ENECO ENERGY LIMITED

EXECUTIVE SUMMARY

STRICTLY PRIVATE AND CONFIDENTIAL

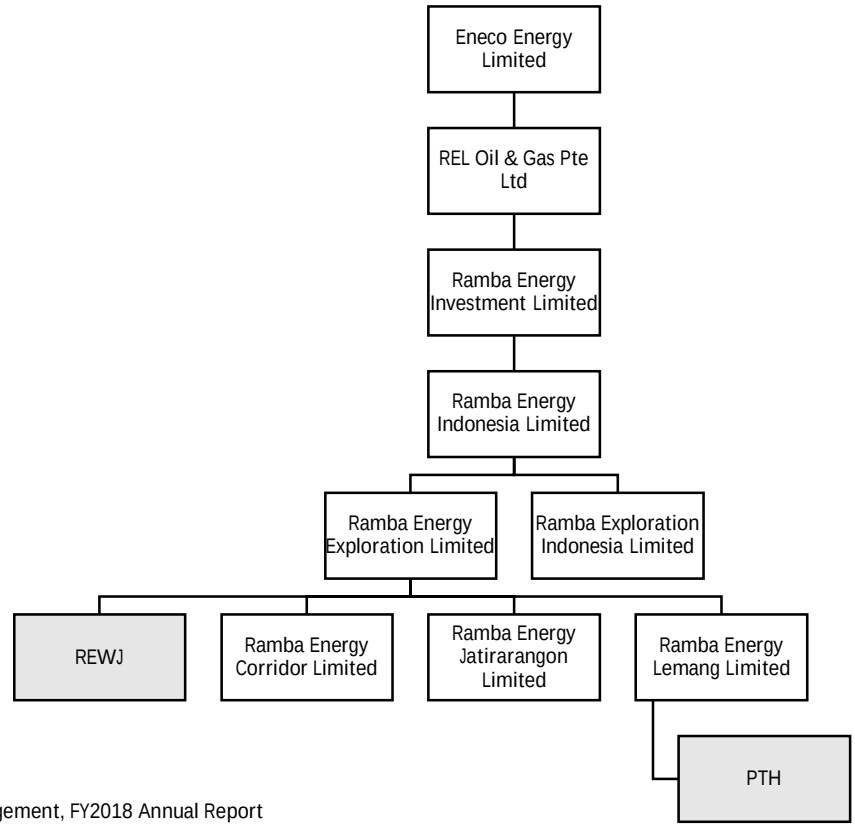
8 JULY 2022

Executive Summary

1. Introduction

1.1. Eneco Energy Limited ("the Company" or "EEL") is a company listed on the Mainboard of Singapore Exchange ("SGX") Securities Trading Limited. The principal activities of EEL and its subsidiaries ("the Group") include the provision of logistics and transportation, exploration and production of oil and gas to provision of real estate management services in Singapore, Indonesia and Malaysia.

1.2. Set out below is the organizational structure[1] of the Group's oil and gas segment.



Source: Company management, FY2018 Annual Report

1.3. On 10 June 2019, the Company announced that, during the course of the Group's FY2018 audit, the Group's external auditors, Ernst & Young LLP ("EY"), had identified a withdrawal of approximately USD2.88 million ("Queried Payment") from a subsidiary's bank account and the amount was then advanced to a broker to secure a bank guarantee in favour of another subsidiary, Ramba Energy West Jambi Ltd ("REWJ").

[1] The organizational structure in Year 2018 was used as "Queried Payment" occurred in Year 2018. There were changes to the organizational structure after Year 2018.

1.4. The Company subsequently issued an announcement in response to SGX's queries on 21 June 2019 that the Queried Payment was made by Aditya Wisnuwardana Seky Soeryadjaya ("DAS") who was then the executive director, Chief Executive Officer and substantial shareholder of the Company. The withdrawal was made from the bank account of the Indonesia subsidiary of EEL, PT Hexindo Gemilang Jaya ("PTH") to DAS's personal bank account. DAS then purportedly advanced the funds to a broker, PT Mandiri Pratama Khatulistiwa ("MPK"), who was engaged by PTH to obtain a bank guarantee ("BG") in favour of REWJ in order to secure the extension of the exploratory permit for the exploration and production on the West Jambi Operating Areas ("West Jambi KSO").

1.5. For the purpose of the report, the following table sets out the composition of the Former and Current Board for EEL during these periods:

	No.	Name	Designation	Tenure (Appointment to Resignation)
	1.	Aditya Wisnuwardana Seky Soeryadjaya	Executive Director	30 Jun 2008 to 21 Feb 2020
Former Board	2.	Daniel Zier Johannes Jol	Executive Director	17 Nov 2008 to 31 Dec 2018
	3.	Chee Teck Kwong Patrick	Independent Director	17 Feb 2004 to 18 Dec 2018
	4.	Tan Chong Huat	Non-executive Chairman and Director	17 Feb 2004 to 18 Dec 2018
	5.	Tay Ah Kong Bernard	Independent Director	4 June 2008 to 18 Dec 2018
	6.	Lee Seck Hwee	Executive Director	28 April 216 to 31 Dec 2018
Current Board	7.	Low Chai Chong	Independent Director	14 Dec 2018 todate
	8.	Patrick Tan Tse Chia	Independent Director	14 Dec 2018 todate
	9.	Teo Cheow Beng	Independent Director	14 Dec 2018 todate
	10.	Koji Yoshihara	Non-Independent and Non-executive Director	14 Dec 2018 todate
	11.	Colin Peter Moran	Executive Director	28 June 2019 todate

1.6. Pursuant to the above, the Company announced on 10 September 2019 the appointment of Deloitte & Touche Financial Advisory Services Pte. Ltd. as the Independent Reviewer to perform an independent review on, inter alia, the circumstances surrounding the Queried Payment.

