MIRACH ENERGY

SEEKING TO GROW STEADILY

ANNUAL REPORT 2017

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CHAN SHUT LI, WILLIAM
Chairman and CEO
RICHARD TAN KHENG SWEE
Member, Lead Independent Director
LIU MEI LING, RHODA
Member, Independent Director
LIM JUN XIONG, STEVEN
Member, Independent Director

AUDIT COMMITTEE

LIU MEI LING, RHODA
Chairman, Independent Director
LIM JUN XIONG, STEVEN
Member, Independent Director
RICHARD TAN KHENG SWEE
Member, Lead Independent Director

REMUNERATION COMMITTEE

RICHARD TAN KHENG SWEE
Chairman, Lead Independent Director
LIU MEI LING, RHODA
Member, Independent Director
LIM JUN XIONG, STEVEN
Member, Independent Director

NOMINATING COMMITTEE

LIM JUN XIONG, STEVEN
Chairman, Independent Director
RICHARD TAN KHENG SWEE
Member, Lead Independent Director
CHAN SHUT LI, WILLIAM
Member, Chairman and CEO

COMPANY SECRETARIES

LIN MOI HEYANG (ACIS)
LEE BEE FONG (ACIS)
Tricor Singapore Pte. Ltd.
80 Robinson Road #02-00
Singapore 068898

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Singapore 068899
Tel: (65) 6536 8033
Fax: (65) 6536 1882

PRINCIPAL PLACE OF BUSINESS

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38 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong
Tel: (852) 2850 7437
Fax: (852) 2850 6369

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583

PARTNER-IN-CHARGE

Chan Yew Kiang
(appointed since financial year ended
31 December 2014)

BANKERS

DBS Singapore
12 Marina Boulevard
#43-02 DBS Asia Central
MBFC Tower 3
Singapore 018982

CIMB Bank Berhad
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

CORPORATE PROFILE

Mirach Energy Limited ("Mirach" or the "Company" or "Group") has been listed on the Singapore Exchange since 2004. It has have pared down a large part of its oil and gas business in the past two years and diversified into real estate and construction businesses.

For the oil and gas interests, the Group is presently holding a 10% interest in Gunung Indah Lestari Limited which holds 100% shares of a KSO operatorship in a marginal oil field in Indonesia.

For new businesses, Mirach holds interest in two construction and development projects to build housing in West Malaysia. The Company hopes to expand further in this industry going forward, whenever the opportunity arises.

CORPORATE **PROFILE**

OUR INTERESTS IN ASIA

Malaysia

In 2017, the Company's wholly-owned subsidiary, CPHL (HK) Limited ("CPHL") and PRG Construction Sdn. Bhd. ("PCSB") jointly incorporated Premier Mirach Sdn.Bhd. ("PMSB") to pursue property and construction projects in Malaysia. CPHL and PCSB has a 75% and 25% shareholding in PMSB respectively. The First Project has commenced in January 2018 and is expected to last for a duration of 29 months.

The Second Project will commence in the second quarter of year 2018.

In February 2018, the Company entered into a Memorandum of Understanding to acquire a 70% stake in a Malaysian company RCL Kelstar Sdn. Bhd., that specialises in the business of timber and logging, cultivation, agriculture and plantation management. Subject to shareholders' approval, this is a new diversified business for the Company.

South Sumatra, Indonesia (GKM Oil Field)

In 2013, CPHL acquired 10% interest in Gunung Indah Lestari Limited which holds 100% shares of a KSO operatorship in a marginal oil field, the Sungai Taham – Batu Keras – Suban Jeriji Block ("ST-BK-SJ" Field). ST-BK-SJ has a production tenure of 15 years starting from February 2013.

CHAIRMAN'S **STATEMENT**

DEAR FELLOW SHAREHOLDERS,

On behalf of the Board and Company, I would like to report on the Group's performance for FY2017.

The Group has done significant restructuring work in 2017 and acquired new businesses in the construction and property industry. We propose to diversify into other businesses to carry on new activities including investments in real property, investments in property-related businesses, trading of property which includes the acquisition and sale of property; the rental and leasing of property and property management activities.

For a start, we had ceased operations and surrendered the Kampung Minyak ("KM") Oil Field in 2017. Despite the hard work and effort put into the KM Oil Field over the years, weak economic climate in the Indonesian Oil Exploration sector persisted and the Company could not bear further losses in the oil field. We thus saw a dip in revenue for FY2017.

In addition, the Group had closed off non-profitable and inactive business units, which included two subsidiaries UniTEQ Energy Services Pte. Ltd. and Acrux Procurement Singapore Pte. Ltd., that were both struck off in 2017.

In Indonesia, the Group is disposing Prima Petrolium Service ("PPS") but this will be subject to various approvals being obtained.

The objective of all the work done in 2017 is to allow the Company more options to grow its profits, with the intention to exit the SGX watch-list.

Below are further updates on the business of the Company:

OIL AND GAS BUSINESS

Currently, the Group still retains minority ownership (10%) of the Gunung Kampung Minyak Ltd ("GKM") Oil Field in Indonesia for further assessment in 2018.

DIVERSIFY INTO OTHER BUSINESSES INCLUDING PROPERTY AND CONSTRUCTION BUSINESS

In July 2017, the Company's wholly-owned subsidiary, CPHL (HK) Limited ("CPHL") incorporated Premier Mirach Sdn. Bhd. in partnership with PRG Construction Sdn Bhd ("PCSB") to jointly pursue property and construction projects in Malaysia and possibly other parts of Asia. CPHL and PCSB holds 75% and 25% shareholding in Premier Mirach Sdn.Bhd. ("PMSB") respectively.

LOW COST HOUSING PROJECT

In October 2017, PMSB was awarded a construction project for the proposed construction and development of 213 units single-storey terrace houses in West Malaysia for a gross development value ("GDV") of MYR 20,500,000 (approximately S$6,587,254). The First Project has commenced work in January 2018 and is expected to be completed over 29 months.

TOWNHOUSE DEVELOPMENT PROJECT

On 1 November 2017, PMSB entered into a conditional partnership agreement with Pacific Vintage Sdn. Bhd. ("PVSB") for the purposes of undertaking the Second Project awarded to PVSB. The Second Project relates to the development of individual residential unit of townhouses in West Malaysia. The GDV of the Second Project is estimated at MYR 34,000,000 and the project is expected to commence in the second quarter of FY2018.

AGRICULTURE LAND (THE "PROPOSED INVESTMENT")

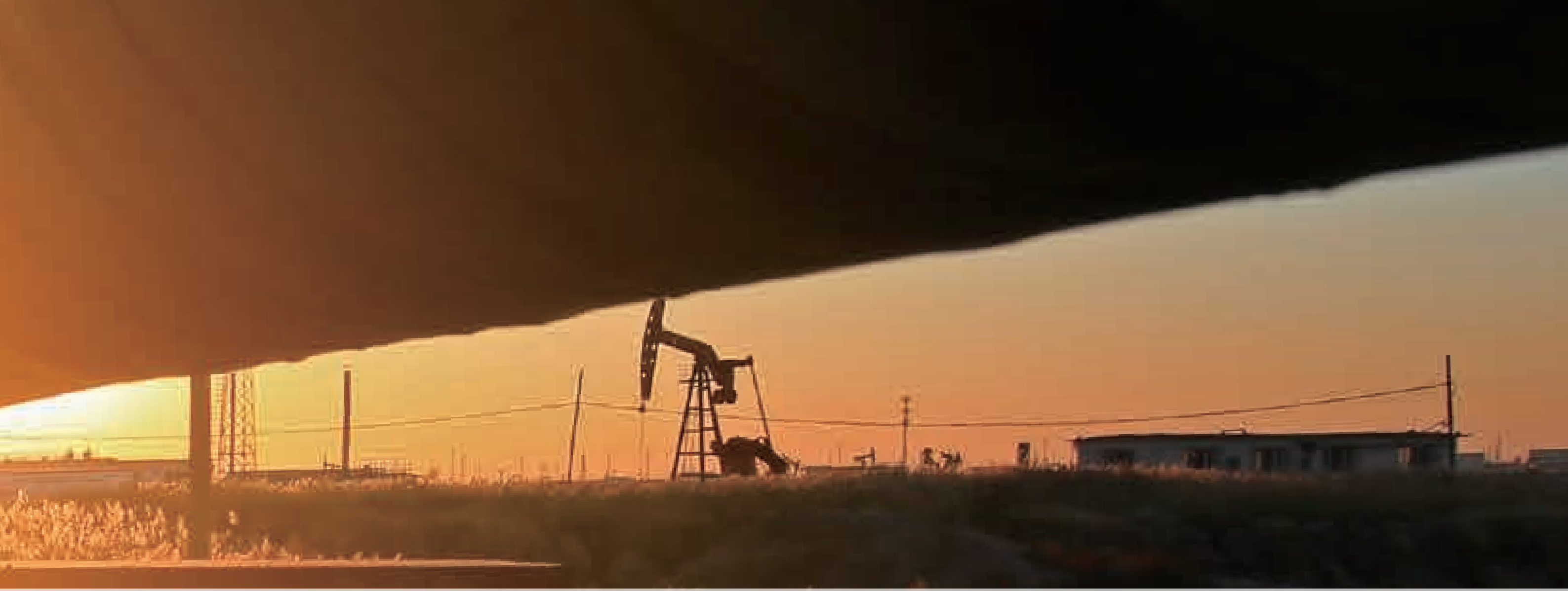
On 13 February 2018, CPHL entered into a memorandum of understanding with RCL Kelstar Sdn. Bhd. ("RCL") to acquire 70% equity interest in RCL in Malaysia with the Kelantan State Economic Development Corporation. The proposed investment provides the Company with the potential opportunity to participate in a new business.

The aggregate proposed investment value of the project is MYR 21,000,000 and is considered a major transaction under Rule 1014 of the Singapore Exchange Securities Trading Limited ("SGX-ST") listing manual. Accordingly, the Company intends to seek shareholders' approval, at the shareholders meeting.

SGX-ST GRANT OF THE EXTENSION OF TIME TO EXIT FROM THE WATCH-LIST

The Company wishes to put on record to shareholders the SGX-ST's grant of the extension of the watch-list cure period to 28 February 2019 to meet the financial exit criteria as set out in Rule 1314 of the Main Board Listing Manual of the SGX-ST ("Listing Manual" and "SGX-ST 28 February 2019 Extension Grant"). The SGX-ST 28 February 2019 Extension Grant was announced by the Company on 31 August 2017.

CHAIRMAN'S **STATEMENT**



CORPORATE ACTIVITIES

The Group recorded total revenue of US$0.056 million in FY2017, compared to a total revenue of US$0.596 million in FY2016. This was due to only two months of oil production before the cessation of production at the KM Oil Field in February 2017.

The Company believes that the diversification into the new businesses will provide benefits to the Group and is in line with the Company's strategy to return the Company to profitability. The Board believes that the financial performance and position of the Company will be strengthened by the new businesses, thus, creating and enhancing shareholders' value as well as increasing market capitalisation of the Company.

STATUS REPORT FOR THE USE OF PROCEEDS FROM PLACEMENT AND CONVERTIBLE LOANS ISSUE IN 2013

The following table is the status report for the use of proceeds from drawdown of Loans Issue passed by resolutions on 9 October 2013. The Company has raised a total of US$37.46 million from the placement and the loans issued in 2014.

USD' million	
Net proceeds from drawdown of loans and placement	US$37.46 million
Less use of proceeds:	
Repayment of senior bonds due April 2014	US$17.44 million
Investment in 10% stake in Gunung Indah Lestari Limited	US$3.00 million
Loan to Gunung Indah Lestari Limited	US$0.93 million
Exploration, drilling and testing activities at KM Oil Field	US$5.26 million
Working Capital (staff/office cost, production cost)	US$10.38 million
Capital expenditure at KM Oil Field	US$0.45 million
BALANCE FROM NET PROCEEDS	**US$0.00 million**

STATUS REPORT FOR THE USE OF PROCEEDS FROM PLACEMENT ISSUE IN 2017

The following table is the status report for the use of proceeds from the share placement passed by resolutions on 7 November 2017. The Company has raised a total of US$1.27 million in November 2017.

USD' million	
Net proceeds from drawdown of placement	US$1.27 million
Less use of proceeds:	
Investment in 75% stake in Premier Mirach Sdn. Bhd.	US$0.18 million
Property and construction projects	US$0.36 million
BALANCE FROM NET PROCEEDS	**US$0.73 million**

ACKNOWLEDGEMENT

Seeking to grow steadily, I would like to thank Mirach employees for their dedication and contribution to the Company as we venture into new possibilities. We sincerely appreciate all the support from stakeholders and shareholders.

WILLIAM CHAN

Executive Chairman and Chief Executive Officer

3 April 2018

SUSTAINABILITY REPORT

SUSTAINABILITY

The corporate governance adopted by the Group that has been reported under a separate section, the other material sustainability initiatives of the Group is to safeguard the environment and uphold social responsibility so as to ensure accountability and confidence of the organization now and into the future.

ENVIRONMENT, HEALTH, SAFETY AND SECURITY (EHSS)

The Group takes measures to protect environment such as energy savings on water and electricity and use of recyclable office stationeries.

Office air conditioners are set permanently at energy savings levels of 24 to 25 degrees Celsius. Lights are also turned off during lunch time so as not to waste unnecessary electricity. The Company has taken steps in trying to save the forest by printing its annual reports on recycled paper in the past two years.

With the Group going into new real estate and construction business, it is determined to work closely with its team to determine the variables that the Group can control in the construction and real estate environment in the new projects.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group firmly upholds fair employment practices and values each employee in the organization. The Group is committed in developing each employee to its full potential by providing equality of opportunities and promoting a healthy, positive and cohesive environment.

We strive to also contribute in each country it is in, in small ways of red-cross donations and etc, with the Company's limited resources currently. With more resources in future, the Group hopes to embark on some larger scale community work and engage its staff in values creation work for the benefit of the society.

The Group will issue a detailed Sustainability Report by the end of 2018.

OPERATIONS REVIEW

THE REASON THE GROUP HAD CEASED OPERATIONS IN PRISMA KAMPUNG MINYAK SINCE FEBRUARY 2017 WAS TWO-FOLD, I) TO LIMIT FURTHER LOSSES, AND II) TO DIVERSIFY ITS REVENUE SOURCE. THE GROUP HAD SURRENDERED THE KAMPUNG MINYAK ("KM") OIL FIELD BACK TO PT PERTAMINA EP IN 2017, BUT RETAINED THE 10% STAKE IN GUNUNG INDAH LESTARI OIL FIELD.

TURNOVER ANALYSIS

REVENUE	FY2017	FY2016	Change
(US$'000)	(Audited)	(Audited)	%
Exploration and Production ("E&P")	56	596	(91)
Total revenue	**56**	**596**	**(91)**

During the year, total revenue for the Group reported was lower at US$0.056 million for the financial year ended 31 December 2017. This revenue came solely from the Group's E&P activities in KM Oil Field. This represent a 91% down as compared to that of FY2016. This was due to the cessation of production at the KM Oil Field since February 2017.

