Resources Prima Group Limited

Annual Report 2019

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED

31 DECEMBER 2019

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CORPORATE PROFILE

Resources Prima Group Limited ("**Resources Prima**" or the "**Company**", and together with its subsidiaries, the "**Group**") was engaged in the coal hauling business in East Kalimantan, Indonesia, through its subsidiary, PT Energy Indonesia Resources ("**EIR**").

On 29 June 2017, trading in the shares of the Company was suspended pursuant to Rule 1303 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (**"Catalist Rules"**) as the board of directors then were of the view that the Company was unable to demonstrate that it is able to continue as a going concern and reasonably assess the financial position of the Group due to the circumstances surrounding its former subsidiary, PT Rinjani Kartanegara ("**Rinjani**"), as set out in the announcement of the Company dated 28 June 2017.

EIR recommenced coal hauling operations in November 2017 in accordance to a coal hauling service agreement with PT Coalindo Adhi Nusantara ("**CAN**") and has been in operations until 13 May 2019. On 15 May 2019, the Company announced that EIR has received a letter of termination from CAN terminating the coal hauling service agreement. EIR is currently exploring its options.

On 6 August 2018, the Company executed an investment agreement with Mr Ang Liang Kim (**"Mr Ang"**) ("**Ang Investment Agreement**"), a substantial shareholder of the Company to provide immediate availability of financing to address the Group's operational requirements.

On 31 March 2019, the Company announced that it has entered into another investment agreement with an investor, Mr Perman Yadi (**"Mr Yadi"**) ("**Yadi Investment Agreement**") for, *inter alia*, business operations and projects undertaken by the Company. On the same day, the Company's wholly-owned subsidiary RPG Logistics Pte. Ltd. (**"RPG Logistics"**) entered into a joint operation agreement (the "**JOA**") with PT Prima Dharma Karsa ("**PT Prima**"), a company incorporated in Indonesia to provide logistical support to PT Prima, in relation to a mining area.

On 27 September 2019, the Company announced the entry into a sales and purchase agreement to acquire 100% of Kitty Hawk Natural Resources Pte. Ltd. ("**Target**") ("**Proposed Acquisition**") which operates a coal mine in Indonesia through the Target's 95%-owned subsidiary, PT Rizky Barito Timur ("**Target Subsidiary**"), from Trilax Multi Investments Ltd and Anant Finance Corporation. Concurrently, the Company entered into an investment agreement with Mr Chaw Chong Foo ("**Mr Chaw**") ("**Chaw Investment Agreement**") to fund the costs and expenses in relation to the Proposed Acquisition.

The Company had, on 27 March 2020, through its Sponsor, submitted an application for, *inter alia*, a further 6-month extension of time to the SGX-ST to submit its resumption of trading proposal by 28 September 2020. On 17 April 2020, SGX-ST granted the extension. The SGX-ST will not grant any further extension if the Proposed Acquisition does not proceed to completion. The SGX-ST will also not be granting any further extension for the execution or completion of the Proposed Acquisition. The Company will thus face delisting if it is unable to meet the extended deadline to submit its resumption proposal by 28 September 2020. The Board and the Management are working towards completion of the Proposed Acquisition to effectively turnaround the Group by the extended deadline obtained.

The Company has been listed on the Catalist of the SGX-ST since 2014.

CHAIRMAN'S MESSAGE

Dear Fellow Shareholders

2019 has continued to be a transformational year for Resources Prima as the Board and the Management of the Company worked tirelessly to restructure and to turn the Company around.

While 2019 proved to be a challenging year for the Company, it successfully sought and found additional investment and operational opportunities.

In addition to the securing of the Ang Investment Agreement on 6 August 2018 whereby Mr Ang has committed to not less than S$4 million by way of a convertible loan (of up to S$2 million) and a rights issue, the Company also successfully secured two additional investment agreements, the details of which are elaborated below.

On 31 March 2019, the Company executed the Yadi Investment Agreement with Mr Yadi for an additional working capital of US$2 million to the Company. Subsequently, on 27 September 2019, the Chaw Investment Agreement was executed with Mr Chaw for an amount up to S$1.35 million. Mr Chaw may also extend an additional loan in excess of the S$1.35 million to accommodate any working capital requirements of the Company.