2. Scope of Work

2.1. Based on DTFAS' terms of reference, DTFAS's scope of work ("Scope of Work"), includes among others, the following:

a. Review and validate the requirements to furnish a BG to the West Jambi concession holder in order to secure the extension of the exploratory permit;

b. Review and understand the approval process leading to the withdrawal of S$3,876,000 ("Funds") from another subsidiary company's bank account by DAS and its subsequent transfer to the broker identified as MPK;

c. Assess any related financial impact of the withdrawal of the Funds on the Company's financials;

d. Review and understand the rationale and the circumstances surrounding the identification, selection and approval of MPK as the broker;

e. Review and understand the circumstances leading to the impairment of the Funds advanced to MPK to secure the BG;

f. Trace the flow of Funds from the subsidiary company's bank account to the ultimate recipient of the Funds (in connection with the BG) and review the circumstances and rationale for such fund flow;

g. Review the validity of the arrangement between the Company and MPK in consultation with independent solicitors, if necessary;

h. Review the circumstances leading to the purported issuance of the Proforma BG or BG;

i. Ascertain the validity of the Proforma BG or BG;

j. Ascertain the present status of the BG;

k. Ascertain the present status of the extension of the exploratory permit;

l. Perform background checks, review and assess the relationship between MPK and the Company including the Company's directors, controlling shareholders and key executives (collectively the "Parties");

m. Review any follow-up action taken by the Board and/or management in relation to the issuance of the BG;

n. Identify in consultation with independent solicitors any potential breach of listing rules, laws or regulations in Singapore governing the Company and the Parties. This will include, but is not limited to, the identification of all responsible parties and the lapses on their part; and

o. Review the corporate governance and internal controls of the Group relating to, amongst others, the transactions described above, and propose in consultation with independent solicitors, remedial actions and recommend areas of improvement in connection thereto.

3. Important Notice and Limitation of Scope

3.1. Our work was limited by the information available to us during the engagement. We are unable to verify the authenticity, correctness and integrity of any information provided to us save to the extent that such verification is within the Scope of Work.

3.2. Our work may be limited by access to information sources. In such circumstances our ability to report adequately may be materially prejudiced and you should not rely on our work and the Executive Summary as being comprehensive, as we may not become aware of all facts or information that may be regarded as relevant.

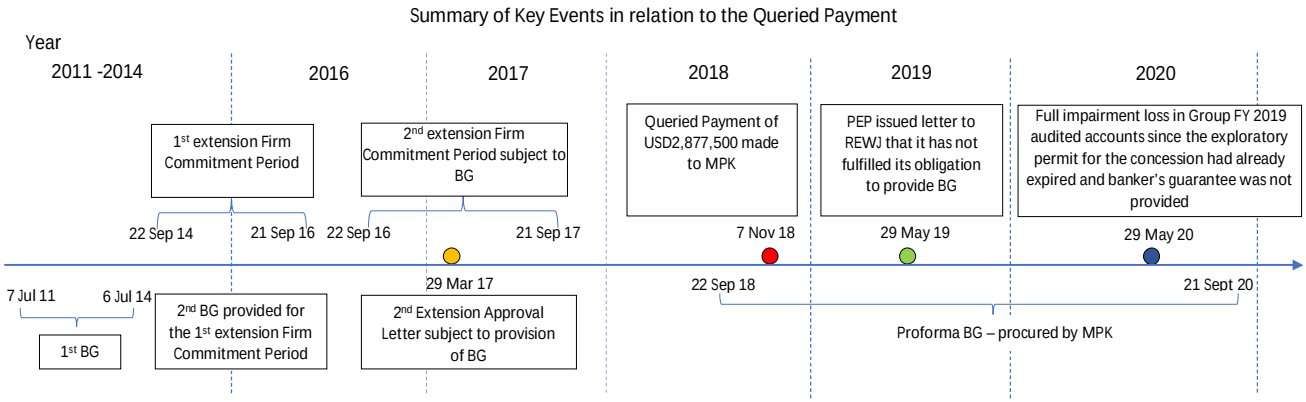
3.3. We accept no responsibility for matters not covered by this Executive Summary or omitted due to the limited nature of our review.

3.4. The performance of the services does not constitute an audit, review or compilation of the Company's financial statements or specified elements, accounts or items thereof, in accordance with generally accepted accounting standards or other applicable audit or attestation professional standards, nor an examination or compilation of, or any application of agreed upon procedures to, any prospective financial statements, or an appraisal of the Company or any of the Company's assets and liabilities.

4. Summary of key findings and observations

A. Key Events Leading to the Queried Payment

4.1. Please refer to the following summary of key events that occurred leading to the Queried Payment:



4.2. The Company's subsidiary, REWJ entered into an agreement with PT Pertamina EP ("PEP") on 13 June 2011 for the West Jambi KSO. Pursuant to the agreement, REWJ was to procure a BG in the sum of USD2.88million in favour of PEP. The BG shall be effective for 3 years from 13 June 2011 and shall be extended until completion of all Firm Commitment[2], in any extension of period of Firm Commitment more than 3 years after 13 June 2011.