The other income relates mainly to interest income which decreased by US$0.087 million or 99% in FY2017 as compared to FY2016. The decrease was mainly due to the release of pledged fixed deposit pertaining to the KM Oil Field in FY2017.

COSTS AND EARNINGS ANALYSIS

The decrease in E&P activities throughout FY2017 brought about a proportional decrease in costs and expenses. Production expenses fell by US$1.216 million or 89% in FY2017, while staff costs fell by US$0.913 million or 43% in FY2017 owing to Company's effort to reduce headcount following the cessation of production at the KM Oil Field.

Depreciation and amortisation fell US$0.916 million or by 88% for FY2017 in comparison with FY2016 and decrease in the production period and volume. Concurrently, other expenses decreased by US$0.390 million or by 25% mainly due to the reduced oilfield activities.

The finance costs represented the accretion of asset restoration obligations for wells of which their costs are discounted back to present value. There was a US$0.034 million or 53% decrease in FY2017 as compared to FY2016.

Consequently, total loss for FY2017 was US$9.605 million. The loss was mainly due to i) further impairment of Kampung Minyak on the oil and gas properties US$2.996 million, ii) impairment loss on trade and other receivable US$1.697 million, iii) impairment loss on the amount due from associate US$1.001 million and iv) impairment loss on investment in associate US$1.280 million due to challenging oil and gas exploration environment.

OPERATIONS REVIEW

CASH FLOW AND WORKING CAPITAL	FY2017 (Audited) (US$'000)	FY2016 (Audited) (US$'000)
Cash used in operating activities	(2,381)	(4,781)
Cash generated from/(used in) investing activities	66	(92)
Cash (used in)/generated from financing activities	(47)	6,088
Net (decrease)/increase in cash and cash equivalents	(2,362)	1,215
Effect of exchange rate changes on cash and cash equivalents	20	(41)
Cash and cash equivalents at beginning of period	4,696	3,522
Cash and cash equivalents at end of period	2,354	4,696

FINANCIAL POSITION AND LIQUIDITY

The current assets of the Group as at 31 December 2017 decreased by US$3.569 million as compared to 31 December 2016. This was largely due to a net decrease in cash and short-term deposits and trade and other receivables. Amounts due from associate decreased by US$0.361 million as at 31 December 2017 as compared to 31 December 2016. This was due to an impairment of amounts due from an associate that was offset by funding provided to the associate during the year.

The non-current assets decreased by US$4.671 million in FY2017 compared to FY2016. The Group had impaired non-current assets and the intangible assets (KSO concession rights) of KM Oil Field amounting to US$2.996 million. Investment in associates decreased by US$1.301 million in FY2017 compared to FY2016 mainly due to the impairment of the investment in an associate.

During the year, there was a reclassification of contract deposit of US$2.320 million from non-current liabilities to current liabilities. The contract deposit was from a contracted service provider.

Cash and cash equivalent position (inclusive of exchange effects) decreased by US$2.342 million for FY2017 as compared with FY2016. Cash used in operating activities was US$2.381 million for FY2017 as compared to US$4.781 million for FY2016. This was mainly contributed by the cessation of KM Oil Field operation which resulted in decreases of production expenses and staff costs. Cash used in financing activities was US$0.047 million FY2017 as compared to cash generated from financing activities of US$6.088 million in FY2016 due to a US$0.680 million payment of contract deposit and a US$0.640 million increase in amounts due from associates that were offset by the US$1.273 million received from the share placement during the year.

BOARD OF DIRECTORS

MR. CHAN SHUT LI, WILLIAM

Executive Chairman and Chief Executive Officer

Mr. Chan joined the Board on 18 June 2003 and is an Executive Director of the Company. Mr. Chan was last re-elected as a Director on 27 April 2017. Mr. Chan is largely responsible for setting the strategic direction and leading the Mirach Energy Group of Companies into an oil and gas exploration and production group in Asia. He is also responsible for the development of the Group's business operations, where he is engaged in business development activities and their subsequent implementation.

Mr Chan holds a Master Degree in Business Administration from Murdoch University in Australia and is a member of the Society of Petroleum Engineers USA. Mr Chan is also a member of the UK Institute of Financial Accountants, as well as a member of Institute of Public Accountants of Australia.

MS. LIU MEI LING, RHODA

Independent Director

Ms. Rhoda Liu was appointed to the Board in 1 April 2007 and last re-elected as a Director on 28 April 2016. She is also an independent director and Chairman of the Audit Committee of two listed companies in other jurisdictions, namely, Modern Beauty Salon Holdings Limited, a company listed on the Main board of The Stock Exchange of Hong Kong Limited, and Ellipsiz Communications Ltd., a company listed on Venture Capital Market of the Toronto Stock Exchange. Currently, she serves as a Senior Partner at Liu and Wong, CPA, where she is involved in planning, supervision and business advisory services. Ms. Liu had worked for PricewaterhouseCoopers (formerly known as Coopers & Lybrand (HK)), Ernst & Young (Canada) and two other CPA firms in Hong Kong.

She holds a Bachelor of Arts Degree in Commercial Study from University of Western Ontario, Canada, where she majors in Economic and Finance, and a Master Degree in Business Administration from McMaster University, Canada. She also holds the Professional Degree in China Law Program with Tsing Hwa University in China in 2008. She is a member of the Canadian Institute of Chartered Accountants, a fellow practicing member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), a fellow member of the Hong Kong Taxation Institute and a fellow member of the Hong Kong Institute of Directors. She was awarded the "Outstanding Accountant Ambassador 2003" by the HKICPA and Certificate of Commendation from Hong Kong Home Affair Bureau in 2008.

BOARD OF DIRECTORS

MR. LIM JUN XIONG, STEVEN

Independent Director

Mr. Lim started his career as an accountant in PricewaterhouseCoopers and has close to three decades of experience in the wealth management industry. He was the Chief Executive Officer of the Singapore Office of Societe Generale Private Banking, and played a key role in developing Societe Generale's wealth management business in Asia. He joined the Board as an Independent Director in 2009 and was re-elected as a Director on 28 April 2015.

Mr Lim holds a Bachelor Degree in Commerce from the University of Newcastle, Australia, majoring in Accounting and Finance. He is a fellow member of two renowned accounting bodies, namely the Institute of Singapore Chartered Accountants and CPA Australia ("CPAA") and was a Director of CPAA's Board as well as the President of its Singapore Division. In addition, he chaired CPA Australia's International Corporate Sector Advisory Committee and was a member of its nominating committee. He is also a member of Society of Trust and Estate Practitioners, Singapore Branch and was its Deputy President for a number of years.

MR. RICHARD TAN KHENG SWEE

Lead Independent Director

Mr. Richard Tan Kheng Swee was appointed our Independent Director on 1 July 2013 and last re-elected as a Director on 27 April 2017. He is currently the Managing Director of Barker Henley LLC, a Singapore law corporation and a partner at Barker Henley Australia, an Australian law practice. His practice includes advising and representing companies in a wide range of commercial and intellectual property transactions in relation to asset acquisitions, initial public offerings and other fund raising exercises, mergers and acquisitions, corporate advisory and compliance involving both listed and private companies. Prior to Mr. Tan's current appointments, he practised in a mid-sized Singapore law practice as well as a mid-sized Australian law practice in the state of Victoria. Mr. Tan currently serves as an independent director of Jumbo Group Limited which is listed on the Catalist of the SGX-ST.

Mr. Tan obtained a Bachelor of Laws (Honours) from the National University of Singapore in 2003 and a Bachelor of Science (Honours) from the University of Melbourne, Australia, in 2000. He is an Advocate & Solicitor of the Supreme Court of Singapore, a Barrister & Solicitor of the Supreme Court of Victoria, Australia, a Solicitor of the Supreme Court of New South Wales, Australia and a Barrister & Solicitor of the High Court of Australia.

MANAGEMENT AND EXECUTIVES

MS. CHUNG YIM LING

Finance Director

Ms. Chung joined Mirach Energy Limited as the Finance Director in December 2017. Prior to joining the Group, Ms. Chung was a Senior Consultant of a professional consultancy company in Hong Kong for four years, providing professional services to clients in Hong Kong and overseas. She was the Chief Financial Officer of Star Pharmaceutical Limited (listed in Singapore) for two years. Ms. Chung also was a Vice President (Private Banking) of Credit Suisse AG Hong Kong and DBS Bank (Hong Kong) Limited for two years and nine years respectively. She also worked for Ernst & Young Hong Kong for six years after her graduation from university. Ms. Chung is a member of The Australian Society of Certified Practising Accountants (ASCPA), Hong Kong Institute of Certified Public Accountants (HKICPA), The Association of Chartered Secretaries & Administrators (ACIS) and Hong Kong Institute of Securities (HKSI).

MR. LOKE KIM MENG

Chief Operating Officer (Property and Construction Operations)

Mr. Loke was appointed as the Chief Operating Officer of Mirach Energy Limited in October 2017 and is responsible for the strategic operations of the Group. Prior to joining Mirach Energy Limited, Mr. Loke was the Associate Director in Maybank Private Wealth (Malaysia), where he was responsible for managing and advising high net worth clients' investments in different asset classes. Over the course of his career, he has had experience in private banking, corporate banking, corporate finance and structured finance. He started his career at Mizuho Corporate Bank Ltd (Singapore) Structured Finance division before moving on to join DBS Bank Ltd (Singapore) Corporate Banking division. Later on, he joined One Tree Partners Ltd (Singapore), an asset management company. Thereafter, he was with PricewaterhouseCoopers (Malaysia) Corporate Finance team before joining RHB Private Banking (Malaysia).

Mr. Loke holds a Bachelor Degree (Hons) in Mechanical Engineering from the University of Bradford, England.

MANAGEMENT AND EXECUTIVES

DR. WANG JUE

Head of Oil and Gas Operations
Researcher at China Institute of Strategy Management

Dr. Wang Jue is responsible for the development and growth of Mirach Energy's E&P business. She has three decades of experience in the oil and gas industry with China national oil and gas companies and has won various awards for her contributions and achievements in both technical and managerial roles. She was engaged in various departments in Sinopec and was the head of the production division at the headquarters of Sinopec Group. Prior to this, Dr. Wang Jue was the Chief Geologist responsible for oilfield development at a subsidiary of China National Petroleum Corporation ("CNPC"). Dr. Wang Jue was also engaged as a senior technical consultant at Core Laboratories, KJP. Besides her employment at Mirach Energy Limited, she is also concurrently acting as a Researcher for a state-owned company, the China Institute of Strategy Management – National Strategic Research Fund. Wang Jue graduated from Chengdu College of Geology in 1986 in Petroleum Geology, and obtained her Master degree in Petroleum Exploration Engineering and Ph.D in Geology from the China University of Geosciences.

MS. LOW CHIEW LENG, MAGGIE

Corporate Director

Ms. Low was appointed as the Investment Director and Corporate Planning Director, and is also the Human Resource Director of the Group. She joined the Mirach Group since 2006. Ms. Low graduated from the Nanyang Technological University in Singapore at the School of Accountancy and Business, and majored in Marketing. After graduation, she worked at Hoare Govett Asia as an equity research assistant and subsequently a research analyst, then focusing on researching on initial public offers and small capital companies. She then moved on to become an equity dealer at BT Brokerages Private Limited. Ms. Low went back to do the more insightful equity research work at BT Brokerage and later joined Yuanta Securities Private Limited in Singapore as the regional analyst for various industries for close to five years. She was an Investor Relations Director at a listing aspirant company, before joining Mirach Energy Limited.

CORPORATE GOVERNANCE **STATEMENT**

The Board of directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised throughout Mirach Energy Limited (the "Company") and its subsidiaries (the "Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group. The Board is pleased to confirm that it has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") where it is applicable and practical. The Board has also established various self-regulatory and monitoring mechanisms, where applicable, to ensure that effective corporate governance is practised.

Set out below are the policies and practices adopted and practised by the Group to comply with the principles and spirit of the Code. The Board confirmed that the Group has generally complied with the principles of the Code.

THE CODE

The Code is divided into 4 main sections, namely:

(A) Board Matters
(B) Remuneration Matters
(C) Accountability and Audit
(D) Shareholders' Rights and Responsibilities

(A) BOARD MATTERS

Principle 1:
Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with management to achieve this and the management remains accountable to the Board.

The principal functions of the Board are:

1. reviewing and approving corporate strategies, annual budgets and financial plans and monitoring the organisational performance towards them;

2. reviewing the adequacy and integrity of the Company's internal control, risk management systems, and financial information reporting system;

3. establishing a framework of prudent and effective controls which enable risks to be properly assessed and managed; including safeguarding of shareholders' interests and Company's assets;

4. identifying the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

5. ensuring the Group's compliance to laws, regulations, policies, directives, guidelines and internal code of conduct;

6. approving the nominations to the Board of directors by the Nominating Committee, and endorsing the appointments of management team and/or external auditors;

7. reviewing and approving the remuneration packages recommended by the Remuneration Committee for the Board and key executives;

CORPORATE GOVERNANCE **STATEMENT**

8. reviewing and approving share options granted under the Mirach Energy Employee Share Option Scheme and Mirach Performance Share Plan;

9. ensuring accurate, adequate and timely reporting to, and communication with shareholders; and

10. considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Matters which are specifically reserved to the Board for decision include those involving corporate plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, dividends, other returns to shareholders and interested person transactions.

The Board has delegated specific responsibilities to 3 subcommittees (Audit, Nominating and Remuneration Committees), the details of which are set out below. These committees have the authority to examine particular issues and report back to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board meets on a regular basis and as when necessary to address any specific significant matters that may arise. The Constitution allows a Board meeting to be conducted by way of a tele-conference and a video-conference. All Board members bring independent judgment and diversified knowledge and experiences to bear on the issues of strategy, performance, resources and standards of conduct. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings, is shown on page 25.

The Board ensures that incoming new directors are familiarised with the Group's businesses and corporate governance practices upon their appointment, to facilitate the effective discharge of their duties.

Principle 2:
There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises 4 members, 1 of whom is an executive director and 3 are independent directors, making up more than one-half of the Board, in accordance with the Code. Together, the directors bring about wide-ranging business and financial experiences relevant to the Group. A brief description of the background of each director is presented on "Board of Directors" section.

The Board considers the current Board size as adequate for its present operations. As more than half of the Board are independent directors, no individual or group is able to dominate the Board's decision-making process. There is also balance within the Board in the presence of independent directors of calibre essential to provide diverse perspectives for Board decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers, and the many communities in which the Group conducts business.

The interests of minority shareholders is fairly reflected through Board representation.

CORPORATE GOVERNANCE **STATEMENT**

The duties and responsibilities of the executive director are clearly set out in his service agreements. Board members are encouraged to attend seminars and receive training in connection with their duties as directors in areas such as accounting and legal knowledge, particularly on latest developments to relevant laws, regulations, accounting standards and changing commercial risks to enable them to make well-informed decisions and to ensure that the directors are competent in carrying out their expected roles and responsibilities.