Each investment agreement entered into serves a different purpose – (i) the Ang Investment Agreement aims to address the immediate financial issue faced by the Group and the funds are mainly used for working capital purposes of the Group; (ii) the Yadi Investment Agreement is mainly used to undertake business operations and projects that are approved by Mr Yadi, the first of which being the JOA between the Company and PT Prima; and (iii) the Chaw Investment Agreement will be used to fund costs and expenses incurred in relation to the Proposed Acquisition of the Target.

The Company is mindful of keeping its expenses to a minimum. As at the date of this report, of the S$4 million from the Ang Investment Agreement, US$2 million from the Yadi Investment Agreement and S$1.35 million from the Chaw Investment Agreement, approximately S$1 million (25%), US$1.26 million (63%) and S$230,000 (17%) have been drawn down from each of them respectively.

Ongoing Operations

EIR's coal hauling contract with CAN was unilaterally terminated by them on 13 May 2019. Since termination, EIR has taken various steps as advised by the Indonesian counsel to safeguard, protect and enforce its rights under the contract with CAN. EIR managed to collect certain of the outstanding receivables from CAN since the termination of the contract. As at the date of this report, the potential claims EIR has against CAN include, *inter alia*, outstanding receivables for the work done prior to termination (including but not limited to the Rise and Fall amount) of US$0.1 million, the shortfall in the coal hauled by EIR for the period commencing 1 November 2017 to 13 May 2019 due to CAN's failure to provide a minimum of 100,000 tonnes per month to EIR amounting to about US$2.7 million, the damages from the claim for unilateral termination of the contract of US$0.5 million, totalled US$3.2 million. The Company remains committed to continue to take actions to safeguard, protect and enforce its rights under the contract with CAN but at the same time mindful of, *inter alia*, the current financial situation of the Company. EIR is currently exploring its options.

On 31 March 2019, the Company announced that its wholly-owned subsidiary, RPG Logistics, had entered into a JOA with PT Prima, to provide logistical support to PT Prima, including but not limited to the transportation of nickel ore to a loading port, the supervision of mining operations as well as provision of mining equipment and mining services to PT Prima in relation to a mining area in Indonesia. In respect of each tonne of nickel ore sold by PT Prima from the mining area, PT Prima will pay to RPG Logistics an amount equivalent to 60% of the profit per tonne of nickel ore sold, provided always that the amount shall not be less than US$5 per tonne of nickel ore. A supplemental agreement was entered into between RPG Logistics and PT Prima on 21 February 2020 detailing, amongst others, PT Prima to bear the costs and

CHAIRMAN'S MESSAGE

expenses incurred by RPG Logistics in respect of the services provided under the JOA. There was one shipment of 5,500 tonnes of nickel ore during the financial year and RPG Logistics recorded a revenue of US$28,000 in this regard. The JOA took time to be implemented due to ascertaining and resolution of logistical and practical issues for the shipment of the nickel ore to PT Indonesia Guang Ching Nickel and Stainless Steel Industry ("**PTIGCN**") which had surfaced from the trial shipment of 5,500 tonnes of nickel ore. The primary focus currently is securing sailing rights around the fish farms and fishing villages situated along the route that the barges take to PTIGCN as well as the protocol for testing of samples with PTIGCN and refining of the payment process. Furthermore, following the recent export ban by Indonesia of nickel ore from 1 January 2020, PT Prima is also in the process of expanding their distribution network. In spite of the above, the Company believes that the entry into the JOA is another means to address business viability of the Group as the JOA would generate revenue and cash flows for the Group, and potentially provide a viable and sustainable business.

Outlook including Resumption of Trading

Following the ongoing efforts in seeking the injection of a sustainable business, the Company had, on 27 September 2019, announced the entry into a sales and purchase agreement for the Proposed Acquisition. The Target operates a coal mine in Indonesia through the 95%-owned Target Subsidiary.