4.3. The provision of a valid BG to PEP was stipulated as a necessary condition for the extension of the Firm Commitment period, failing which PEP had the right to terminate the West Jambi KSO. REWJ had provided two BGs to PEP for the following period:
(a) 7 July 2011 to 6 July 2014; and
(b) 22 September 2014 to 21 September 2016 ("1st Extension") (after obtaining 1st extension Approval Letter dated 15 October 2014 of the Firm Commitment)

4.4. Following the expiry of the 1st Extension, PEP issued an approval letter dated 29 March 2017 (the "2nd Extension Approval Letter") to REWJ for a 1-year extension of the Firm Commitment period from 22 September 2016 to 21 September 2017 ("2nd Extension"). However, this 2nd Extension was subject to, among other conditions, REWJ procuring a USD2.88 million BG with a validity period of 22 September 2016 to 21 September 2017 within 10 days of the 2nd Extension Approval Letter and provide its acceptance of the 2nd Extension Approval Letter to PEP.

4.5. Between July 2016 and September 2018, REWJ approached approximately nine insurance parties and/or banks to assist in procuring the BG to be furnished to PEP in connection with the 2nd Extension. However, it appeared that none of the approached parties were able to assist in procuring the BG.

4.6. In a letter dated 15 October 2018 to PEP, REWJ stated the following issues faced in obtaining a BG from the various parties approached:

(i) The status of REWJ as a foreign legal entity (British Virgin Island ("BVI") incorporated);
(ii) The significant guarantee amount of USD2.88 million;
(iii) Unstable oil prices; and
(iv) The negative performance reflected in the financial statements due to REWJ's status as an exploration company with no production activities.

4.7. REWJ then approached PEP with an alternate proposal on 15 October 2018 to consider accepting a Standby Letter of Credit as a substitute for the BG. On 13 February 2019, PEP issued a letter to REWJ stating that PEP could only accept a guarantee in the form of a BG in accordance with the terms of the West Jambi KSO.

4.8. On 22 October 2018, REWJ issued a letter to PTH, another Indonesian subsidiary of the Company ("REWJ Request Letter"), requesting for assistance to procure a BG of USD2.88 million "with full cash backed up", citing the reason that REWJ was unable to comply with the insurance companies' expectations of having a positive cashflow and due to REWJ's status as a BVI company.

[2] Work to be carried out by REWJ pursuant to the work program under the West Jambi KSO

4.9. PTH then procured the services of an Indonesian company, MPK pursuant to a Notice of Award dated 5 November 2018 to assist in securing a BG for the above purposes. An invoice dated 7 November 2018 ("MPK Invoice") was issued by MPK to PTH for the sum of USD2,887,500 made up of the guaranteed value of USD2,880,000 and service charges of USD7,500.

4.10. Pursuant to the MPK Invoice, DAS claimed that the Queried Payment was transferred to his personal bank account before he paid the same to MPK through his own account.

4.11. PTH's Procurement Procedure provides that any purchase of material and services ("M&S") should be conducted by the procurement arm and the requisition of the M&S should be documented in a M&S form. The vendor should have provided documentations required for Vendors' Qualification check before it can be listed in PTH's vendor list. However, we did not uncover any evidence that the engagement of MPK was in accordance with the PTH's Procurement Procedure.

B. Rationale and circumstances surrounding the identification, selection and approval of MPK as the broker and leading to the Queried Payment

(i) Identification, selection and approval of MPK as the broker

4.12. Based on our interview dated 26 November 2019 with Bambang Satya Murti ("BSM") (Director and General Manager of REWJ), he disclosed that he was first introduced to Sofian Rahman Lubis ("Sofian Rahman"), the director of MPK, by PEP's employee named Weddy Kamaludin sometime in mid-2015.

4.13. BSM indicated that PTH had conducted a "direct selection" of MPK, i.e. PTH did not invite any other company to participate in the selection process. The selection and approval of MPK was carried out by BSM and DAS between September 2018 and November 2018 without the knowledge of the Company's Former Board during the material time.

4.14. Based on our review, there was no evidence to support the selection of MPK was in compliance with PTH's internal Procurement Procedure of the Goods and Services. Subsequent interviews with the Former Board (except for DAS and Daniel), Current Board and key executives of the Company confirmed that they had no knowledge and no relationship with MPK. As at the date of this report, apart from the relationship between MPK and BSM as mentioned in paragraph [4.12] above, there were no identified relationships between MPK and the Parties.

4.15. Based on the company profile of MPK which we have extracted, we note that :

(a) MPK has over 30 categories of business activities but none are related to acting as a broker or providing financial services;
(b) The issued and paid-up capital of MPK is only IDR600 million (i.e. equivalent to approximately S$60,000)

(c) The address of MPK provided in the letterhead of the invoice differs from the registered office of MPK as recorded in the Company Profile. It appears that the address of MPK provided in the letterhead was that of a Serviced Office and/or Virtual Office location which provides co-working space with office workstations and amenities.

(ii) Circumstances leading to the Queried Payment to MPK

4.16. Set out below is the sequence of events and correspondences with MPK following REWJ's Request Letter to PTH to procure the BG:

Date of Letter	Description of Documents
24 October 2018	Letter from PTH to MPK requesting for MPK to provide a proposal for assisting with the procurement of a BG.
29 October 2018	Letter from MPK to PTH on the terms and conditions on procurement of the BG which include providing receipt to PTH upon receiving the funds of the guarantee value.
5 November 2018	Notice of Award issued by PTH to MPK informing the appointment of MPK for the BG procurement.
7 November 2018	Invoice issued by MPK to PTH for the sum of USD2,887,500 made up of the guaranteed value of USD2,880,000 and service charges of USD7,500.
20 October 2020	A post dated Letter of Authorisation issued by MPK to PT Bank Mandiri (Persero) Tbk ("Bank Mandiri") authorizing Bank Mandiri to debit MPK's bank account for USD2.87 million to be paid in cash to PTH which supposedly appears to be MPK's commitment to PTH that it would refund the guarantee fund of USD2.88 million upon expiry of the BG as stated in terms and condition of the letter dated 29 October 2018.