As at the date of this report, Ms Rhoda Liu Mei Ling has served on the Board beyond nine years from the date of her first appointment on 1 April 2007. The Board has subjected her independence to rigorous review. The Board, taking into account the views of the Nominating Committee, considers her to be able to exercise independent and objective judgement and there are no relationships or circumstances which affect her judgment and ability to discharge her duties and responsibilities as an independent director.

Principle 3:
There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

It is the view of the Board that it is in the best interests of the Group to adopt a single leadership structure for the current operations i.e. where the CEO and the Executive Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Executive Chairman ensures that the Board meetings are held when necessary and sets the Board meeting agenda. The Executive Chairman reviews the Board papers prior to presenting them to the Board. The Executive Chairman ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. Major decisions made by the Executive Chairman and CEO are brought up by him for discussion and review at Board meetings. His performance and appointment to the Board are reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. While the Nominating Committee has 1 executive director, the rest are independent directors; the Remuneration Committee comprises 3 independent directors. As recommended by the Code, the Board has appointed Mr Richard Tan Kheng Swee, as the Lead Independent Director of the Company. As such, the Board believes that there are adequate safeguards against an uneven concentration of power and authority in a single individual.

Principle 4:
There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

NOMINATING COMMITTEE

The Nominating Committee comprises 3 members, majority of whom are independent. The members of the Nominating Committee are:

Mr Lim Jun Xiong, Steven	(Chairman and Independent Director)
Mr Chan Shut Li, William	(Executive Chairman and Chief Executive Officer)
Mr Richard Tan Kheng Swee	(Lead Independent Director)

CORPORATE GOVERNANCE **STATEMENT**

In 2017 the Nominating Committee had 1 meeting. The matrix on the position and the attendance of directors at these meetings is shown on page 25.

The key terms of reference for the Nominating Committee are to:

- set a framework to identify and nominate to the Board, candidates for all directorships to be filled by shareholders or the Board; candidates for all executive management positions; and directors to fill the seats on Board committees;
- oversee the management development and succession planning of the Group, including appointing, training and mentoring senior management;
- determine the objective criteria on evaluating the Board's performance; assess the effectiveness of the Board and its committees as a whole and the contribution by each director to the Board;
- review the independence of director who has served on the Board for more than nine years; and set and review the maximum number of listed companies a director of the Company may sit on.

ELECTION AND RE-ELECTION

New directors are appointed by way of a Board resolution, upon their nomination from Nominating Committee. In accordance with the Company's Constitution, these new directors who are appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting. The Articles also provide that at least one third of the remaining directors be subject to re-election by rotation at each Annual General Meeting.

The Nominating Committee made recommendation to the Board to have at least 3 directors, the majority of whom, including the Chairman, should be independent. The Lead Independent Director, if any, should be a member of the Nominating Committee.

Key information of the Board members is set out in the "Board of Directors" section of this Annual Report.

Principle 5:
There should be a formal assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each director to the effectiveness of the Board.

The Nominating Committee assesses the effectiveness of the Board collectively. In this aspect, both quantitative and qualitative criteria were adopted. The criteria adopted include the effectiveness of the Board in its monitoring role and the attainment of the strategic and long-term objectives set by the Board. The Nominating Committee also considers the required mix of skills, experience and core competencies that the members should bring to the Board, during this assessment.

CORPORATE GOVERNANCE **STATEMENT**

Principle 6:
In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management recognises the importance of ensuring the flow of information to the directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. All Board and Board committee papers are distributed to directors in advance to allow sufficient time for directors to prepare for the meetings.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. To facilitate direct access to the senior management, directors are also provided with the names and contact details of the management team.

Directors have separate and independent access to the Company Secretary. The Company Secretary assists in, among other things, ensuring that Board procedures are observed and that Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and Listing Manual, are complied with.

The corporate secretarial agent is Tricor Evatthouse Corporate Services and the named Company Secretary and/or her representative attends and prepares minutes for all Board meetings. The Company Secretary assists in ensuring coordination and liaison between the Board, the Board committees and management. The Company Secretary assists the Chairman of the Board, the Chairman/Chairperson of Board committees and Management in the development of the agendas for the various Board and Board committee meetings. The appointment and the removal of the Company Secretary is subject to the Board's approval.

Should directors, whether as a group or individually, require professional advice, the Group, upon direction by the Board, shall appoint a professional advisor selected by the Group or the individual, approved by the Chairman, to render the advice. The cost of such service shall be borne by the Group.

(B) REMUNERATION MATTERS

Principle 7:
There should be a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

REMUNERATION PROCEDURE

The Code endorses, as good practice, a formal framework for fixing the remuneration packages of individual, with a Remuneration Committee making recommendations to the Board.

The Company adopted the objective as recommended by the Code to determine the remuneration for a director so as to ensure that the Company attracts and retains the directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance in the case of executive directors and key management personnel.

CORPORATE GOVERNANCE **STATEMENT**

REMUNERATION COMMITTEE

The Remuneration Committee comprises 3 members, all of whom are independent. The members of the Remuneration Committee are:

Mr Richard Tan Kheng Swee	(Chairman and Lead Independent Director)
Mr Lim Jun Xiong, Steven	(Independent Director)
Ms Liu Mei Ling, Rhoda	(Independent Director)

The principal responsibilities of Remuneration Committee are:

- review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind;

- review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel;

- consult professional consultancy firm or public information where necessary in determining remuneration packages;

- consider the various disclosure requirements for directors' remuneration and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

In 2017, the Remuneration Committee had 1 meeting. The matrix on the position and the attendance of directors at these meetings is shown on page 25 of this Annual Report.

Principle 8:
The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

In making its recommendations to the Board on the level and mix of remuneration, the Remuneration Committee seeks to be competitive in order to attract, motivate and retain high-performing executives to drive the Group's businesses whilst operating within the Group's risk parameters, so as to maximise long-term shareholder value. In its deliberation of remuneration level and mix, the Remuneration Committee takes into consideration industry practices and benchmarks against relevant industry players as well as comparable positional responsibilities to ensure that its remuneration practices are competitive. The Company adopts a performance-driven and meritocratic approach to compensation, with rewards linked to individual and corporate performance to align interests of management with those of shareholders and promote the long-term success of the Company. Such performance-related remuneration should take account of the risk policies of the Company, be symmetric with risk outcomes and be sensitive to the time horizon of risks.

The Company's remuneration framework comprises a fixed component in the form of a basic salary, a discretionary variable component linked to the performance of the individual and the Company, and a long-term incentive. The executive director's and executive management's service agreements do not contain onerous removal clauses.

CORPORATE GOVERNANCE **STATEMENT**

Principle 9:
Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Remuneration Committee recommends to the Board the framework of executive remuneration, and the remuneration package for each executive director and key management personnel. Although the recommendations are made in consultation with the Chairman of the Board as well, the remuneration packages are ultimately approved by the entire Board.

REMUNERATION PACKAGE

The remuneration package of directors and key management personnel includes the following:

(a) Basic salary

The basic salary (inclusive of statutory employer contributions like the Central Provident Fund, if applicable) for each executive director/key management personnel is recommended by the Remuneration Committee, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable organisations.

(b) Fees

The fees paid/payable to independent directors take into account factors such as effort and time spent, and responsibilities of these directors. The remuneration of independent directors are submitted for approval at the Annual General Meeting. The executive director does not receive any director fees.

(c) Bonus scheme

The Group operates a bonus scheme for all employees, including the executive director and key management personnel. The criteria for the scheme is the level of profit achieved from certain aspects of the Group's business activities against targets, together with an assessment of corporate and individual's performance during the year. Bonuses payable to the executive director/key management personnel are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders.

(d) Benefits in kind

Other customary benefits (such as private medical cover, housing, car) are made available as appropriate.

(e) Service contract

The notice period for the termination of the executive director's service agreement by either party giving not less than 3 months to 6 months' notice to the other.

CORPORATE GOVERNANCE **STATEMENT**

(f) **Mirach Energy Employee Share Option Scheme and Mirach Energy Performance Share Plan**

The Remuneration Committee administers the Company's share-based remuneration incentive plans namely, the Mirach Energy Employee Share Option Scheme (the "Mirach ESOS Scheme") and Mirach Energy Performance Share Plan (the "Mirach PSP").

The Group has granted options and performance shares to senior executives, the executive director and independent directors of the Group under the Mirach ESOS Scheme and Mirach PSP in financial year 2016. Matters relating to the Mirach ESOS Scheme and Mirach PSP were administered by the Remuneration Committee.

REMUNERATION MATTERS

The full remuneration of each individual director and aggregate of top key management personnel of the Group is not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the sensitivity and confidentiality of remuneration matters. The Remuneration Committee has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

A breakdown showing the level and mix of each individual director's remuneration payable for FY 2017 is as follows:

	2016	2017
$500,000 and above	–	**–**
$250,000 to below $500,000	–	**–**
Below $250,000	5	**5**
Total	5	**5**

Name	Remuneration Band S$	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Chan Shut Li, William	Below S$250,000	89	11	–	–	100
Liu Mei Ling, Rhoda	Below S$250,000	–	–	–	100	100
Lim Jun Xiong, Steven	Below S$250,000	–	–	–	100	100
Richard Tan Kheng Swee	Below S$250,000	–	–	–	100	100
Chu Ming*	Below S$250,000	100	–	–	100	100

The Company has 6 Key Management Personnel (who are not directors) within its organisation structure and the Remuneration of the 6 Key Management Personnel is as follows:

Name	Remuneration Band	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Chung Yim Ling	Below S$250,000	100	–	–	–	100
Wang Jue	Below S$250,000	100	–	–	–	100
Kholid Alatas**	Below S$250,000	75	25	–	–	100
Low Chiew Leng, Maggie	Below S$250,000	89	11	–	–	100
Loke Kim Mong	Below S$250,000	100	–	–	–	100
Li Youqing**	Below S$250,000	86	14	–	–	100

The Company does not have any employee who is an immediate family member of a director or CEO.

* Mr Chu Ming ceased as an Executive Director and was re-designated as Consultant to the Company with effect from 1 March 2017.

** Mr Kholid Alatas and Mr Li Youqing ceased as Key Management Personnel with effect from 30 June 2017.

CORPORATE GOVERNANCE **STATEMENT**

(C) ACCOUNTABILITY AND AUDIT

Principle 10:
The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with management accounts, operation review and related explanation together with the financial statements on a quarterly basis and as the Board may require from time to time. The Audit Committee reviews the financial statements and reports to the Board for approval.

In presenting the annual financial statements and quarterly announcements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's position and prospects. In preparing the financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;

- made judgments and estimates that are reasonable and prudent;

- ensured that all applicable accounting standards have been followed; there were compliance with legislative and regulatory requirements, including under the listing rules of the SGX-ST; and

- prepared financial statements on an going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Principle 11:
The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The Finance Director performs detailed work to assist the Audit Committee and the Board in the evaluation of the internal controls, financial and accounting matters, compliance, business and financial risk management.

The Board, with the concurrence of the Audit Committee, is of the opinion that internal controls addressing the Group's material financial, operational and compliance risks is adequate and effective as of 31 December 2017.

CORPORATE GOVERNANCE **STATEMENT**

Principle 12:
The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

AUDIT COMMITTEE

The Audit Committee comprises 3 members, all of whom, including the Chairman are independent. At the date of this report, the Audit Committee comprises the following members:

Ms Liu Mei Ling, Rhoda	(Chairman and Independent Director)
Mr Lim Jun Xiong, Steven	(Independent Director)
Mr Richard Tan Kheng Swee	(Lead Independent Director)

The key terms of reference of the Audit Committee include:

- review the financial statements of the Company and the consolidated financial statements of the Group, and any announcements relating to the Company's financial performance, before submission to the Board of Directors;
- review the external auditor's audit plans;
- review with the external auditor, his evaluation of the system of internal accounting controls and the effectiveness of the Company's internal audit functions;
- nominate external auditors for re-appointment;
- review the scope and results of the internal audit procedures and ensure the adequacy of the internal audit function;
- review interested person transactions.

The Audit Committee has recommended the nomination of Messrs Ernst & Young LLP, for re-appointment as auditors of the Company at the forthcoming Annual General Meeting. The Audit Committee has conducted an annual review of non-audit services to satisfy itself that there is no non-audit services that will not prejudice the independence and objectivity of the external auditors before confirming their recommendation.

During the year under review, approximately US$58,000 (2016: approximately US$115,000) and approximately US$9,000 (2016: approximately US$97,000) were paid/payable to the independent auditors of the Company and other auditors. No non-audit fees (relating to professional tax services rendered) was paid/payable to the independent auditors of the Company during the year under review (2016: NIL).

The Board and the Audit Committee have reviewed the appointment of auditors from the same global audit firm for its subsidiaries and/or significant associated companies and were satisfied with their appointment for the audit of the Group.

The Company is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual in relation to the independent auditors.

CORPORATE GOVERNANCE **STATEMENT**

In 2017 the Audit Committee had 4 meetings. The Executive Chairman and the Finance Director were invited to attend the meetings.

In the course of financial year 2017 and since its appointment, the Audit Committee carried out the following activities:

- review with the external auditors, the audit plan, the evaluation of the internal accounting controls, audit reports and any matters which the external auditors wish to discuss (in the absence of management, where necessary);

- make recommendations to the Board on the appointment of external auditors, the audit fee and any questions of their resignation or dismissal;

- monitor interested person transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity. The Audit Committee is also required to ensure that the Directors' statement discloses such transactions annually to shareholders via the annual report;

- review quarterly reporting to SGX-ST and year end annual financial statements of the Group before submission to the Board, focusing on:

  - going concern assumption;

  - compliance with accounting standards and regulatory requirements;

  - any changes in accounting policies and practices;

  - significant issues arising from the audit;

  - major judgmental areas; and

  - any other functions which may be agreed by the Audit Committee and the Board.

The Audit Committee has access to the independent auditors and meets them at least once a year without the presence of the management.

The Audit Committee is satisfied with the independence and objectivity of the independent auditor.

The Company has adopted a Whistle-Blowing Policy to provide a channel for employees of the Group to report in good faith and in confidence their concerns about possible improprieties in the matter of financial reporting or in other matters. The Whistle-Blowing Policy adopted provides procedures to validate concerns and for investigation to be carried out independently. The Whistle-Blowing Policy has been circulated to its global offices for all employees after its implementation. There were no whistle-blowing reports made during the year under review.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, discussions were made with the external auditors when they attend the Audit Committee meetings.

CORPORATE GOVERNANCE **STATEMENT**

Principle 13:
The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

In view of the Company's strategy to increase in scale and complexity of operations, the Board had engaged an external party to conduct an internal audit for the Company in 2015 and 2016. The outsourced internal auditors reviewed the Group's internal controls risk management and compliance systems in the operations. Thereafter report findings and recommendations were made to the Board and Audit Committee. The independent auditor was another system of alert that the Board had used.

In 2017, the Company paused its internal audit due to the various structuring and diversification of businesses in the Group.