The Company appointed various relevant professionals in October/November 2019 and after an initial delay, most of these professionals commenced their due diligence on the Proposed Acquisition. Good progress has been made in respect of the Proposed Acquisition and the professionals had resolved certain preliminary issues identified during the process and are currently in the midst of resolving certain issues noted in their due diligence. I am hopeful that the Company will be able to push forward in respect of the Proposed Acquisition in spite of the current uncertainty over, *inter alia*, the Covid-19 situation and its impact on the global economy.

All the above are concrete steps that the Company has been working towards re-building of the Group and eventually submitting a resumption for trading proposal to the SGX by the extended deadline of 28 September 2020.

I can assure you that as your Chairman, and someone who has significant shareholding in the Company, I am completely motivated to explore all possible opportunities to address the business viability and sustainable business to strengthen the current financial position of the Group.

Note of Appreciation

I take this opportunity to thank our loyal shareholders, Sponsor, advisors and service providers for their support and to our Independent Directors for their relentless efforts to look out and evaluate potential deals that will generate revenue and provide viable business for the Group.

In addition, I want to pay tribute to our substantial shareholder, Mr Ang, and investors, Mr Yadi and Mr Chaw, who believe in our commitments and determination to turn the Group around and provided the Company with the much needed cashflow through separate investment agreements executed on 6 August 2018, 31 March 2019 and 27 September 2019 respectively.

2020 will continue to be challenging and with much uncertainty for the Group but we look forward to the year ahead with significant optimism.

Agus Sugiono
Executive Chairman cum CEO

BOARD OF DIRECTORS

Agus Sugiono
Executive Chairman cum Chief Executive Officer
Appointed on 12 November 2014

Mr Agus Sugiono is the Executive Chairman of the Board and Chief Executive Officer of the Group. He is responsible for the strategic planning and development of the Group's business, and spearheading the expansion and growth of the Group. From 1994 to 2014, Mr Sugiono served in different positions as either the chief executive officer, chief operating officer, chief financial officer of and advisor to PT Polytama Propindo. He has over 27 years of experience in the oil, gas and petrochemicals industries. Mr Sugiono holds a Bachelor of Science degree in Petroleum Engineering from the University of Texas at Austin and a Master in Business Administration (International Management) from the University of Indonesia. He is also a registered public accountant in Alberta, Canada and a member of the Texas Board of Professional Engineers.

Khoo Song Koon
Lead Independent Director
Appointed on 1 December 2017

Mr Khoo Song Koon is the Lead Independent Director, Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee as well as Nominating Committee of the Company. He is currently the executive director of JKhoo Consultancy Pte Ltd and has over 20 years of professional experience in various corporate advisory work covering, inter alia, corporate restructuring, mergers and acquisitions and dispute resolutions. Mr Khoo started his career with an internationally recognised accounting firm and subsequently a boutique corporate advisory firm. Mr Khoo is currently also the lead independent director and chairman of the audit committee of Nippecraft Limited and an independent director of XMH Holdings Ltd.

Mr Khoo graduated with a Bachelor of Accountancy degree from Nanyang Technological University of Singapore. He is a member of the Institute of Singapore Chartered Accountants as well as CPA Australia. He is also an associate member of the Singapore Institute of Directors.

Chow Wai San
Independent Director
Appointed on 1 December 2017

Mr Chow Wai San is an Independent Director, the Chairman of the Audit and Risk Management Committee as well as the Nominating Committee and a member of the Remuneration Committee. Currently, Mr Chow is the managing director of Aquifer Consulting Pte Ltd, a corporate advisory firm specialising in cross border corporate restructuring and mergers and acquisitions as well as litigation consultancy and support. In his professional career of more than 20 years, he has worked in the Big Four accounting firms as well as a boutique corporate advisory firm. Mr Chow is currently an independent director of Universal Resource and Services Limited, K Group Holdings Limited (listed on the Hong Kong Stock Exchange) and Nippecraft Limited.