4.17. The previous BGs were procured with payment of a fee which did not require full cash collateral of the BG value. However, we were informed by the Company that due to the Group's liquidity, the banks and brokers, including MPK require full cash collateral on top of fee payment.

4.18. We also note that the invoice issued by MPK to PTH for the sum of USD2,887,500 was handed over by BSM directly to DAS, without any reasonable explanation, for settlement rather than to PTH's finance team for processing.

(iii) Queried Payment of USD2,877,500 made to MPK from PTH's bank account through the Director's personal account

4.19. Based on our interview with DAS, he explained as follows the circumstances and rationale for routing the Queried Payment though his personal bank account :

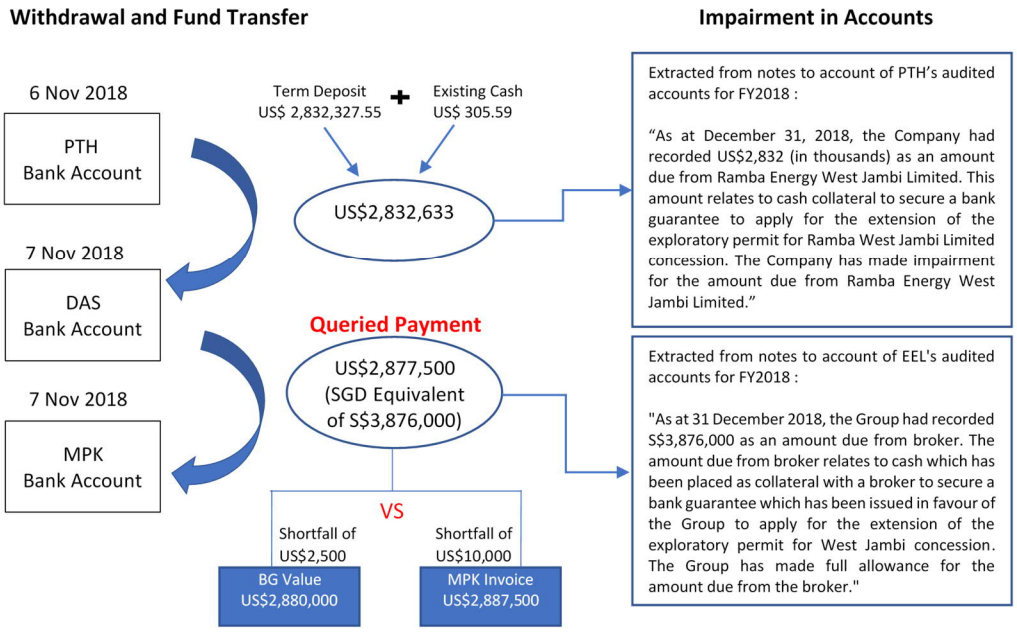
(a) BSM had expressed to DAS the urgency of obtaining the BG to be provided to PEP;
(b) PTH did not have sufficient funds (there was a shortfall of USD44,366.86) to make payment to MPK;
(c) As the largest shareholder, DAS decided to lend an amount equivalent to the shortfall in PTH's funds; and

(d) In order to effect the transfer of funds to MPK, DAS visited Bank Mayapada and conducted the transactions over the counter. The partial sum of USD2,832,633.14 was transferred from PTH to DAS before the sum of USD2,877,500.00 was purportedly transferred from DAS to MPK.

(iv) Summary of Flow of Funds Transfer relating to the Queried Payment

4.20. Set out below is an overview of the flow of funds relating to the Queried Payment:

Summary of fund transfer of USD2,832,633.14 from PTH to DAS and the Queried Payment of USD2,877,500 purportedly transferred from DAS to MPK and the impairment of the amount



4.21. The funds of USD2,832,633.14 withdrawn from PTH's bank account on or around 6 November 2018 comprise of the following:

(i) Proceeds from withdrawal of term deposit amounting to USD2,832,327.55 (the "Term Deposit"); and
(ii) USD305.59 from the pre-existing cash of USD805.59

4.22. Based on our interview with DAS, DAS claimed that he withdrew the sum of USD2,832,633.14 from PTH's bank account at the bank counter with only his signature on 6 November 2018. DAS was purportedly able to effect the fund transfer from PTH's account to his personal account at Bank Mayapada although he did not possess sufficient signing authority to do so.

4.23. Upon receipt of USD2,832,633.14, DAS claimed that he transferred USD2,877,500 to MPK on the same day. We are unable to confirm if MPK received the said amount as the bank statement from DAS does not indicate the name of the recipient of the outward fund transfer on 7 November 2018.

4.24. In our reconciliation of the transferred amount to the invoice issued by MPK, we note the following shortfall/discrepancy:

(i) Fund transfer of USD2,877,500 that was purportedly transferred DAS's bank account to MPK fell short by USD10,000 of the required amount of USD2,887,500 as stated in MPK Invoice; and
(ii) Fund transfer of USD2,877,500 that was transferred to MPK fell short by USD2,500 of the required cash collateral amount of USD2,880,000.

4.25. DAS clarified that he did not want to pay MPK the full amount as they had yet to procure the BG. As the brokerage fee was USD7,500, he decided to round up and withheld the sum of USD10,000 and remitted only USD2,877,500. He later clarified that he did not remit the balance USD10,000. Our attempt to meet MPK to clarify the aforesaid has not been successful.