The Company will going forward consider to re-engage an external party to conduct an Enterprise Risk Management report. Our Board is also aware that such a system can only provide reasonable, but not absolute assurance that our Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. Our Board also notes that no system of internal controls and risk management can provide a complete assurance against human error, poor judgement in decision making, losses, fraud and other irregularities.

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Principle 14:
Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected. The Company does not practise selective disclosure. Results and annual reports are announced or issued to the public through SGXNET within the mandatory period. The Group values dialogue with investors.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholder participation during the Annual General Meeting. The Company's Constitution allows a shareholder to appoint multiple proxy or proxies to attend and vote on behalf of a shareholder at the Annual General Meeting. Shareholders who hold shares through nominees such as CPF and custodian banks are also allowed to the Annual General Meeting as proxy.

Principle 15:
Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

Material information is disclosed in an adequate, accurate and timely manner via SGXNET, press release and corporate website by the Corporate Director and the Finance Director, in consultation with the Board.

CORPORATE GOVERNANCE **STATEMENT**

The Company does not have a formal dividend policy. The Company may declare an annual dividend with the approval of the shareholders in a general meeting.

Principle 16:
Companies should encourage greater shareholder participation at general meetings of shareholders and allow shareholders the opportunity to communicate their views on various matters affecting the company.

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive directors and, where appropriate, the Chairman of the Audit, Nominating and Remuneration Committees are available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman of the Board will undertake to provide the shareholders with a written answer to any significant question that cannot be readily responded on the spot.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

DEALINGS IN SECURITIES

The Group has adopted internal codes pursuant to the Listing Rule 1207(19) of the Listing Manual applicable to all its officers in relation to dealing in the Company securities. Its officers are not allowed to deal in the Mirach Energy Limited's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the full year results announcement, as the case may be, and ending on the date of announcement of the relevant results. Directors and employees are advised not to deal in the Company's securities on short term consideration and expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

SUMMARY OF BOARD AND BOARD COMMITTEES MEETINGS HELD IN FY2017

	Board of Directors Number of Meetings			Audit Committee Number of Meetings			Nominating Committee Number of Meetings			Remuneration Committee Number of Meetings		
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Director												
Chan Shut Li William	C	5	5	–	–	–	M	1	1	–	–	–
Independent Directors ('ID')												
Richard Tan Kheng Swee (Lead ID)	M	5	5	M	4	4	M	1	1	C	1	1
Lim Jun Xiong, Steven	M	5	5	M	4	4	C	1	1	M	1	1
Liu Mei Ling, Rhoda	M	5	5	C	4	4	–	–	–	M	1	1

Denotes:
C – Chairman
M – Member

MATERIAL CONTRACTS

Save for the service agreements entered into between the executive director and the Company, there was no material

CORPORATE GOVERNANCE **STATEMENT**

contract entered into by the Company and its subsidiaries involving the interests of any director or controlling shareholders subsisting at the end of the financial year ended 31 December 2017.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and those transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. There were no interested person transactions for the financial year ended 31 December 2017.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Mirach Energy Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Chan Shut Li, William
Liu Mei Ling, Rhoda
Lim Jun Xiong, Steven
Richard Tan Kheng Swee

In accordance with Article 91 of the Company's Articles of Association, Richard Tan Kheng Swee would retire by rotation and does not intend to offer himself for re-election. Lim Jun Xiong, Steven would retire and, being eligible, offer himself for re-election.

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Chan Shut Li, William	18,569,673	18,569,673	–	–
Liu Mei Ling, Rhoda	20,000	20,000	–	–
Richard Tan Kheng Swee	2,000	2,000	–	–
Share options of the Company				
Lim Jun Xiong, Steven	500,000	500,000	–	–
Liu Mei Ling, Rhoda	500,000	500,000	–	–
Richard Tan Kheng Swee	500,000	500,000	–	–

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Options and Performance share plan

Mirach Energy Limited has the following share options and share plan:

1. Mirach Energy Employee Share Option Scheme (the "Mirach ESOS Scheme")
2. Mirach Energy Performance Share Plan (the "Mirach PSP")

All share options and share plan are administered by the Remuneration Committee ("RC"), which comprises the following directors:

Richard Tan Kheng Swee (Chairman)
Lim Jun Xiong, Steven
Liu Mei Ling, Rhoda

The share options and share plan shall continue to be in force at the discretion of RC, subject to a maximum period of 10 years commencing from its adoption by the shareholders and may continue beyond the stipulated period with the approval of the shareholders by an ordinary resolution passed at a general meeting and of any relevant authorities which may then be required.

DIRECTORS' STATEMENT

Options

The Mirach ESOS Scheme was approved on 30 July 2014. Under the scheme, non-transferable options to subscribe for ordinary shares in the capital of the Company are granted to eligible executive directors, non-executive directors, controlling shareholders and their associates.

In the previous year, the Company has granted 2,960,000 share options under Mirach ESOS Scheme. The Company has not granted any share options under the Mirach ESOS Scheme during the financial year.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Mirach ESOS Scheme as at 31 December 2017 are as follows:

Expiry date/Name	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial year	Aggregate options exercised since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
15 June 2018				
Lim Jun Xiong, Steven	–	500,000	–	500,000
Liu Mei Ling, Rhoda	–	500,000	–	500,000
Richard Tan Kheng Swee	–	500,000	–	500,000
Other employees	–	1,460,000	–	1,460,000
	–	2,960,000[1]	–	2,960,000

1 These options are exercisable between the periods from 16 June 2017 to 15 June 2018 at the exercise price of S$0.11 if the vesting conditions are met.

Other than as disclosed above, since the commencement of the employee share option plans till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates;
- No participants have received 5% or more of the total options available under the Mirach ESOS Scheme;
- No options have been granted to directors and employees of the holding company and its subsidiaries;
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and
- No options have been granted at a discount.

Performance share plan

Under the Mirach PSP, the award of fully-paid shares will be granted, free of charge, to selected employees and directors of the Company and its subsidiaries, controlling shareholders and their associates with performance targets to be set over a performance period. Subject to the achievement of the prescribed performance targets and upon expiry of the prescribed performance period, either new shares will be allotted and issued or existing shares acquired previously and held as Treasury Shares will be delivered.

DIRECTORS' STATEMENT

In the previous financial year, the Company granted 2,940,000 shares under Mirach PSP. The Company has not granted shares under the Mirach PSP during the financial year. The details are as follows:

Date of grant/Name	Share awards granted during financial year	Aggregate share awards granted since commencement of plan to end of financial year	Aggregate share awards exercised since commencement of plan to end of financial year	Aggregate share awards outstanding as at end of financial year
16 June 2016				
Chan Shut Li, William	–	1,500,000	–	1,500,000
Other employees	–	1,440,000	–	1,440,000
	–	2,940,000	–	2,940,000

Other than as disclosed above, since the commencement of the Mirach PSP till the end of the financial year:

- No share awards were granted to the controlling shareholders of the Company and their associates;
- No participants have received 5% or more of the total number of shares or awards available under the Mirach PSP;
- No directors and employees of the holding company and its subsidiaries had received 5% or more of the total number of shares or awards available under the Mirach PSP; and
- No share awards have been granted to directors and employees of the holding company and its subsidiaries.

Audit committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the external auditor of the Group and the Company
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors for approval
- Reviewed effectiveness of the Group and Company's material internal controls, including financial, operational and compliance controls and risk management
- Met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor

DIRECTORS' STATEMENT

- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

As there was no non-audit service provided by the external auditor to the Group, the AC is satisfied with the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with the external auditor, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP has expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

Chan Shut Li, William Director	Liu Mei Ling, Rhoda Director

3 April 2018

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF MIRACH ENERGY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mirach Energy Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statements of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements. The Group incurred a net loss of US$9,605,000 and negative operating cash flow of US$2,381,000 during the year ended 31 December 2017 and as at that date, the Group's total and current liabilities exceeded its total and current assets by US$5,720,000 and US$7,145,000 respectively.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the successful completion of the share placement and the implementation of its business plans.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF MIRACH ENERGY LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment in investment in associates and recoverability of amounts due from associates

As at 31 December 2017, the carrying amount of the Group's investment in associates amounted to US$1,363,000 (2016: US$2,664,000) and the receivable from associate amounted to US$1,340,000 (2016: US$1,701,000).

The Group is required to estimate the recoverable amount of its investment in associates when there is indication that such investments may be impaired and also assess whether there is any objective evidence that the amounts due from associates may be impaired. This process is complex and involves significant use of management's estimates and assumptions that may be affected by expected future market conditions.

During the year, a third party investor had agreed to invest in new shares to be issued by an associate. Management has determined the recoverable value of its investment in the associate using the agreed sales consideration for the new shares to be issued by the associate. Accordingly, the impairment of investment in the associate and the recoverability of amounts due from the associate have been assessed using the fair value less cost of disposal method. Based on this assessment, the Group has recognised an impairment loss of US$1,280,000 against the carrying amounts of its investment in the associate and an allowance for amount due from the associate of US$945,000 in 2017.

We obtained confirmation from the third party investor of the investment amount and the equity interest to be acquired in the associate. We also check the calculations performed by management to determine the fair value less cost of disposal and the recoverability of the investment in the associate and the amounts due from the associate. We have further assessed the adequacy of disclosures made in Notes 12 and 14 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF MIRACH ENERGY LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF MIRACH ENERGY LIMITED

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chan Yew Kiang.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

3 April 2018

CONSOLIDATED INCOME **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$'000	2016 US$'000
Revenue	4	**56**	596
Other income		**1**	88
Production expenses		**(152)**	(1,368)
Staff cost	22	**(1,203)**	(2,116)
Depreciation and amortisation	5	**(125)**	(1,041)
Other expenses		**(1,155)**	(1,545)
(Provision)/reversal of provision for amounts due from an associate	14	**(1,001)**	1,345
Impairment loss on oil and gas properties	8	**(2,996)**	(3,996)
Impairment loss on intangible assets	10	**–**	(6,617)
Impairment loss on property, plant and equipment	9	**(184)**	(7)
Impairment loss on trade and other receivables	15	**(1,697)**	(155)
Gain on liquidation of subsidiaries		**261**	–
Loss on disposal of property, plant and equipment		**(79)**	–
Impairment loss on investment in an associate	12	**(1,280)**	–
Finance costs		**(30)**	(64)
Share of loss of associates	12	**(21)**	(44)
Loss before income tax	5	**(9,605)**	(14,924)
Income tax	6	**–**	(35)
Total loss for the financial year		**(9,605)**	(14,959)
Loss for the year attributable to:			
Equity holders of the Company		**(9,520)**	(14,247)
Non-controlling interests		**(85)**	(712)
		(9,605)	(14,959)
Losses per share (US$ cents per share)			
Basic	7	**(7.87)**	(11.97)
Diluted	7	**(7.87)**	(11.97)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE **INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$'000	2016 US$'000
Loss for the financial year		**(9,605)**	(14,959)
Other comprehensive income:			
Item that will not be reclassified to income statement			
Currency translation arising from presentation currency		**1,462**	63
Item that may be reclassified subsequently to income statement			
Currency translation arising from translation of financial statements of foreign subsidiaries		**(1,258)**	(10)
Other comprehensive income for the year, net of tax		**204**	53
Total comprehensive income for the year		**(9,401)**	(14,906)
Total comprehensive income attributable to:			
Equity holders of the Company		**(9,316)**	(14,194)
Non-controlling interests		**(85)**	(712)
		(9,401)	(14,906)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL **POSITION**

AS AT 31 DECEMBER 2017

	Note	Group 2017 US$'000	Group 2016 US$'000	Company 2017 US$'000	Company 2016 US$'000
Non-current assets					
Oil and gas properties	8	**–**	3,020	**–**	–
Property, plant and equipment	9	**85**	435	**85**	48
Intangible assets	10	**–**	–	**–**	–
Investment in subsidiaries	11	**–**	–	**1**	1
Investment in associates	12	**1,363**	2,664	**–**	–
		1,448	6,119	**86**	49
Current assets					
Inventories		**192**	189	**–**	–
Trade and other receivables	15	**659**	1,496	**52**	77
Prepayment		**15**	47	**15**	9
Amounts due from subsidiaries	13	**–**	–	**4,108**	3,661
Amounts due from an associate	14	**1,340**	1,701	**–**	–
Cash and cash equivalents	16	**2,354**	4,696	**1,461**	570
		4,560	8,129	**5,636**	4,317
Current liabilities					
Trade and other payables	17	**7,652**	7,330	**2,280**	2,212
Accrued operating expenses		**920**	950	**120**	12
Amounts due to subsidiaries	13	**–**	–	**2,664**	1,666
Income tax payable		**163**	163	**–**	–
Contract deposit	21	**2,320**	–	**–**	–
Provision for decommissioning of wells	18	**633**	–	**–**	–
Deferred rent liability		**4**	–	**4**	–
Provision for reinstatement cost		**13**	–	**13**	–
		11,705	8,443	**5,081**	3,890
Net current (liabilities)/assets		**(7,145)**	(314)	**555**	427
Non-current liabilities					
Provision for decommissioning of wells	18	**–**	603	**–**	–
Contract deposit	21	**–**	3,000	**–**	–
Deferred rent liability		**3**	–	**3**	–
Provision for reinstatement cost		**9**	–	**9**	–
Deferred tax liabilities		**11**	11	**–**	–
		23	3,614	**12**	–
Net (liabilities)/assets		**(5,720)**	2,191	**629**	476
Equity attributable to owners of the Company					
Share capital	19	**82,522**	81,249	**82,522**	81,249
Accumulated losses		**(85,181)**	(76,128)	**(78,098)**	(77,289)
Other reserves	20	**(1,821)**	(1,714)	**(3,795)**	(3,484)
		(4,480)	3,407	**629**	476
Non-controlling interests		**(1,240)**	(1,216)	**–**	–
Total equity		**(5,720)**	2,191	**629**	476

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN **EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company						
	Share capital US$'000	Merger reserve (Note 20a) US$'000	Equity and share options reserve (Note 20b) US$'000	Foreign exchange reserve (Note 20c) US$'000	Accumulated losses US$'000	Non-controlling interests US$'000	Total equity US$'000
2017							
Group							
At 1 January 2017	81,249	763	542	(3,019)	(76,128)	(1,216)	2,191
Loss for the year	–	–	–	–	(9,520)	(85)	(9,605)
Other comprehensive income							
Currency translation arising from:							
Presentation currency	–	–	–	1,462	–	–	1,462
Translation of financial statements of foreign subsidiaries	–	–	–	(1,258)	–	–	(1,258)
Other comprehensive income for the year, net of tax	–	–	–	204	–	–	204
Total comprehensive income for the year	–	–	–	204	(9,520)	(85)	(9,401)
Issuance of shares arising from placement	1,298	–	–	–	–	–	1,298
Share issue expense	(25)	–	–	–	–	–	(25)
Share-based compensation expenses	–	–	145	11	–	–	156
Proceeds from issue of new shares by subsidiary to non-controlling interests	–	–	–	–	–	61	61
Transfer of share option reserve	–	–	(467)	–	467	–	–
At 31 December 2017	82,522	763	220	(2,804)	(85,181)	(1,240)	(5,720)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN **EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company						
	Share capital US$'000	Merger reserve (Note 20a) US$'000	Equity and share options reserve (Note 20b) US$'000	Foreign currency translation reserve (Note 20c) US$'000	Accumulated losses US$'000	Non-controlling interests US$'000	Total equity US$'000
2016							
Group							
At 1 January 2016	81,249	763	467	(3,072)	(61,881)	(504)	17,022
Loss for the year	–	–	–	–	(14,247)	(712)	(14,959)
Other comprehensive income							
Currency translation arising from:							
Presentation currency	–	–	–	63	–	–	63
Translation of financial statements of foreign subsidiaries	–	–	–	(10)	–	–	(10)
Other comprehensive income for the year, net of tax	–	–	–	53	–	–	53
Total comprehensive income for the year	–	–	–	53	(14,247)	(712)	(14,906)
Grant of equity settled share options to employee	–	–	75	–	–	–	75
At 31 December 2016	81,249	763	542	(3,019)	(76,128)	(1,216)	2,191