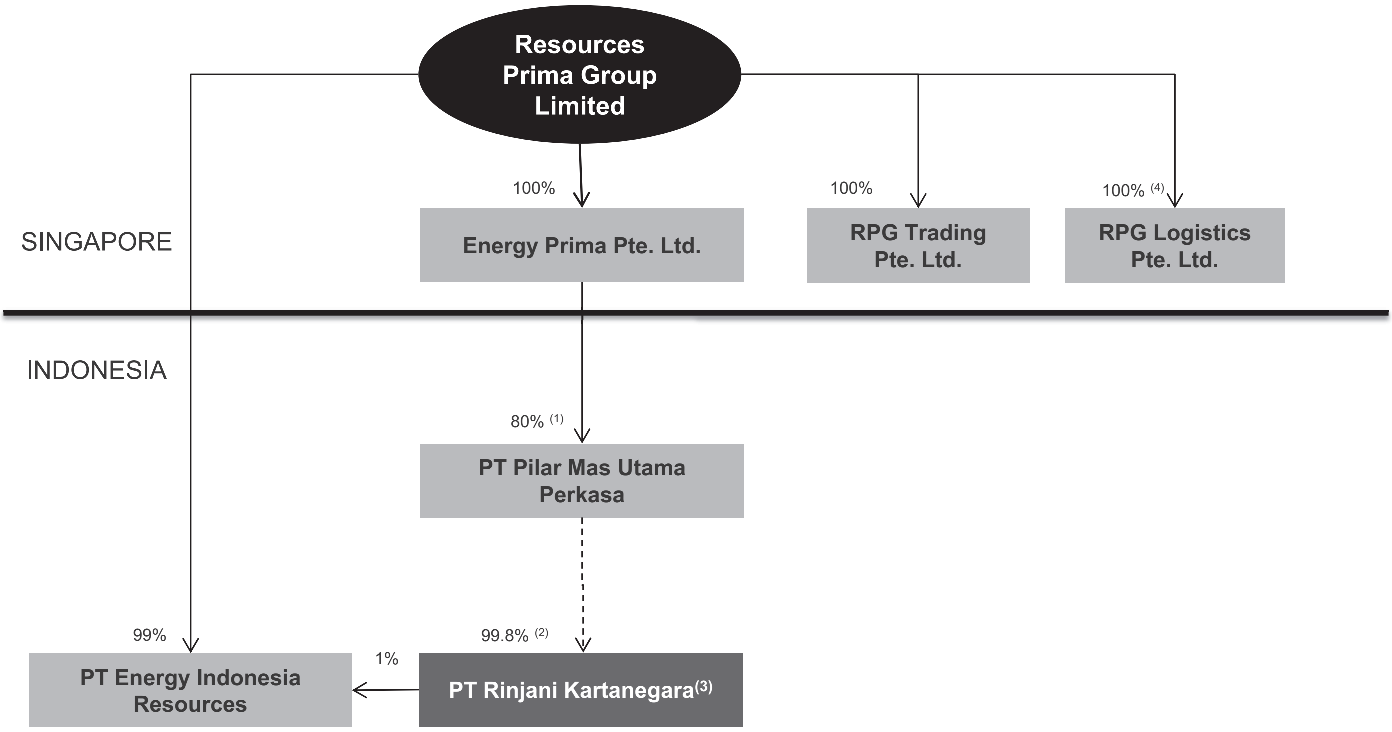
After graduating from Nanyang Technological University of Singapore with a Bachelor of Accountancy, Mr Chow went on to qualify as a Chartered Financial Analyst of CFA Institute, USA. He is also a member of the Institute of Singapore Chartered Accountants and CPA Australia as well as an associate member of the Singapore Institute of Directors.

KEY MANAGEMENT

Nordiansyah Nasrie
Chief Operating Officer
Appointed on 12 November 2014

Mr Nordiansyah Nasrie is the Chief Operating Officer of the Group. He is responsible for the overall operations of the Group and ensuring that its operational activities are in accordance with policies, goals and objectives of the Group. He joined the Group as the director of Rinjani, a former subsidiary of the Company, in 2008. Prior to joining the Group, Mr Nasrie was appointed as a director in various energy companies including PT Kutai Etam Petroleum and PT Kutai Energy Resources. He is currently a director of EIR (a subsidiary of the Company), PT Faisal Sampurna, PT Kembang Janggut Sawit Sejahtera, PT Muara Kaman Sawit Sejahtera and PT Kota Bangun Sawit Sejahtera. He is also the commissioner of PT Pancaran Berkat Adidaya. Mr Nasrie graduated with a Diploma of Academy Hotel and Tourism from International College Bandung. Mr Nasrie also graduated with a Magister of Law from University Merdeka Malang.