4.26. On 28 May 2019, DAS issued a letter to Bank Mayapada requesting the bank to confirm directly to EY that the sum of USD2,877,500 was transferred from his bank account to MPK's bank account on 7 November 2018. Bank Mayapada had purportedly provided its hand-written response stating that "the transaction on 7 November 2018 is confirmed" on the same letter dated 28 May 2019. The hand-written response was provided by EY.

4.27. In order to clarify this response and verify the hand-written response, we requested for the Company and DAS to arrange for us to meet Bank Mayapada. On 16 March 2020, we understand from the Board that Bank Mayapada had verbally rejected to meet us. As such, we are unable to independently verify if the sum of USD2,877,500 was indeed transferred from DAS's personal bank account to MPK's bank account.

(v) Circumstances leading to the impairment of the Funds advanced to MPK to secure the BG

4.28. Based on the minutes of the Audit Committee ("AC") meeting on 25 February 2019, we note that the Company's auditors EY highlighted the withdrawal of the Funds from PTH's bank account and the lack of corresponding supporting documents as one of the outstanding items delaying the finalisation of the Company's FY2018 audit.

4.29. A subsequent Special Audit Committee meeting was held on 4 June 2019 to discuss the outstanding audit issue highlighted by EY, being the lack of satisfactory audit evidence or explanations regarding the payment made by PTH to DAS and subsequently to MPK. The minutes of meeting disclosed that the Chairman of the AC recommended a subsequent meeting between the AC and EY to discuss and finalise the audit.

4.30. We have also sighted an email dated 6 June 2019 from the Company's Chairman, Mr. Low Chai Chong, to EY, stating that the AC would like to make a full provision for the amount due from MPK and on 10 June 2019, the Company issued an announcement on SGX disclosing that EY had issued a Disclaimer of Opinion on the Group's FY2018 audited financial statements stated that in relation to the funds paid to MPK to secure a BG in favour of REWJ, "the amount was initially recorded as

an amount due from a broker and subsequently management made a full impairment allowance of S$3,876,000 against the amount due (Note 18) after queries were raised about its recoverability".

4.31. Based on our interviews with key management personnel and the information made available to us as at the date of this report, it appears that the decision to make a full impairment of the funds due from MPK was undertaken by the Company's AC in EEL's 31 December 2018 audited account under the following circumstances:

(a) EY had expressed that they were unable to obtain sufficient appropriate audit evidence regarding the transfer of funds from PTH to DAS and subsequently to MPK;
(b) EY had reminded the Board that the management was responsible for the preparation of financial statements that give a true and fair view in accordance with the applicable legal and accounting standards; and
(c) The Board assessed that there was a low chance of recovering funds from MPK given the uncertainty surrounding the validity of the post-dated letter of authorization provided by MPK and the relatively small paid-up capital of MPK.

(vi) Financial impact of the withdrawal on PTH's financials

4.32. The withdrawal of the USD2,832,633.14 from PTH's Bank Mayapada account on or around 6 November 2018 constituted 99% of PTH's opening cash balance (approximately USD2.85million).

4.33. As a result of the withdrawal of the USD2.83 million and the subsequent full provision of the receivable from REWJ, PTH's current ratio (measured as its current assets over its current liabilities) deteriorated from 0.25 as at 31 October 2018 to 0.06 as at 31 December 2018. A current ratio of less than 1.00 implies that a company may have difficulty in meeting its short-term obligations and is an indicator of insolvency risk.

4.34. The full provision of the receivable from REWJ also had a direct impact on PTH's income statement and contributed to PTH's FY2018 net losses of USD22.6 million as recorded in PTH's audited accounts.

(vii) Financial impact of the withdrawal on the Group's financials

4.35. The full allowance for the amount due from MPK of S$3,876,000 had a direct impact on the Group's consolidated income statement for FY2018 as it was included in the Group's "other operating expenses" of S$32.5 million, thereby contributing to the Group's net losses of S$45.2 million for FY2018. The amount withdrawn constituted 36.19% of the Group's opening total cash balance (approximately S$10.711m) and 11.29% of the Group's opening Net Asset Value balance (approximately S$34.345m).

C. Approval process leading to the withdrawal and transfer of Funds from PTH by DAS and its subsequent transfer to MPK

4.36. The withdrawal of funds from PTH's account was discovered by Raditya Kusumah ("RK'), PTH's Head of Finance. He had identified the withdrawal of funds upon retrieving PTH's November 2018 bank statements from Bank Mayapada on and around December 2018 to January 2019.

4.37. We note that there were no records of any discussion or update on the aforesaid withdrawal from PTH's account and the subsequent Queried Payment to MPK in the Former Board's meeting and AC meeting held on 12 November 2018 (i.e. approximately one week after the withdrawal and transfer was effected) although DAS was present at both meetings.

4.38. The Company is unable to produce any documentation of the approval process leading to the Queried Payment. It appears that only BSM and DAS were aware of the appointment of MPK and the invoice from MPK which required payment. Based on our discussion and interviews with DAS, he did not escalate the Queried Payment to the Former Board and he handled the entire fund transfers from PTH's bank account with Bank Mayapada to MPK's bank account via his personal bank account with Bank Mayapada.

D. Status of Bankers' Guarantee and Extension of the Exploratory Permit

4.39. We have sighted an alleged proforma bank guarantee for USD2.88 million dated 28 November 2018 allegedly issued by PT Bank Pembangunan Daerah Jawa Barat ("BJB") to PEP (the "Proforma BG") that was allegedly procured by MPK. Unlike the BGs obtained by REWJ in 2011 and 2014, the Proforma BG did not contain any serial number.

4.40. According to BSM, MPK had advised BSM that the Proforma BG was a draft and pending for a fixed asset collateral from REWJ and/or MPK to BJB in addition to the full cash collateral of USD2,880,000.