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN **EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital U$'000	Equity and share options reserve U$'000	Foreign exchange reserves (Note 20c) US$'000	Accumulated losses US$'000	Total equity U$'000
2017					
Company					
At 1 January 2017	**81,249**	**542**	**(4,026)**	**(77,289)**	**476**
Loss for the year	–	–	–	(1,276)	(1,276)
Total comprehensive income for the year	–	–	–	(1,276)	(1,276)
Issuance of shares arising from placement	1,298	–	–	–	1,298
Share issue expense	(25)	–	–	–	(25)
Share-based compensation expenses	–	145	11	–	156
Transfer of share option reserve	–	(467)	–	467	–
At 31 December 2017	**82,522**	**220**	**(4,015)**	**(78,098)**	**629**
2016					
At 1 January 2016	81,249	467	(2,833)	(46,901)	31,982
Loss for the year	–	–	–	(30,388)	(30,388)
Other comprehensive income					
Currency translation from presentation currency	–	–	(1,193)	–	(1,193)
Total comprehensive income for the year	–	–	(1,193)	(30,388)	(31,581)
Grant of equity settled share options to employee	–	75	–	–	75
At 31 December 2016	81,249	542	(4,026)	(77,289)	476

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$'000	2016 US$'000
Operating activities			
Loss before tax		**(9,605)**	(14,924)
Adjustments for:			
– Share–based compensation expenses	22	**145**	75
– Finance costs		**30**	64
– Interest income		**(1)**	(69)
– Depreciation of property, plant and equipment	9	**102**	139
– Depreciation of oil and gas properties	8	**23**	209
– Loss on disposal of fixed assets		**79**	–
– Amortisation of intangible assets	10	**–**	693
– Share of losses of associates	12	**21**	44
– Provision/(reversal of provision) for amounts due from an associate	14	**1,001**	(1,345)
– Impairment loss on trade and other receivables	15	**1,697**	155
– Impairment loss on property, plant and equipment	9	**184**	7
– Impairment loss on oil and gas properties	8	**2,996**	3,996
– Impairment loss on intangible assets	10	**–**	6,617
– Impairment loss on investment in an associate	12	**1,280**	–
– Unrealised exchange loss		**199**	77
– Provision for deferred rent liability		**6**	–
Operating cash flows before changes in working capital		**(1,843)**	(4,262)
Changes in working capital			
Increase in inventories		**(3)**	(146)
Increase in trade and other receivables and prepayments		**(828)**	(160)
Increase/(decrease) in trade and other payables		**292**	(259)
Cash flows used in operations		**(2,382)**	(4,827)
Income tax paid		**–**	(23)
Interest received		**1**	69
Net cash flows used in operating activities		**(2,381)**	(4,781)
Investing activities			
Purchase of property, plant and equipment	9	**(80)**	(113)
Proceeds from disposal of property, plant and equipment	9	**85**	–
Proceeds from issue of new shares by subsidiary to non–controlling interests		**61**	–
Usage of spare parts	8	**–**	21
Net cash flows generated from/(used in) investing activities		**66**	(92)
Financing activities			
Decrease in pledged fixed deposit		**–**	2,501
(Repayment of)/proceeds from contract deposit	21	**(680)**	3,000
(Increase)/decrease in amounts due from an associate		**(640)**	587
Proceeds from placement of new shares		**1,273**	–
Net cash flow (used in)/generated from financing activities		**(47)**	6,088
Net (decrease)/increase in cash and cash equivalents		**(2,362)**	1,215
Effect of exchange rate changes on cash and cash equivalents		**20**	(41)
Cash and cash equivalents at beginning of the financial year		**4,696**	3,522
Cash and cash equivalents at end of the financial year	16	**2,354**	4,696

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

Mirach Energy Limited (the "Company") is a public limited company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 96 Robinson Road, #17-01 SIF Building, Singapore 068899.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

Fundamental accounting concept

The Group incurred a net loss of US$9,605,000 (2016: US$14,959,000) and cash outflows from operating activities of US$2,381,000 (2016: US$4,781,000) during the year ended 31 December 2017 and as at that date, the Group's total and current liabilities exceeded its total and current assets by US$5,720,000 and US$7,145,000 (2016: net assets of US$2,191,000 and net current liabilities of US$314,000) respectively. The losses incurred in 2017 is primarily due to impairment losses on investment in an associate, oil and gas properties, trade and other receivables and a provision for amount due from an associate.

These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis on the following assumptions:

- Two creditors with total outstanding amounts of US$2,280,000 have agreed not to recall these amounts before 30 June 2019 unless the cash flow of the Company permits;

- Any economic outflow from the Group in relation to a trade payable of US$3,734,000 owing to a subcontractor for drilling and workover services is remote, due to the non-performance of the contracted services requirements, as disclosed in Note 25;

- As disclosed in Note 30, the Group had announced its plans to issue an aggregate of 56,000,000 new ordinary shares for an aggregate placement consideration of S$5,600,000 (the "Placement") and entered into an arrangement to acquire an equity interest in RCL Kelstar Sdn. Bhd. ("RCL"). The Placement is subject to approval by the shareholders and regulators. The management is confident that the Placement would receive required approval and plans to execute the related business plans are in progress and will be successfully implemented;

- A letter of intent has been signed with a third party company who has agreed to place up to US$2,000,000 in the share capital of the Company for working capital purposes; and

- No further capital commitments in relation to a work program project is expected, due to the surrender of the oil field during the year, as disclosed in Note 24(b).

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION (CONTINUED)

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position and statements of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (US$) and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) (SFRS(I)), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of US$3,019,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 9 and SFRS(I) 16 will be similar to the impact on adoption of FRS 109 and FRS 116 as disclosed in Note 2.3.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016)	
– Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Improvements to FRSs (March 2018)	
– Amendments to FRS 103 *Business Combinations*	1 January 2019
– Amendments to FRS 111 *Joint Arrangements*	1 January 2019
– Amendments to FRS 12 *Income Taxes*	1 January 2019
– Amendments to FRS 23 *Borrowing Costs*	1 January 2019
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The directors do not expect any impact from the adoption of FRS 115 due to the cessation of the oil and gas business during the financial year. The new business relating to property construction and development will only commence in 2018. The nature of the impending changes in accounting policy on adoption of FRS 109 and FRS 116 is described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 ***Standards issued but not yet effective*** (Continued)

FRS 109 *Financial Instruments* (Continued)

FRS 109 requires the Group to record expected credit losses on all of its trade and other receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a significant impact on its equity, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has entered into commercial leases on certain office buildings of between one to three years. The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if the results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 *Basis of consolidation* (Continued)

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in the consolidated income statement;

– re-classifies the Group's share of components previously recognised in other comprehensive income to the consolidated income statement or retained earnings, as appropriate.

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 *Foreign currency*

The Group's consolidated financial statements are presented in US$, which is different from the Company's functional currency of Singapore Dollar (S$). The Group has presented its consolidated financial statements in US$ so that it will be comparable to other oil and gas companies since most of the companies in this industry present their results and financial position in US$.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 *Foreign currency* (Continued)

(a) Transactions and balances (Continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the consolidated income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the consolidated income statement of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into US$ at the rate of exchange ruling at the end of the reporting period and their income statement are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

For the US$ convenience translation amounts included in the accompanying consolidated financial statements, the S$ equivalent amounts have been translated into US$ at the rate of S$1.3373 = US$1.00 and S$1.4473 = US$1.00, the rate quoted by http:///www.x-rates.com at the close of business on 31 December 2017 and 2016 respectively.

No representation is made that the S$ amounts could have been, or could be, converted into US$ at that rate or at any other rate prevailing on 31 December 2017 and 2016 or any other date.

2.7 *Oil and gas properties and property, plant and equipment*

(i) *Initial recognition*

All oil and gas properties and other property, plant and equipment are initially recorded at cost. Subsequent to recognition, oil and gas and other property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 *Oil and gas properties and property, plant and equipment* (Continued)

(ii) ***Depreciation/amortisation***

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced assets and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	–	5 years
Furniture, fixtures and office equipment	–	5 years
Motor vehicles	–	5 to 10 years
Oilfield equipment	–	4 years
Reinstatement cost	–	2 years

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

The carrying values of oil and gas properties and other property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 *Other intangible assets*

Other intangible assets relate to concessionary rights arising from an operations cooperation agreement ("KSO") for an oil field in Indonesia.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation (calculated on a straight-line basis over the period of the concessionary rights) and accumulated impairment losses, if any. Indefinite lived intangibles are not amortised, instead they are tested for impairment as at annually.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The concessionary rights is amortised on a straight-line basis over the useful economic life or concessionary rights period of 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is de-recognised.

2.9 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specifically for unproved concessionary rights, future cash flows are estimated using risk assessments on field and reservoir performance and include outlook on proved and unproved reserves, which are then discounted or risk weighted utilising the results from projection of geological, production, recovery and economic factors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 *Impairment of non-financial assets* (Continued)

Impairment losses are recognised in the consolidated income statement.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the consolidated income statement.

2.10 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 *Associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of these policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's income statement in the period in which the investment is acquired.

Under the equity method, the investment in associates is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The income statement reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 *Associates* (Continued)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.12 *Financial instruments*

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group has not designated any financial asset upon initial recognition at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets. Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the consolidated income statement when the loans and receivables are de-recognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the consolidated income statement.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

NOTES TO THE FINANCIAL **STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 *Financial instruments* (Continued)

(b) Financial liabilities (Continued)

Initial recognition and measurement (Continued)

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Group has not designated any financial liability upon initial recognition at fair value through profit or loss. After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

2.13 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the consolidated income statement.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 *Impairment of financial assets* (Continued)

Financial assets carried at amortised cost (Continued)

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the consolidated income statement.

2.14 *Cash and cash equivalents*

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value. Cash and cash equivalents exclude restricted cash, which is not available for use by the Group and therefore is not considered highly liquid.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts, as they are considered an integral part of the Group's cash management.

2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Materials: purchase costs on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 *Provisions*

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

The Group recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of oil are expensed as incurred.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated income statement and other comprehensive income.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated income statement and other comprehensive income as a finance cost. The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 *Provisions* (Continued)

Deferred rent liability

Deferred rent liability arises from the rent free period offered by the landlord. The amount is amortised over to the lease period of the office premise.

Provision of reinstatement cost

Provision of reinstatement cost arises from leases of office premises. This cost is based on comparable costs for similar properties necessary to reinstate the premises to its original condition upon the expiration of the tenancy. The reinstatement costs are capitalised as property, plant and equipment and amortised over the lease period.

2.17 *Financial guarantees*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in the consolidated income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the consolidated income statement.

2.18 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction of production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and the borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 *Employee benefits*

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as an expense in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 *Employee benefits* (Continued)

(ii) Employee share option plans

Certain employees of the Company, including directors, receive remuneration in the form of share options and/or shares of the Company as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees for awards granted is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in the consolidated income statement, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to consolidated income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in consolidated income statement upon cancellation.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The employee share option reserve is transferred to retained earnings upon expiry of the share options.

2.20 *Leases*

As lessee

Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.21 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 *Revenue* (Continued)

(a) Production of oil

Revenue from the production of oil, in which the Group has an interest with other participants, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Under the Kerja Sama Operasi ("KSO") contract with PT Pertamina EP, the Group is entitled to the share of oil above a baseline production defined in the contract and revenue is derived from cost recovery and partner share of profit of sale of oil and gas. Generally, cost recovery oil and gas allows the operator to recover its capital and non-capital costs related to production up to 80% of the incremental oil production. The Group will provide for any additional shortfall in baseline production in the year as production cost and will recognise revenue in the year the baseline production shortfall is settled.

(b) Interest income

Interest income is recognised using the effective interest method.

2.22 *Taxes*

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the consolidated income statement except to the extent that the tax relates to items recognised outside the consolidated income statement, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 *Taxes* (Continued)

(b) Deferred tax (Continued)

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside the consolidated income statement is recognised outside the consolidated income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.23 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

Management is of the opinion that there is no significant judgment made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of investment in associates

The Group assesses at the end of each reporting period whether there is any objective evidence that its investment in associates is impaired. This is complex and involves the significant use of management's estimates and assumptions that may be affected by expected future market conditions.

The Group has investments in two associates, CPHL (Cambodia) Co., Ltd ("CPHL (Cambodia)") and Gunung Indah Lestari Limited ("GIL"), of which the former has been fully impaired in FY2016. The recoverable amounts of the carrying value of its investment in GIL is determined based on fair value less cost to sell. The fair value less cost to sell is based on a negotiated transaction price between GIL and a third party investor. The carrying amount of the Group's investment in associates at the end of the reporting period is disclosed in Note 12 to the financial statements.

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 15.

(c) Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning when the Group drilled new wells. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required. The carrying amount for the provision for decommissioning costs is disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. REVENUE

	Group	
	2017	2016
	US$'000	US$'000
Exploration and Production (E&P)	**56**	596

5. LOSS BEFORE INCOME TAX

The following items have been included in arriving at loss before tax:

	Group	
	2017	2016
	US$'000	US$'000
Audit fees:		
– Auditors of the Company	**58**	115
– Other auditors	**9**	97
Depreciation of oil and gas properties (Note 8)	**23**	209
Depreciation of property, plant and equipment (Note 9)	**102**	139
Amortisation of intangible assets (Note 10)	**–**	693
Operating lease expense (Note 24)	**284**	361
Legal and other professional fees	**228**	252
Foreign exchange loss/(gain), net	**218**	(20)

6. INCOME TAX

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017	2016
	US$'000	US$'000
Consolidated income statement:		
Current income tax:		
– Current income taxation	**–**	35
Income tax expense recognised in consolidated income statement	**–**	35

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. INCOME TAX (CONTINUED)

Relationship between tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	**2016**
	US$'000	**US$'000**
Loss before taxation	**9,605**	14,924
Tax at the domestic rates applicable to profits in countries where the Group operates	**27**	(5,095)
Adjustments:		
Non-deductible expenses	**180**	5,290
Income not subject to taxation	**(450)**	(248)
Deferred tax assets not recognised	**243**	88
Income tax expense recognised in consolidated income statement	**–**	35

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction. The statutory tax rate of Singapore, Indonesia and Malaysia are 17%, 25% and 24% respectively.