CORPORATE STRUCTURE



(1) The remaining 20% of the issued and paid-up share capital of PT Pilar Mas Utama Perkasa ("**PT Pilar Mas**") is owned (i) 5% by Mr Nordiansyah Nasrie, who is the Chief Operating Officer of the Group and (ii) 15% by Mr Lim Fang Wei, a Singapore businessman who is an independent third party unrelated to the Group and its Directors and Substantial Shareholders. The transfer of shares in PT Pilar Mas from Mr Nordiansyah Nasrie to Mr Lim Fang Wei was effected following receipt of approvals for the change in shareholding from the Foreign Investment Coordinating Board dated 7 April 2017 and the Indonesian Minister of Law and Human Rights dated 27 April 2017.

(2) The remaining 0.2% of the issued and paid-up share capital of PT Rinjani Kartanegara is owned by Mr Agus Sugiono, who is the Executive Chairman cum Chief Executive Officer of the Group.

(3) On 24 August 2017, the Company lost control over PT Rinjani Kartanegara following a suspension of payment filed by its creditors and on 9 October 2017 the Commercial Court of Jakarta ruled that PT Rinjani Kartanegara enter bankruptcy with immediate effect.

(4) On 25 March 2019, the Company incorporated a wholly-owned subsidiary company, RPG Logistics Pte. Ltd.

OPERATIONS AND FINANCIAL REVIEW

For financial year ended 31 December 2019 ("**FY2019**"), the Group presents the financial performance of its coaling hauling operations carried out through EIR as well as its logistic support services performed by RPG Logistics in the Group's Consolidated Statement of Comprehensive Income. The comparative results for financial year ended 31 December 2018 ("**FY2018**") comprise only of the coal hauling operations as the logistic support services had commenced only in May 2019.

Operating Review

The revenue generated by EIR amounted to US$86,000 in FY2019 as compared to US$1,171,000 in FY2018 as operations were negatively affected by, *inter alia*, the unilateral termination of the contract by CAN on 13 May 2019 as well as the temporary suspension and/or disruptions of coal hauling operations in first quarter of FY2019.

There was only one shipment of 5,500 metric tonnes of nickel ores by RPG Logistics in May 2019 which recorded a revenue of US$28,000. The JOA with PT Prima took time to be implemented due to ascertaining and resolution of logistical and practical issues for the shipment of the nickel ores to the customer of PT Prima which has surfaced from the trial shipment of 5,500 tonnes of nickel ores. The primary focus currently is securing sailing rights around the fish farms and fishing villages situated along the route that the barges take to the customer of PT Prima as well as the protocol for testing of samples and refining of the payment process. Further, following the recent export ban by Indonesia of nickel ore from 1 January 2020, PT Prima is also in the process of expanding their distribution network.

Cost of sales includes primarily the costs of manpower, fuel, maintenance, spare parts and depreciation of its coal hauling trucks from EIR. In line with the decrease in revenue recorded by EIR, cost of sales decreased from US$1.3 million in FY2018 to US$0.4 million in FY2019. For FY2019, EIR's total haulage was approximated at 28,100 tonnes of coal whereas 381,663 tonnes of coal was hauled during FY2018.

For the reasons set out above, the Group incurred a gross loss of US$291,000 for FY2019 as compared to a gross loss of US$108,000 for FY2018.

Finance costs are primarily in relation to the accretion of US$212,000 on the convertible loans.

Other operating expenses relate to the fair value loss of US$312,000 on derivative liability recorded on one of the convertible loans. This is further elaborated in Note 17 to the financial statements.