4.41. Despite a letter from REWJ to PEP dated 29 November 2018 enclosing the Proforma BG as mandated by the KSO, PEP subsequently issued a letter dated 29 May 2019 to REWJ's auditors stating that REWJ had not fulfilled the obligation of providing a BG of USD2.88 million to PEP in relation to the West Jambi KSO.

4.42. In PEP's letter dated 29 May 2019 to REWJ's auditors, PEP confirmed that "[t]he liabilities and obligation of REWJ to Pertamina EP are related to KSO contract such as firm commitment, bank guarantee USD2,880,000 [...] have not been fulfilled".

4.43. Subsequent to the aforesaid PEP's letter, the Company called a special board meeting on 20 June 2019 to discuss the recoverability of the funds transferred to MPK and also the BG procurement status as required by PEP. We have also sighted a letter from MPK to PTH dated 5 August 2019 suggesting to PTH to cancel "the plan to issue a Bank Guarantee by BJB and replace the bank issuing the Bank Guarantee to Bank Mandiri, Toar Wenang Selatan Branch – Manado, North

Sulawesi" [translated from Bahasa Indonesia]. At a subsequent Board meeting on 27 September 2019, we understand that it was relayed from REWJ Management that "a new BG was expected to be issued by Bank Mandiri (Manado branch). REWJ management was now in discussion with Pertamina to accept the BG and validate the extension of the exploratory permit held by REWJ".

4.44. A month later, PTH issued a letter of demand dated 25 October 2019 to MPK demanding for payment of the sum of USD2.88 million in view that MPK had failed to procure the BG required by PTH. Notwithstanding the issuance of the demand letter, during our interview dated 26 November 2019 with BSM, he stated that PTH was still in the process of liaising with MPK to obtain the BG from Bank Mandiri.

4.45. On 29 May 2020, the Company issued an announcement on SGX disclosing that the appointed auditor, Foo Kon Tan LLP had issued a Qualified Opinion and Key Audit Matters on the Group's audited financial statements for the financial year ended 31 December 2019 ("FY2019"). The Key Audit Matters stated that "the management has recorded a full impairment loss amounting to S$17.2 million (equivalent to USD12.6 million) since the exploratory permit for the concession of the "Asset" had already expired and management has not furnished the banker's guarantee to the concession holder. Furthermore, management has not obtained the required approval on the new work commitments from the concession holder as at the balance sheet date". The "Asset" refers to the West Jambi KSO.

4.46. On 15 June 2020, a settlement agreement was entered between PTH and MPK. In the settlement agreement, MPK acknowledged that "As at date of this Agreement, MPK has failed to provide Hexindo with the Bank Guarantee. Therefore, MPK is in default under the Notice of Award" and MPK was prepared to settle the dispute amicably with PTH and refund the sum of USD2,880,000. MPK agreed to terminate the Notice of Award and settle the dispute for the repayment of the Security Deposit amicably. MPK acknowledged that it is indebted to PTH in the amount of IDR42,520,320,000, equivalent to USD2,880,000 and it agreed to settle the debt in 30 installments.

4.47. To-date, two installment payments were received from MPK. The first installment amounting to a settlement sum of IRD375,000,000 (which is equivalent to USD26,051) was paid on 13 July 2020. The second installment amounting to S$18,692 (Equivalent of USD 14,229) was paid on 21 January 2021 after PTH served on MPK the Notice of Default on the same day.

(i) The present status of the exploratory permit

4.48. In the PEP letter dated 29 May 2019 to REWJ's auditors, PEP confirmed that "[t]he first extension of firm commitment and bank guarantee have ended on 21 September 2016. There is no further extension approval of firm commitment yet and Pertamina EP have not received any bank guarantee extension yet".

4.49. Notwithstanding the above, based on the minutes of the AC meeting held on 11 November 2019, DAS reported that PEP was "keen to allow REWJ to continue drilling additional wells in the West Jambi block". Further to our interview with BSM on 26 November 2019, BSM stated that REWJ

was still in discussion with PEP about their work plan for year 2020 notwithstanding the outstanding BG from REWJ to PEP.

4.50. However, we note that there is no documentation that REWJ has obtained any formal extension of the Firm Commitment period, nor was there any documentation of progress in securing an extension of the Firm Commitment period since PEP's letter dated 29 May 2019. We note that there were no works conducted after the first extension of Firm Commitment and after the BG expired on 21 September 2016. After 21 September 2016, there were only meetings and discussions with PEP on the work program and plan, management of the field and security management of on-site assets. There was however no actual drilling work that was performed.

4.51. On 15 May 2020, the Company announced that PEP had not extended REWJ's exploratory permit in the West Jambi KSO beyond 2016. PEP required a bankers guarantee to be furnished by REWJ for the extension but despite efforts made by REWJ to furnish the BG, it was not provided. Hence, REWJ is committed to proceed with the Potential Divestment of its 100% participating interest in the West Jambi KSO on an "as is" basis. We further note that PEP has officially issued the notice of termination of the West Jambi KSO on 25 January 2021 based on the SGX announcement dated 1 February 2021. The termination would take effect 60 days following the expiration of the notice of termination.

4.52. From our interviews with the key management personnel including Former Directors and review of the available documents, the arrangement with MPK appears to be doubtful given the following observations:

- Amount transferred to MPK does not tally to MPK invoice;
- MPK was not in the financing trade;
- MPK did not respond to our request to be interviewed; and
- The issued and paid up capital of MPK is only IDR600 million (i.e. equivalent to approximately S$60,000).