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately US$3,214,000 (2016: US$3,563,000) of which US$2,266,000 (2016: US$2,220,000) were available for a period of 5 years while the remaining have no expiry date. These tax losses are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognized due to uncertainty of its recoverability.

The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

7. LOSSES PER SHARE

Basic losses per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. LOSSES PER SHARE (CONTINUED)

The following tables reflect the loss and share data used in the computation of basic and diluted losses per share for the years ended 31 December 2017 and 2016:

	Group	
	2017 US$'000	2016 US$'000
Loss, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share	**9,520**	14,247
Weighted average number of ordinary shares for basic losses per share computation	**119,012**	119,012
Effects of dilution on issuance of shares arising from placement	**2,022**	–
Weighted average number of ordinary shares for diluted losses per share computation	**121,034**	119,012

During the financial year, the share options granted to employees, senior executives and directors under the existing employee share option plans are anti-dilutive as their conversion to ordinary shares would decrease the losses per share.

Since the end of the previous financial year, no senior executives and directors have exercised the options to acquire ordinary shares. There have been no other transactions involving ordinary shares of potential ordinary shares since the reporting date and before the completion of these financial statements.

8. OIL AND GAS PROPERTIES

	Group	
	2017 US$'000	2016 US$'000
Cost:		
At 1 January	**9,263**	9,284
Usage of spare parts	**–**	(21)
At 31 December	**9,263**	9,263
Accumulated depreciation and impairment:		
At 1 January	**6,243**	2,021
Charge for the financial year	**23**	209
Impairment loss	**2,996**	3,996
Exchange realignment	**1**	17
At 31 December	**9,263**	6,243
Net carrying amount:		
At 31 December	**–**	3,020

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. OIL AND GAS PROPERTIES (CONTINUED)

During the financial year, an impairment loss of US$2,996,000 (2016: US$3,996,000) was recognised to fully write down the oil and gas properties' carrying amount due to the surrender of the KM oil field and cessation of oil field operations during the financial year. In the previous financial year, the oil and gas properties' carrying amount was written down to its recoverable amount, which was based on its value in use and the pre-tax discount rate used was 10%.

9. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment US$'000	Furniture, fittings and office equipment US$'000	Motor vehicle US$'000	Oilfield equipment US$'000	Total US$'000
Group					
Cost:					
At 1 January 2016	32	304	188	322	846
Additions	–	–	–	113	113
At 31 December 2016 and 1 January 2017	**32**	**304**	**188**	**435**	**959**
Additions	**–**	**80**	**–**	**–**	**80**
Disposals	**(2)**	**(139)**	**(162)**	**–**	**(303)**
At 31 December 2017	**30**	**245**	**26**	**435**	**736**
Accumulated depreciation and impairment:					
At 1 January 2016	29	227	40	83	379
Depreciation charge for the financial year	2	23	17	97	139
Impairment loss	1	6	–	–	7
Exchange realignment	–	(1)	–	–	(1)
At 31 December 2016 and 1 January 2017	**32**	**255**	**57**	**180**	**524**
Depreciation charge for the financial year	**–**	**23**	**8**	**71**	**102**
Disposals	**(2)**	**(98)**	**(39)**	**–**	**(139)**
Impairment loss	**–**	**–**	**–**	**184**	**184**
Exchange realignment	**–**	**(20)**	**–**	**–**	**(20)**
At 31 December 2017	**30**	**160**	**26**	**435**	**651**
Net carrying amount:					
At 31 December 2016	–	49	131	255	435
At 31 December 2017	**–**	**85**	**–**	**–**	**85**

Cash outflow for the purchase of property, plant and equipment was US$80,000 (2016: US$113,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer equipment US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Company			
Cost:			
At 1 January 2016	30	185	215
Additions	–	4	4
At 31 December 2016 and 1 January 2017	**30**	**189**	**219**
Additions	**–**	**80**	**80**
Disposals	**–**	**(126)**	**(126)**
At 31 December 2017	**30**	**143**	**173**
Accumulated depreciation:			
At 1 January 2016	29	122	151
Depreciation charge for the financial year	1	19	20
At 31 December 2016 and 1 January 2017	**30**	**141**	**171**
Depreciation charge for the financial year	**–**	**23**	**23**
Disposals	**–**	**(86)**	**(86)**
Exchange realignment	**–**	**(20)**	**(20)**
At 31 December 2017	**30**	**58**	**88**
Net carrying amount:			
At 31 December 2016	–	48	48
At 31 December 2017	**–**	**85**	**85**

10. INTANGIBLE ASSETS

	Unproved concessionary rights US$'000
Group	
Cost:	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**10,400**
Accumulated amortisation and impairment:	
At 1 January 2016	3,090
Amortisation charge during the financial year	693
Impairment loss	6,617
At 31 December 2016, 1 January 2017 and 31 December 2017	**10,400**
Net carrying amount:	
At 31 December 2016 and 31 December 2017	**–**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. INTANGIBLE ASSETS (CONTINUED)

Unproved concessionary rights relate to the operations cooperation agreement ("KSO") for an oil field in Indonesia, which has 15 years useful life from the date of signing of the KSO.

The unproved concessionary rights were fully written down in the previous financial year.

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	US$'000	**US$'000**
Unquoted shares, at cost	**1**	5,764
Impairment loss	**–**	(5,763)
Unquoted shares, at cost	**1**	1

During the year, the Company struck off its subsidiaries, UniTEQ Energy Services Pte. Ltd. and Acrux Procurement (Singapore) Pte. Ltd.

A subsidiary of the Company, CPHL (HK) Limited, entered into an arrangement to invest in 75% of the equity interest of Premier Mirach Sdn Bhd, a newly incorporated entity in Malaysia to undertake property development and construction projects.

The Company has the following investment in subsidiaries:

Name	**Principal place of business**	**Principal activities**	**Proportion (%) of ownership interest**	
			2017	**2016**
			%	**%**
Held by the Company:				
Acrux Procurement (Singapore) Pte. Ltd.(1)	Singapore	Procuring oil and related products and distributing goods	**–**	100
Petroservice Engineering Inc.(4)	British Virgin Islands	Provision of technical oilfield and advisory services	**100**	100
CPHL (HK) Limited(3)	Hong Kong	Investment holding	**100**	100
UniTEQ Energy Services Pte. Ltd.(1)	Singapore	Service activities incidental to oil and gas extraction (excluding surveying)	**–**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest 2017 %	2016 %
Held by subsidiaries:				
Premier Mirach Sdn Bhd(2)	Malaysia	Property development and construction	**75**	–
Beijing Petroservice Engineering Inc.(5)	Republic of China	Provision of technical oilfield and enhanced oil recovery services	**100**	100
East Energy Group Inc.(5)	British Virgin Islands	Investment holding	**100**	100
East Energy Inc. Ltd.(3)	Hong Kong	Investment holding	**100**	100
Prisma Kemuning Mandiri Limited(5)	British Virgin Islands	Investment holding	**95**	95
Prisma Kampung Minyak Limited(5)	British Virgin Islands	Investment holding	**97.5**	97.5
PT Prima Petrolium Service(5) (Previously known as PT Kampung Minyak Energy)	Indonesia	Oil production services	**100**	100
BUT KSO PT Pertamina EP-Prisma Kampung Minyak Ltd(4)	Indonesia	Oil production	**97.5**	97.5

(1) Struck off during the financial year.

(2) Audited by member firm of Ernst & Young LLP.

(3) Audited by KLC Kennic Lui & Co. Ltd., Hong Kong.

(4) Not required to be audited by law in its country of incorporation. These entities were audited by Ernst & Young LLP for group consolidation purposes.

(5) Not required to be audited by law in its country of incorporation. These entities are not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. INVESTMENT IN ASSOCIATES

The Group's and the Company's material investments in associates are summarised below:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
CPHL (Cambodia) Co., Ltd				
Investment in associate, at cost at beginning	**7,486**	7,486	**7,486**	7,486
Share of post-acquisition reserves	**(5,126)**	(5,126)	**–**	–
Unquoted equity share, net	**2,360**	2,360	**7,486**	7,486
Less: Impairment	**(2,360)**	(2,360)	**(7,486)**	(7,486)
Unquoted equity share, net	**–**	–	**–**	–

In the financial year ended 31 December 2015, the Group has fully impaired its investment in CPHL (Cambodia) Co., Ltd.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Gunung Indah Lestari Limited				
Investment in associate, at cost at beginning	**3,000**	3,000	**–**	–
Share of post-acquisition reserves	**(357)**	(336)	**–**	–
Unquoted equity share, net	**2,643**	2,664	**–**	–
Less: Impairment	**(1,280)**	–	**–**	–
	1,363	2,664	**–**	–
Total investment in associates	**1,363**	2,664	**–**	–

During the financial year, the Group recognised an impairment loss of US$1,280,000 (2016: Nil) on its investment in Gunung Indah Lestari Limited ("GIL") as the recoverable amount of the associate is lower than its carrying amount of the investment. The recoverable amount of GIL is determined based on fair value less cost to sell, based on a negotiated transaction price between GIL and a third party investor.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. INVESTMENT IN ASSOCIATES (CONTINUED)

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest 2017 %	2016 %
Held through Company:				
CPHL (Cambodia) Co., Ltd[1]	Kingdom of Cambodia	Oil and gas exploration and production	**48**	48
Held through subsidiary:				
Gunung Indah Lestari Limited[2]	Indonesia	Oil and gas exploration and production	**10**	10

(1) CPHL (Cambodia) Co., Ltd is in progress of being struck off.

(2) Accounted for as an associate as the Group has significant influence over financial and operating policy decisions of the investee.

The summarised financial information in respect of CPHL (Cambodia) Co., Ltd and Gunung Indah Lestari Limited, based on their FRS financial statements is as follows:

	CPHL (Cambodia) Co., Ltd 2017 US$'000	2016 US$'000
Summarised statement of financial position		
Current assets	**3**	8
Non-current assets	**20,479**	20,479
Total assets	**20,482**	20,487
Current and total liabilities	**29,837**	29,720
Summarised statement of comprehensive income		
Total comprehensive income	**58**	142
Group's proportion of ownership interest	**48%**	48%
Group's share of associate's loss for the year	**–**	–

The Group has not recognised its share of losses of US$28,000 (2016: $68,000) in relation to CPHL (Cambodia) Co., Ltd where its share of losses exceed the Group's investment in this associate, of which US$28,000 (2016: $68,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. INVESTMENT IN ASSOCIATES (CONTINUED)

	Gunung Indah Lestari Limited	
	2017	**2016**
	US$'000	**US$'000**
Summarised statement of financial position		
Current and total assets	**3,391**	3,125
Current and total liabilities	**7,471**	7,042
Summarised statement of comprehensive income		
Total comprehensive income	**207**	436
Group's proportion of ownership interest	**10%**	10%
Group's share of associate's loss for the year	**21**	44

13. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from subsidiaries are unsecured, non-interest bearing and to be settled in cash on demand.

The amounts due to subsidiaries are unsecured, non-interesting bearing and to be settled in cash on demand.

Receivables that are impaired

There was no provision (2016: US$30,338,000 of provision) for the amount due from subsidiaries recognised by the Company during the year based on the expected recoverable amounts from the subsidiaries.

14. AMOUNTS DUE FROM AN ASSOCIATE

Amounts due from an associate – current of US$1,340,000 (2016: US$1,701,000) are unsecured, non-interest bearing, to be settled in cash and are expected repayable on demand within the next 12 months.

Receivables that are impaired

The Group has provided US$1,001,000 (2016: Nil) for the amounts due from an associate during the year based on the expected recoverable amounts from the associates. In the previous financial year, a reversal of allowance for the amounts due from an associate amounting US$1,345,000 (2017: Nil) was recognised as such sums were collected during the previous financial year.

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15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Trade and other receivables:				
Trade receivables	**–**	128	**–**	–
Other receivables	**53**	207	**–**	77
Deposits	**570**	136	**52**	–
Amount due from tax authority	**36**	1,025	**–**	–
	659	1,496	**52**	77
Amounts due from subsidiaries (Note 13)	**–**	–	**4,108**	3,661
Amounts due from an associate (Note 14)	**1,340**	1,701	**–**	–
	1,999	3,197	**4,160**	3,738

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group does not have trade receivables that are past due at the end of the reporting period but not impaired. All trade receivables are not secured by any collateral or credit enhancements.

Receivables that are impaired

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

As of 31 December 2017, the Group had provided impairment for trade and other receivable amounting to US$1,697,000 (2016: US$155,000). No provision for impairment for trade and other receivables was recorded for the Company in current year (2016: US$64,000).

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand representing cash and cash equivalents	**2,354**	4,696	**1,461**	570

Cash at banks earn interest at floating rates based on daily bank deposit rates.

NOTES TO THE FINANCIAL STATEMENTS

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16. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents as at 31 December are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
United States Dollar	**893**	4,368	**159**	393
Singapore Dollar	**1,272**	227	**1,272**	147
Indonesian Rupiah	**2**	27	**–**	–
Renminbi	**25**	23	**–**	–
Hong Kong Dollar	**47**	47	**26**	26
British Pound	**4**	4	**4**	4
Ringgit Malaysia	**111**	–	**–**	–
	2,354	4,696	**1,461**	570

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Trade and other payables:				
Trade payables	**4,540**	4,377	**–**	–
Other payables	**1,383**	1,355	**551**	614
Amount due to a related party	**1,729**	1,598	**1,729**	1,598
	7,652	7,330	**2,280**	2,212
Amounts due to subsidiaries (Note 13)	**–**	–	**2,664**	1,666
Total trade and other payables	**7,652**	7,330	**4,944**	3,878
Add: Accrued operating expenses	**920**	950	**120**	12
Contract deposit (Note 21)	**2,320**	3,000	**–**	–
Total financial liabilities carried at amortised cost	**10,892**	11,280	**5,064**	3,890

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Other payables are unsecured, non-interest bearing, to be settled in cash and repayable on demand.

Amount due to a related party is non-trade related, unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

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18. PROVISION FOR DECOMMISSIONING

	Group	
	2017	**2016**
	US$'000	**US$'000**
At 1 January	**603**	539
Accretion of decommissioning provision recognised as finance costs in income statement	**30**	64
At 31 December	**633**	603

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2026 which is when the producing oil and gas properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

During the financial year, the Group surrendered the oil field and ceased oil field operations. The Group recognised the accretion of decommissioning provision based on the initial estimate of decommissioning costs it expected to incur relating to oil and gas properties.

19. SHARE CAPITAL

	Group and Company	
	No. of shares '000	**US$'000**
Issued and fully paid ordinary shares:		
At 1 January 2016, 31 December 2016 and 1 January 2017	**119,012**	81,249
Issuance of shares arising from placement	**23,803**	1,298
Share issue expenses	**–**	(25)
At 31 December 2017	**142,815**	82,522

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

On 1 December 2017, the Company allotted and issued a total of 23,803,000 new ordinary shares at an issue price of SGD0.073 per share for a new placement.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. OTHER RESERVES

(a) Merger reserve

The merger reserve represents to the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the "pooling of interests" method of accounting in prior years.

