2018 (the “Placement”).

The Board wishes to provide the following update on the use of the Net Proceeds from the Placement:

Purpose	Amount Utilised (S\$ million)		
	Up to 16 January 2019	Up to 31 December 2019	Total
Payables for Oil & Gas	1.77	0.65	2.42
Payment for professional fees	0.86	0.92	1.78
Subsidiaries’ payables	0.88	0.01	0.89
Payment of general working capital*	2.31	2.42	4.73
Total	5.82	4.00	9.82

* The breakdown of the working capital utilised was as follows:

General administrative & service expenses	0.10	0.63	0.73
Payroll and employee expenses	2.21	1.79	4.00
Total	2.31	2.42	4.73

The above utilisation is in line with the intended uses of the Net Proceeds stated in the Offer Information Statement.

Following the above, the net proceeds from the Placement have been fully utilised as at 31 December 2019.

By Order of the Board
ENECO ENERGY LIMITED

Colin Peter Moran
Chief Executive Officer and Executive Director
02 June 2020