5. Corporate Governance and Internal Controls Observations and Findings

A. Findings on Potential Breaches of Listing Rules, Laws and/or Regulations, and Recommendations

(i) Non-disclosure of the expiry of exploration permit

5.1. We are advised by solicitors whom we have engaged to assist us that the Group has potentially breached Listing Rule 703(1)(a), by failing to announce the expiry of the exploration permit relating to West Jambi KSO on or around 21 September 2017, which is necessary to avoid the establishment of a false market in Group's securities. Listing Rule 703(1)(a) requires an issuer to announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which (a) is necessary to avoid the establishment of a false market in the issuer's securities; or (b) would be likely to materially affect the price and value of its securities.

5.2. According to the Former Board (excluding Daniel), as this matter had occurred six years ago, they had no recollection on how the securing of the 2nd Extension was communicated to them nor were they able to explain why the 2nd Extension Approval letter was dated 6 months after the expiry of the 1st Extension on 29 March 2017. However, the Former Board (excluding Daniel) claimed that they had always known that the discussion on the 2nd extension was ongoing between REWJ and PEP.

5.3. The Former Board (excluding Daniel)'s position is that that they relied extensively on the guidance of the executive directors and the team from Indonesia for all matters involving the Company's oil and gas operations in Indonesia.

5.4. The Former Board (excluding Daniel) believed that there were sufficient reasons not to disclose the expiry of the Firm Commitment period to shareholders at the material time due to the following reasons :

(a) The Former Board (excluding Daniel) was informed that the extension would be granted as a matter of course; and in the AC meeting dated 11 November 2016, the Former Board was updated that a new extension to the Firm Commitment period had been secured until September 2017;
(b) The Firm Commitment period was an operational matter where REWJ was required to commit resources to the West Jambi KSO for purposes of exploration and production activities. An extension would have given the REWJ sufficient time to fulfil those requirements;
(c) The Former Board (excluding Daniel) was aware that the exploration and production activities had continued despite the expiry of the Firm Commitment period demonstrating that this was an operational matter for the company; and
(d) Making announcements or disclosures relating to Indonesian oil and gas matters require an understanding of the peculiarities of the Indonesian landscape. The Former Board (excluding Daniel) claimed that they had been advised by the executive directors from the Indonesia team that all dealings with PEP were confidential. The Former Board (excluding Daniel) claimed that they had been advised not to make announcements of matters or transactions involving PEP where such matters were "incomplete" or "in progress" as doing so would jeopardize the on-going negotiation with PEP.

5.5. The Former Board (excluding Daniel) was given to understand that the Firm Commitment period would require a BG, and that the brokers engaged would be responsible for helping REWJ to secure the BG. At that point in time, given the fact that negotiations with PEP were still in progress, there was no reason to believe that the termination of the West Jambi KSO would come into effect. However, the Former Board (excluding Daniel) was not aware that a fresh BG was not procured in time for the 2nd Extension.

5.6. Based on the Former Board (excluding Daniel)'s explanation, they had relied on DAS, BSM and Daniel on matters relating to REWJ. Accordingly, these executives are likely responsible to have caused the Group to breach Listing Rule 703(1) by failing to escalate material developments

relating to the West Jambi KSO to the Former Board and thereby causing the Group not to announce the expiry of the exploration permit on or around 21 September 2017.

5.7. The West Jambi KSO was never officially terminated prior to 2021 and REWJ had been in constant talks with PEP on the fulfilment of conditions pertaining to the 2nd Extension between July 2016 and November 2019. Taking into account these developments and the Former Board (excluding Daniel)'s explanation, the Group ought to have, at the very least, announced the status of the exploration permit on or around 21 September 2017 when the 2nd Extension expired. The Group has therefore potentially breached Listing Rule 703(1)(a), by failing to announce the expiry of the exploration permit relating to West Jambi KSO on or around 21 September 2017, which is necessary to avoid the establishment of a false market in Group's securities. We note that PEP officially issued the notice of termination of the West Jambi KSO on 25 January 2021, which the Company announced on SGXNet on 1 February 2021. The termination would take effect 60 days following the expiration of the notice of termination.

(ii) Failure to escalate material development relating to West Jambi KSO to the Board

5.8. Based on our review, the lack of proper escalation of material issues to the Former Board was due mainly to two reasons. Firstly, the relevant executives, including PTH's finance manager did not have direct access to the Former Board. Secondly, there was no formalized procedures in place on matters that need to be escalated to the Former Board. The former executive directors (in this case, DAS) would decide if an issue should be escalated to the Former Board.

(iii) Non-compliance with established procedures with respect to the appointment of MPK

5.9. BSM and DAS were directly involved in the appointment of MPK and the procurement of BG from MPK. BSM reported to DAS but DAS did not inform the Former Board on the appointment of MPK.

5.10. Based on the Former Board (excluding Daniel)'s experience in Indonesia, there were deep and trusted relationships between MPK or other broker with the Indonesia team and they cannot be the subject of constant intervention by the Former Board, or they would risk jeopardizing the overall commercial importance of the West Jambi KSO.

5.11. The Current Board were of the view that based on the checks conducted by REWJ and at the time when DAS made representation that MPK was a reliable broker and a service provider, there was no basis for the Board to doubt his representations.

5.12. There was however no evidence that the appointment of MPK was in compliance with PTH's Procurement Procedure as the Material and Service Form for the requisition of procurement for the BG was not submitted and there was no documentation provided by MPK for vendor's qualification which was a requirement of the Procurement policy of PTH.