(b) Equity and share options reserve

The equity and share options reserve represents the fair value of share options measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

(c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the results and financial position of the Company into the presentation currency, and the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

21. CONTRACT DEPOSIT

On 29 April 2016, the Group entered into a contract with a service provider to jointly manage the Kampung Minyak Oil Block ("KM") and the Sungai Taham – Batu Keras – Suban Jeriji Block ("ST-BK-SJ") from 1 May 2016 to 31 December 2019 (3 years and 8 months). The Group is relying on the contracted service provider's technical expertise to increase the production volume in both blocks through the reactivation of at least 30 old wells.

The key terms are:

(1) The contracted service provider will pay the Group 3 tranches of contract deposits totalling US$6 million – US$3 million (already received) in Year 1; US$2 million in Year 2; US$1 million in Year 3.

(2) The Group commits to fund US$560,000 monthly (from June/July 2016 to December 2017) and US$360,000 monthly (from January 2017 onwards till December 2019) for the operations of both blocks.

(3) The Group will pay a net monthly management fee of US$40,000 to the contracted service provider.

(4) Depending on the production volume, the contract deposits will either be:

   (i) fully converted into the shares in a subsidiary and an associate; or

   (ii) partially converted into the shares in a subsidiary and an associate with the remaining to be refunded to the contracted service provider; or

   (iii) fully refunded to the contracted service provider.

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21. CONTRACT DEPOSIT (CONTINUED)

During the financial year, the Group terminated the services provided by the contract service provider due to the cessation of production in one of the blocks. As a result, the deposits relating to Years 2 and 3 have not been and will not be received.

As at 31 December 2017, the outstanding contract deposit amounted to US$2,320,000. The Group expects that US$1,500,000 will be utilised as part of service provider's equity acquisition in GIL and hence no cash outflow is expected from the Group. During the year, an amount of US$680,000 of the contract deposit received in 2016 was repaid to the service provider. The remaining US$820,000 is expected to be repaid within the next 12 months.

22. EMPLOYEE BENEFITS

	Group	
	2017	**2016**
	US$'000	**US$'000**
Employee benefits expense (including directors):		
Salaries and bonus	**987**	1,837
Central Provident Fund contributions	**31**	40
Share-based payments	**145**	75
Other short-term benefits	**40**	164
	1,203	2,116

Employee share option plan

The Mirach ESOS Scheme was approved on 30 July 2014 under which options to subscribe for the Company's ordinary shares have been granted to selected employees and directors of the Company and its subsidiaries (including non-executive directors) and controlling shareholders and/to their associates.

The expense recognised in the statement of comprehensive income granted under Mirach ESOS Scheme during the financial year is US$40,000 (2016: US$20,000). The weighted average fair value of options granted in 2016 was S$0.098. No new option was granted in 2017. The remaining contractual life for these options is 1 years (2016: 2 years). No options were exercised during the financial year (2016: Nil).

Performance shares

The Company has a performance share plan known as Mirach Performance Share Plan ("Mirach PSP"). Under the terms of Mirach PSP, the award of fully-paid shares will be granted, free of charge, to selected employees, directors of the Company and subsidiaries, controlling shareholders and their associates with performance targets to be set over a performance period. Subject to the achievement of the prescribed performance targets and upon expiry of the prescribed performance period, either new share will be allotted and issued or existing shares acquired previously and held as Treasury Shares will be delivered.

There has been no cancellation or modification to Mirach Energy Scheme, Mirach ESOS Scheme and Mirach PSP during both 2017 and 2016.

The expense recognised in the consolidated income statement granted under Mirach PSP during the financial year is US$105,000 (2016: US$55,000). No PSP shares that were granted under this plan had vested at the end of the reporting period (2016: Nil).

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22. EMPLOYEE BENEFITS (CONTINUED)

Fair value of share options granted

On 16 June 2016, the Company issued 2,960,000 share options to various grantees, granting them rights to purchase common shares of the Company pursuant to the Mirach ESOS Scheme.

Details of the Mirach ESOS Scheme as below:–

Issue Date	:	16 June 2016
Expiry Date	:	15 June 2018
Closing price of subject shares at the date of grant	:	S$0.098
Total number of share options granted	:	2,960,000
Option shares	:	1
Transferable	:	No
Vesting period	:	50% of the share options are exercisable from the date of grant to the day before the first anniversary of the date of grant.
	:	100% of the share options are exercisable from the first anniversary of the date of grant to expiry date.

The fair value of the share options granted under Mirach ESOS Scheme is estimated at the grant date using a Black-Scholes Option Pricing Model, taking into consideration the terms and conditions upon which the share options were granted.

Below is a detailed summary of the valuation:

	Company	
	Batch 1	**Batch 2**
Summary of Valuation		
Spot Price	S$0.098	S$0.098
Strike Price	S$0.11	S$0.11
Risk Free Rate	0.912%	0.695%
Number of option shares	1,480,000	1,480,000
Volatility	89.153%	91.837%
Vesting Date	16 June 2016	16 June 2017
Expiry Date	15 June 2018	15 June 2018
Dividend Yield	0%	0%

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. RELATED PARTY TRANSACTIONS

(a) Sales and purchases of goods and services

There were no significant transactions between the Group and related parties took place at terms agreed between parties during the financial year.

(b) Compensation of key management personnel

	Group	
	2017	**2016**
	US$'000	**US$'000**
Short-term employee benefits	**691**	931
Central Provident Fund contributions	**26**	34
	717	965
Comprise amounts paid to:		
Directors of the Company	**362**	468
Other key management personnel	**355**	497
	717	965

(c) Disposal of shares in subsidiary

On 30 June 2017, a letter of intent ("LOI") was signed by Petroservice Engineering Inc., PT Prima Petrolium Service ("PPS") and Mr Li Youqing, to dispose the Group's shares in PPS to Mr Li Youqing for an agreed sales consideration of US$247,000. Following the signing of the LOI, a non-refundable deposit of US$50,000 was received. Mr Li Youqing was the General Manager of PPS prior to the sale of shares. He ceased to be a key management personnel of the Group with effect from 30 June 2017.

As at 31 December 2017, the transfer of PPS shares to Mr Li Youqing was not completed as additional information has yet to be furnished to the regulators and tax authorities. The remaining US$197,000 will be paid to the Group upon the signing of a formal Sales and Purchase agreement and the completion of the shares transfer. As such, PPS is still accounted for as a subsidiary of the Group as at year end.

24. COMMITMENTS

(a) Operating lease commitments

The Group has entered into commercial leases on certain office buildings. These leases have remaining non-cancellable lease terms of between one to two years with no renewal option or contingent rent provision included in the contracts. The Group is restricted from subleasing the leased offices to third parties.

Minimum lease payments recognised as an expense in the consolidated income statement for the financial year ended 31 December 2017 amounted to US$284,000 (2016: US$361,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24. COMMITMENTS (CONTINUED)

(a) Operating lease commitments (Continued)

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017	**2016**
	US$'000	**US$'000**
Not later than one year	**138**	324
Later than one year but not later than five years	**60**	185
	198	509

(b) Capital commitment

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2017	**2016**
	US$'000	**US$'000**
Capital commitments in relation to the work program project by subsidiary, Prisma Kampung Minyak Limited[(1)]:		
– Not later than one year	**–**	3,210

Note:

(1) Work program project represents the required technical assessment and operational costs associated with the drilling process in oil field of Indonesia to be carried out by Prisma Kampung Minyak Limited, a subsidiary of the Group, during the exploration period between 15 July 2011 to 14 June 2014 and subsequently extended till 14 July 2016 in accordance with the clauses under the KSO. The above commitment was based on the original work plans with PT Pertamina EP. The Group expects no further capital commitment as at 31 December 2017 due to the surrender of the oil field and cessation of oil field operations during the financial year.

25. CONTINGENT LIABILITY

Included in trade payables is an amount of US$3,734,000 due to a subcontractor for drilling and workover services for Prisma Kampung Minyak Limited ("PKM") related to the Integrated Project Management Contracts ("IPM") that were signed on 18 June 2011 to undertake the project management of the drilling and engineering work at Prisma Kampung Minyak oil field ("KM oil field").

With the IPM, subsequent drilling contracts were then signed with the subcontractor in accordance to the terms and conditions of the IPM. Specific terms and conditions and service requirements, including the number of barrels to be achieved, were stated clearly in the IPM. However, certain service requirements, such as the number of barrels of oil production to be achieved were not met. In addition, some oil wells were also corrupted due to erroneous engineering decisions. As a result, BUT KSO Prisma Kampung Minyak ("BUT"), PKM's subsidiary established for the operations, only made some payments from 2012 to 2015 and ceased payments to the subcontractor since.

On 16 January 2018, the subcontractor sent a request letter to BUT to negotiate for the settlement of the said payables and seek compensation for additional disputed and un-invoiced amounts. Based on legal advice, the Company is of the opinion that any economic outflow of resources from the Group is remote due to the non-performance of the service requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
– Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities not carried at fair value but for which fair value is disclosed

Trade and other receivables, trade and other payables, accrued operating expenses, contract deposit and amounts due from/(to) subsidiaries and associates (current)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key risks include credit risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and cash and cash equivalents. The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 15.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring its trade receivables by contract area on an on-going basis. At the end of the reporting period, approximately:

- As of 31 December 2017, the Group has no trade receivable. In the previous financial year, 100% of the Group's trade receivables was due from 1 major customer, who was in the oil and gas industry locate in Indonesia.

- 67% (2016: 53%) of the Group's trade and other receivables were due from related parties while almost all of the Company's trade receivables were due from related parties.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) ***Credit risk*** (Continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 (Trade and other receivables).

(b) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to monitor and maintain a level of cash and cash equivalents deems adequate by its management to finance its operations and meet its financial obligations on a timely manner.

The Group's current funding is mainly from existing cash resources and share placements.

Analysis of financial instruments by remaining contractual maturities

The Group's and Company's financial assets and liabilities at the end of the current financial year are receivable and payable within the next twelve months. The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations for previous financial year.

NOTES TO THE FINANCIAL **STATEMENTS**

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Liquidity risk* (Continued)

	Group			
	1 year or less US$'000	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
2016				
Financial assets:				
Amounts due from an associate	1,701	–	–	1,701
Trade and other receivables	1,496	–	–	1,496
Cash and cash equivalents	4,696	–	–	4,696
Total undiscounted financial assets	7,893	–	–	7,893
Financial liabilities:				
Trade and other payables	7,330	–	–	7,330
Accrued operating expenses	950	–	–	950
Contract deposit	–	3,000	–	3,000
Total undiscounted financial liabilities	8,280	3,000	–	11,280
Net undiscounted financial liabilities	(387)	(3,000)	–	(3,387)

	Company			
	1 year or less US$'000	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
2016				
Financial assets:				
Trade and other receivables	77	–	–	77
Amounts due from subsidiaries	3,661	–	–	3,661
Cash and cash equivalents	570	–	–	570
Total undiscounted financial assets	4,308	–	–	4,308
Financial liabilities:				
Trade and other payables	2,212	–	–	2,212
Accrued operating expenses	12	–	–	12
Amounts due to subsidiaries	1,666	–	–	1,666
Total undiscounted financial liabilities	3,890	–	–	3,890
Net undiscounted financial assets	418	–	–	418

NOTES TO THE FINANCIAL **STATEMENTS**

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk

The Group has minimal transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily US$, Singapore Dollar (S$), Indonesia Rupiah (IDR), Hong Kong Dollar (HKD$) and Ringgit Malaysia (MYR). The foreign currencies in which these transactions are denominated are mainly in US$, IDR and MYR. The Group's trade receivables are denominated in US$. The Group's foreign operations are managed primarily through the engagement of services and purchases denominated in the respective functional currencies of the foreign subsidiaries.

The exchange rate of the HKD$ to the US$ has been pegged at an official rate of HKD$7.8 to US$1.0 by the Hong Kong Government with a minimal trading band. The Company, therefore, is of the view that the Group's exposure to foreign exchange currency risk for changes in exchange rate of HKD$ against US$ is limited and which is not included in the foreign exchange risk analysis.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group uses foreign currency denominated assets as a natural hedge against its foreign currency denominated liabilities. It is not the Group's policy to enter into derivative forward foreign exchange contracts for hedging or speculative purposes.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Singapore. The Group's net investments are not hedged as currency positions in US$ are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the RMB, IDR, S$ and MYR exchange rates against US$, with all other variables held constant.

		Group	
		2017	**2016**
		US$'000	**US$'000**
		Loss before tax	**Loss before tax**
US$/RMB	– strengthened 4% (2016: 4%)	**(1)**	(1)
	– weakened 4% (2016: 4%)	**1**	1
US$/IDR	– strengthened 4% (2016: 4%)	**32**	(12)
	– weakened 4% (2016: 4%)	**(32)**	12
US$/S$	– strengthened 4% (2016: 4%)	**(47)**	(5)
	– weakened 4% (2016: 4%)	**47**	5
US$/MYR	– strengthened 4% (2016: 4%)	**(24)**	–
	- weakened 4% (2016: 4%)	**24**	–

NOTES TO THE FINANCIAL **STATEMENTS**

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28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains financial resources to meet its contractual obligations. The Group monitors its cash flow to fund its operational, financing and investing needs, as well as manages its capital structure by taking necessary actions to increase its share capital through borrowings or issuance of new shares.

29. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to management who is responsible for allocating resources and assessing performance of the operating segments. Segment revenue and segment results are also measured on a basis that is consistent with the internal reporting.

The Group's business were organised into oilfield services and oil exploration and oilfield development segments. During the year of 2017, the Group had entered into a new business sector of property construction and development.

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments as follows:

I. Oilfield services segment is provision of oilfield services and sale of hardware products and equipment.

II. Oil exploration and oilfield development segment involves petroleum operations in an offshore area of Cambodia and Indonesia.

lll. Property construction and development segment involves the construction and development of property in Malaysia.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) are managed on a group basis and are not allocated to operating segments.

Inter-segment transactions are eliminated.

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29. SEGMENT INFORMATION (CONTINUED)

	Oilfield services		Oil exploration and oilfield development		Property construction and development		Adjustments		Note	Total	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000		2017 US$'000	2016 US$'000
Revenue:											
External customers	**–**	9	**56**	587	**–**	–	**–**	–		**56**	596
Inter-company	**–**	317	**–**	–	**–**	–	**–**	(317)	A	**–**	–
Total revenue	**–**	326	**56**	587	**–**	–	**–**	(317)		**56**	596
Segments results											
Interest income	**–**	58	**–**	2	**–**	–	**1**	9		**1**	69
Finance costs	**–**	–	**(30)**	(64)	**–**	–	**–**	–		**(30)**	(64)
Depreciation and amortisation	**(1)**	(2)	**(101)**	(1,000)	**–**	–	**(23)**	(39)		**(125)**	(1,041)
Share of loss of associates	**–**	–	**(21)**	(44)	**–**	–	**–**	–		**(21)**	(44)
Impairment loss on oil and gas properties	**–**	–	**(2,996)**	(3,996)	**–**	–	**–**	–		**(2,996)**	(3,996)
Impairment loss on intangible assets	**–**	–	**–**	(6,617)	**–**	–	**–**	–		**–**	(6,617)
Impairment loss on property, plant and equipment	**–**	–	**(184)**	–	**–**	–	**–**	(7)		**(184)**	(7)
Impairment loss on trade and other receivables	**(114)**	–	**(1,583)**	–	**–**	–	**–**	(155)		**(1,697)**	(155)
Impairment loss on investment in associate	**–**	–	**–**	–	**–**	–	**(1,280)**	–		**(1,280)**	–
Gain on liquidation of subsidiary	**–**	–	**–**	–	**–**	–	**261**	–		**261**	–
Loss on disposal of property, plant and equipment	**(38)**	–	**(1)**	–	**–**	–	**(40)**	–		**(79)**	–
Segment loss	**(745)**	(975)	**(5,213)**	(13,788)	**(32)**	–	**(3,615)**	(196)	B	**(9,605)**	(14,959)
Investment in associates	**–**	–	**1,363**	2,664	**–**	–	**–**	–		**1,363**	2,664
Additions to non-current assets	**–**	–	**–**	113	**–**	–	**80**	–	C	**80**	113
Segment assets	**2,275**	4,408	**16**	5,293	**627**	–	**3,090**	4,547	D	**6,008**	14,248
Segment liabilities	**3,027**	3,678	**6,234**	6,091	**16**	–	**2,451**	2,288	E	**11,728**	12,057

NOTES TO THE FINANCIAL STATEMENTS

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29. SEGMENT INFORMATION (CONTINUED)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-company revenue is eliminated on consolidation.

B The following are added to/(deducted from) segment income statement to arrive at "Loss before tax" presented in the consolidated income statement:

	2017 US$'000	2016 US$'000
Interest income	(1)	(9)
Depreciation and amortisation	23	39
Impairment loss on property, plant and equipments	–	7
Impairment loss on trade and other receivables	–	155
Impairment loss on investment in associate	1,280	–
Gain on liquidation of subsidiary	(261)	–
Loss on disposal of property, plant and equipment	40	–
Provision/(reversal) for amounts due from an associate	1,001	(1,345)
Unallocated corporate expenses	1,533	1,349
	3,615	196

C Additions to non-current assets consist of additions to property, plant and equipment.

D The following items are added to segment assets to arrive at total assets reported in the statement of financial position:

	2017 US$'000	2016 US$'000
Property, plant and equipment	84	177
Cash and cash equivalents	1,568	710
Others	1,438	3,660
	3,090	4,547

E The following items are added to segment liabilities to arrive at total liabilities reported in the statements of financial position:

	2017 US$'000	2016 US$'000
Other payables	2,320	2,240
Accrued operating expenses	131	48
	2,451	2,288

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue	
	2017 US$'000	2016 US$'000
Indonesia	56	596

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29. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

	Non-current assets	
	2017	**2016**
	US$'000	**US$'000**
Singapore	**84**	177
Indonesia	**1**	3,278
	85	3,455

Non-current assets information presented above consist of property, plant and equipment, oil and gas properties and intangible assets.

Information about major customers

Revenue from one major customer in the oil exploration and oilfield development segment accounted for 100% (2016: 100%) of the Group's sales in that segment.

30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the financial year end:

(i) On 13 February 2018, the Group's wholly owned subsidiary, CPHL (HK) Limited ("CPHL"), entered into a Memorandum of Understanding ("MOU") with RCL Kelstar Sdn. Bhd. ("RCL") to acquire a 70% equity interest in RCL and participate in a new project in Malaysia. The aggregate consideration for the 70% equity interest is MYR 21,000,000, of which MYR 2,000,000 has been paid as a refundable deposit upon the signing of the MOU. Accordingly, the Company intends to seek a mandate from the shareholders at a general meeting to be convened to enter into the proposed investment.

(ii) On 22 March 2018, the Company entered into 13 separate conditional share placement agreements to issue an aggregate of 56,000,000 new ordinary shares in the capital of the Company for an aggregate placement consideration of S$5,600,000. The Company will be seeking shareholders' approval for the allotment and issuance of the placement shares at an extraordinary general meeting of the Company to be convened.

(iii) On 28 March 2018, the Company incorporated a wholly owned subsidiary, Mirach HP Management Pte. Ltd. ("Mirach HP Management"). Mirach HP Management will be principally engaged in the business of providing business and management consultancy services.

31. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 3 April 2018.

STATISTICS OF SHAREHOLDERS

AS AT 12 MARCH 2018

SHARE CAPITAL

Class of Shares	:	Ordinary Shares
Number of Shares	:	142,814,685
Issued and Paid-up Capital	:	S$111,535,903.82

FREE FLOAT

Based on information available to the Company, approximately 63.32% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares	Direct Interest (%)	No. of Shares	Deemed Interest (%)
Chan Shut Li, William	18,569,673	13.00	–	–
See Hoy Chan Investment Limited	18,080,000	12.66	–	–
Lee Beng Tee	–	–	18,080,000	12.66*
Ho Bun Hoi	7,874,800	5.52	–	–
Wong Kai	7,854,800	5.50	–	–

* By virtue of his interest in See Hoy Chan Investment Limited pursuant to Section 7 of the Companies Act, Chapter 50.

Percentage is calculated based on the total number of issued shares of 142,814,685 as at 1 December 2017.

DIRECTORS/CHIEF EXECUTIVE OFFICER

	Direct Interest		Deemed Interest	
Name	Holdings beginning of year	Holdings end of year	Holdings beginning of year	Holdings end of year
Chan Shut Li, William	18,569,673	18,569,673	0	0
Liu Mei Ling, Rhoda	20,000	20,000	0	0
Richard Tan Kheng Swee	2,000	2,000	0	0

STATISTICS OF **SHAREHOLDERS**

AS AT 12 MARCH 2018

DISTRIBUTION OF SHAREHOLDERS AS AT 12 MARCH 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	14	0.35	582	0.00
100 – 1,000	1,021	25.85	705,840	0.49
1,001 – 10,000	2,018	51.09	9,395,420	6.58
10,001 – 1,000,000	882	22.33	47,084,942	32.97
1,000,001 and above	15	0.38	85,627,901	59.96
Total	**3,950**	**100.00**	**142,814,685**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 12 MARCH 2018

	SHAREHOLDER'S NAME	NO OF SHARES	%
1	MAYBANK KIM ENG SECURITIES PTE LTD	21,450,690	15.02
2	SEE HOY CHAN INVESTMENT LIMITED	18,080,000	12.66
3	RAFFLES NOMINEES (PTE) LTD	8,728,230	6.11
4	HO BUN HOI	7,874,800	5.51
5	OCBC SECURITIES PRIVATE LTD	4,998,491	3.50
6	PHILLIP SECURITIES PTE LTD	4,621,900	3.24
7	ANG POON BENG	4,046,420	2.83
8	CITIBANK NOMINEES SINGAPORE PTE LTD	3,584,270	2.51
9	KOH YEW CHOO	3,458,590	2.42
10	SEAH SIU GUAT	2,334,427	1.63
11	GOH HOON LEONG	1,500,000	1.05
12	LIM & TAN SECURITIES PTE LTD	1,379,750	0.97
13	DBS NOMINEES PTE LTD	1,230,200	0.86
14	TAN HEE NAM	1,230,000	0.86
15	UOB KAY HIAN PTE LTD	1,110,133	0.78
16	TAN SOO CHONG	800,000	0.56
17	KUM HUN KAI PTE LTD	780,000	0.55
18	LIM YI SHENN	773,068	0.54
19	ABN AMRO CLEARING BANK N.V.	717,700	0.50
20	RHB SECURITIES SINGAPORE PTE LTD	560,400	0.39
	Total	**89,259,069**	**62.49**

NOTICE OF **ANNUAL GENERAL MEETING**

MIRACH ENERGY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200305397E)

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held on Thursday, 26 April 2018 at Carlton Hotel Singapore, Esplanade Room 3&4, Level 4, 76 Bras Basah Road Singapore 189558 at 11:00 a.m. to transact the following business:–

AS ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Auditors' Report thereon.
(See Explanatory Note 1)

2. To approve the Directors' fees of US$108,627.85 for the financial year ended 31 December 2017 (2016: US$106,378.34). **(Resolution 1)**

3. To re-elect Mr Lim Jun Xiong, Steven retiring pursuant to Article 91 of the Company's Constitution.
(See Explanatory Note 2) **(Resolution 2)**

4. To note the voluntary retirement of Mr Richard Tan Kheng Swee.
(See Explanatory Note 2)

5. To appoint Mr Wee Cheng Kwan as a Non-Executive Director.
(See Explanatory Note 2) **(Resolution 3)**

6. To re-appoint Messrs Ernst & Young LLP as auditor of the Company and to authorise the Directors to fix their remuneration.
(Resolution 4)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:–

7. **Authority to allot and issue shares**

(a) "That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

NOTICE OF **ANNUAL GENERAL MEETING**

(b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities, or

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares.

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
(See Explanatory Note 3) **(Resolution 5)**

8. **Authority to grant options and to issue shares under Mirach Energy Employee Share Option Scheme**

(a) "That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Mirach Energy Employee Share Option Scheme (the "Mirach ESOS Scheme"), and, pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Mirach ESOS Scheme, provided that the aggregate number of shares to be issued pursuant to the Mirach ESOS Scheme shall not exceed fifteen (15) per cent of the issued share capital of the Company from time to time, as determined in accordance with the provisions of the Scheme."

(b) Such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
(See Explanatory Note 4) **(Resolution 6)**

NOTICE OF **ANNUAL GENERAL MEETING**

9. **Authority to grant awards and to allot and issue shares under Mirach Energy Performance Share Plan**

(a) That approval be and is hereby given to the Directors to grant awards from time to time in accordance with the provisions of the Mirach Energy Performance Share Plan (the "Mirach PSP"), and pursuant to Section 161 of the Act, to allot and issue from time to time such number of shares in the capital of the Company (the "Award Shares") as may be required to be allotted, issued, and/or delivered pursuant to the vesting of the Awards Shares under the Mirach PSP, provided always that the aggregate number of Award Shares issued and/or issuable pursuant to the Mirach PSP, when aggregated together with the number of Ordinary Shares to be allotted and issued pursuant to the Mirach Energy Employee Share Option Scheme and any other existing share schemes of the Company shall not exceed fifteen (15) per cent of the total number of issued shares of the Company (excluding treasury shares) from time to time.

(b) Such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
(See Explanatory Note 5) **(Resolution 7)**

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

11 April 2018

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. A proxy needs not be a member of the Company. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

2. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company Secretary at 80 Robinson Road, #00-02, Singapore 068898, not later than 48 hours before the time set for the Annual General Meeting.

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:–

1. The audited financial statements is meant for discussion only as under the provisions of Section 201(1) of the Companies Act, Cap. 50, the audited financial statements need to be laid before the Company at its Annual General Meeting and hence, the matter will not be put forward for voting.

2. Key information on the retiring directors can be found on page 10 of the Annual Report.

   Mr Richard Tan Kheng Swee sought for voluntary retirement at this Annual General Meeting due to commitment to his personal business.

   Mr Wee Cheng Kwan will be appointed as Director in place of Mr Richard Tan Kheng Swee.

   The Company has on 26 March 2018 received a Letter of Nomination from the substantial shareholder Mr Chan Shut Li, William for the appointment of Mr Wee as a Director of the Company.

   The NC had reviewed Mr Wee's resume*, skills set, commitment to the Company and other criteria and has recommended to the Board and subject to Shareholders' approval the appointment of Mr Wee as a Director of the Company at the Annual General Meeting.

   The Board concurred with the recommendation of the NC and recommends that Shareholders approve the appointment of Mr Wee as a proposed new director at the Annual General Meeting.

   *Mr Wee holds a B.Eng (First Class Honours) Civil Engineering with University of Portsmouth, United Kingdom (1999). Mr Wee is experienced in leading and growing all sectors of the business that makes it a dynamic and progressive organisation. He holds several key positions which include:

   (i) Shareholder & Director in PRG Holdings Bhd (August 2013 to present)

   (ii) Shareholder & Director in WG Development (M) Sdn Bhd (November 2012 to present)

   (iii) Project Manager in Biaxis (M) Sdn Bhd (July 2004 to June 2007)

   (iv) Structural Engineer in Chiu Teng Construction Pte Ltd (May 2001 to May 2004)

   (v) Engineer in L&M Foundation Specialist Pte Ltd (Singapore) (March 2000 to May 2001)

3. The ordinary resolution no. 5 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

4. The ordinary resolution no. 6, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to offer and grant options under the Mirach Energy Employee Share Option Scheme (the "Mirach ESOS Scheme") (which was approved at the extraordinary general meeting of the Company held on 30 July 2014) and to allot and issue shares pursuant to the exercise of such options under the Mirach ESOS Scheme and any other existing share incentive schemes of the Company does not exceed fifteen (15) per cent of the total number of issued share capital of the Company (excluding Treasury Shares) from time to time.

5. The ordinary resolution proposed in item no. 7, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to offer and grant awards under the Mirach Energy Performance Share Plan ("Mirach PSP") (which was approved at the extraordinary general meeting of the Company held on 30 July 2014) and to allot and issue shares pursuant to the exercise of such awards under the Mirach PSP, provided that the aggregate number of shares to be issued under the Mirach PSP and any other existing share incentive schemes of the Company does not exceed fifteen (15) per cent of the total number of issued share capital of the Company (excluding Treasury Shares) from time to time.

MIRACH ENERGY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200305397E)

PROXY FORM

IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

*I/We ______________________________(Name) NRIC/Passport No.________________

of ____ (Address)
being *a member/members of MIRACH ENERGY LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

or failing whom, the Chairman of the Meeting, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held on Thursday, 26 April 2018 at Carlton Hotel Singapore, Esplanade Room 3&4, Level 4, 76 Bras Basah Road Singapore 189558 at 11.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	Approval of Directors' fees for the financial year ended 31 December 2017		
2.	Re-election of Mr Lim Jun Xiong, Steven as director		
3.	Appointment of Mr Wee Cheng Kwan as a non-executive director		
4.	Re-appointment of Auditors		
5.	Authority to issue ordinary shares		
6.	Authority to grant options and to issue shares under Mirach Energy Employee Share Option Scheme		
7.	Authority to issue shares under Mirach Energy Performance Share Plan		

Dated this __________ day of ___________________ 2018

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal

* **Delete accordingly**

IMPORTANT. Please read notes below

Notes:–

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. A proxy needs not be a member of the Company. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company,

2. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

First fold

AFFIX
STAMP

The Company Secretary
MIRACH ENERGY LIMITED
80 Robinson Road
#02-00
Singapore 068898

Second fold

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company Secretary at 80 Robinson Road, #02-00, Singapore 068898, not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.

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MIRACH ENERGY

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