(iv) Non-compliance with established procedures with respect to the disbursement of funds from PTH's bank account

5.13. Based on our findings, only DAS and BSM were aware of the appointment of MPK and the invoice from MPK. BSM handed the invoice from MPK to DAS instead of PTH's finance team for processing. DAS single-handedly withdrew USD2,832,633.14 from PTH's bank account and deposited into his personal bank account before purportedly transferring USD2,877,500 to MPK. The withdrawal from PTH's bank account did not appear to have been recorded in PTH's books until it was discovered by PTH's head of finance. This was not in accordance with PTH's Treasury Activity policy.

5.14. Based on our observations and findings and as advised by our solicitors, the failure to have in place an established procedure on matters to be escalated to the Board and the Group's non-compliance with established procedures are potential breaches of Listing Rule 719(1). Listing Rule 719(1) requires an issuer to have adequate and effective system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems

5.15. DAS, as the Executive Director and CEO of EEL, was fully apprised of and involved in the developments of the West Jambi KSO. He appointed MPK for the procurement of BG, transferred USD 2,832,633.14 from PTH's bank account to his personal account and thereafter, purportedly transferred USD 2,877,500 to MPK. All these were done without performing proper due diligence or complying with the Group's internal procedures. With respect to the fund transfers relating to the Queried Payment, neither our review nor DAS was able to produce any evidence to prove that the monies were indeed transferred from his personal bank account to MPK. Considering the circumstances surrounding DAS's conduct in the appointment of MPK and the fund transfers, DAS may have potentially breached Section 157 of the Companies Act which requires a director to act honestly and use reasonable diligence in the discharge of his duties.

5.16. Despite our numerous requests for documents such as supporting documents on the background checks performed on MPK, original bank statements, transaction details and supporting documents relating to the flow of funds, DAS has failed to provide us with those requested information and documents.

(v) Lack of proper maintenance of documentation

5.17. The Company's management was unable to provide remittance advice and fund transfer application forms signed by DAS on behalf of PTH during our review.

5.18. The withdrawal of funds from PTH's bank account and the lack of supporting documentary proof evidencing the payment to MPK which resulted in a disclaimer of opinion in the Group's FY2018 audited financial statements and a qualified opinion in the Group's FY2019 audited financial statements suggest potential contravention of Section 199(1) and (2A) of the Companies Act.

5.19. Section 199(1) of the Companies Act provides, inter alia, that a company shall cause to be kept such accounting records and other records as will sufficiently explain the transactions and financial position of the company and enable true and fair financial statements and any documents required to be attached thereto to be prepared from time to time, and shall cause those records to be kept in such a manner as to enable them to be conveniently and properly audited. These records are to be retained for a period of not less than 5 years from the end of the financial year in which the transactions or operations to which those records relate are completed.

5.20. Section 199(2A) of the Companies Act provides, inter alia, that every public company and every subsidiary company of a public company shall devise and maintain a system of internal accounting controls sufficient to provide a reasonable assurance that: - (a) assets are safeguarded against loss from unauthorised use or disposition; and (b) transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

6. Recommendations

A. Recommended area of improvements

6.1. We suggest that the Company consider the following measures:

(i) The AC should approve the appointment of directors at the subsidiary level of the Group and should have periodic meetings with the Board and report directly to at least the AC;

(ii) Immediate efforts be taken by the Company to educate and properly disseminate the whistle-blowing policy to employees of Group members (in particular the finance function), and to encourage and implement avenues for direct access to non-executive Board members without fear of recrimination;

(iii) The Board, together with the Company's secretary and advisors, should conduct a review of the SGX-ST Listing Manual and Listing Rules to ensure full compliance with disclosure requirements;

(iv) The Company should arrange training for the Board and key executives including executives at the subsidiaries, on the disclosure requirements for the Company as a public listed company and consider issuing an internal guide to its Bboard and key executive on public disclosure;

(v) Establishment of a handover framework for departing employees, involving supervision of the process by management, to ensure continuity in the performance of key functions and in the retention of documents maintained by the departing employee;

(vi) The Company's finance team should ensure the maintenance of a record of all bank accounts and signing mandates of all subsidiaries, including copies of the relevant supporting documents (including but not limited to the account opening forms, written instructions to the bank for any subsequent changes in signing mandates, resolutions passed in relation to the account opening and signing mandates, etc.);

(vii) The Company's risk management team should conduct periodic inspections at both Company and subsidiary levels to ensure compliance with documentation retention guidelines;

(viii) An independent review of subsidiaries' bank accounts should be conducted to verify that the signing mandates as instructed by the head office have been duly implemented;

(ix) The Group's approval authority matrix should be clearly demarcated with the effective date and circulated to all authorised signatories and employees involved in the payment process;

(x) Comprehensive review of the current payment process with a view to tighten controls, for instance by setting out clear written policies for all invoices to be processed centrally through the Group's / subsidiary's finance function;

(xi) Prepare and maintain a logbook to keep track of all the contractual obligations, which include Bankers' Guarantees and take note of its expiration date; and

(xii) Streamline and reduce the number of existing bank accounts and change the existing mandate to operate the bank accounts and to confirm with every banks for the change;

6.2. As at the date of this report, we understand from the Current Board that they have implemented the measure that all payments above S$100,000 require the approval of 2 directors of the Board, including a member of the AC.

6.3. As at the date of this report, we understand from the Current Board that they have implemented the above recommended control measures. The Board has also appointed Wensen Consulting Asia (S) Pte Ltd ("Wensen") to conduct an independent review on the status of implementation. Based on the Independent Audit Report on Agreed Upon Procedures issued by Wensen on 31 December 2021 and 22 March 2022, all the above recommendations had been implemented by EEL.

6.4. With regards to the potential breaches of the Companies Act highlighted at paragraph [5.15], [5.19] and [5.20] of this executive summary, we propose that the Company seek legal advice on the possible recourse against the culpable parties.