Administrative expenses comprise mainly staff costs, audit and legal fees, travelling and transportation, office rental, listing fees, sponsorship fees and investor relation costs. In FY2019, administrative expenses increased by 8% to US$1.4 million in FY2019 from US$1.3 million in FY2018 primarily due to accruals of professional fees for the Proposed Acquisition of the Target.

As an interim measure, the Directors and the Management of the Company did not take any fees/ remuneration or took only nominal salaries for FY2019 until there is more clarity on the Group's cashflow situation.

The Group reported a net loss attributable to equity holders of US$2.2 million in FY2019 compared with a net loss of US$1.4 million in FY2018.

OPERATIONS AND FINANCIAL REVIEW

Financial Position Review

As at 31 December 2019, the Group recorded negative equity of US$3.6 million compared to a negative equity of US$1.5 million as at 31 December 2018. The reasons for the movement in the Group's assets and liabilities balances as at 31 December 2019 are as follows:

Property, plant and equipment decreased by US$0.2 million to US$0.3 million as at 31 December 2019 from US$0.5 million as at 31 December 2018. The decrease was mainly due to the current year depreciation of EIR's coal hauling trucks.

Trade and other receivables comprise primarily trade receivables of RPG Logistics from its nickel operation activities with PT Prima. Trade and other receivables increased by US$1.1 million to US$1.3 million as at 31 December 2019 from US$0.2 million as at 31 December 2018 due to the amount recoverable from PT Prima.

Finance lease liabilities represent the outstanding obligation for the hire purchase of coal hauling trucks by EIR. Finance lease liabilities (both current and non-current) decreased by US$52,000 to US$19,000 as at 31 December 2019 from US$71,000 as at 31 December 2018 due to lease payments during FY2019 by EIR.

Trade and other payables comprise amounts due to vendors, related parties, executive management and directors as well as accruals. Trade and other payables increased by US$0.6 million to US$2.5 million as at 31 December 2019 from US$1.9 million as at 31 December 2018 mainly due to the accrual of executive management remuneration and directors' fees amounting to approximately US$0.3 million and another US$0.3 million to various service providers and professionals.

Borrowings amounting to US$1.9 million relates to the issuance of the 3 convertible loans pursuant to the 3 investment agreements entered into by the Company as announced on 6 August 2018, 31 March 2019 and 27 September 2019, the first of which is to provide working capital (including, *inter alia*, the payments of the certain service providers and professionals mentioned above as well as the fees for the two independent directors up to FY2018), the second of which is to finance the JOA with PT Prima and the third of which is for the Proposed Acquisition of the Target.

The derivative liability amounted to US$0.6 million relates only to the Yadi Investment Agreement as it is denominated in a currency other than the Singapore dollar. Further details can be found in Note 17 of the financial statements.

Cash Flow Review

Cash flows used in operating activities amounted to US$0.9 million for FY2019. Operating cash flows before working capital changes resulted primarily from a loss before tax of US$1.5 million and was offset by the increase in trade and other payables of US$0.6 million.

There was no cashflows generated from or used in investing activities for FY2019.

Net cash flows from financing activities for FY2019 amounted to US$0.8 million mainly arising from the issuance of convertible loans pursuant to the investment agreements.

INVESTOR RELATIONS

Resources Prima is mindful of the obligation to provide regular, effective and fair communication with shareholders and had established an investor relation programme with the principal goal of building trust and understanding with the investment community and shareholders through the timely dissemination of balanced information. This goal has however been severely tested since the suspension of operations of the Company's operating subsidiaries in mid-2017 and the untimely bankruptcy of Rinjani on 9 October 2017.

As a result of the above, the Company suspended results briefings with analysts and investors since the second quarter of financial year 2017.

Trading Suspension

On 28 June 2017, the Company announced via SGXNet that the board of directors then was of the view that the Company is currently unable to demonstrate its ability to continue as a going concern or reasonably assess its financial position and inform the market accordingly. In light of the foregoing and pursuant to Rule 1303 of the Catalist Rules, the board of directors then recommended that it is in the best interests of the Company that the trading halt of the Company's shares (implemented with effect from 23 June 2017) be converted to a trading suspension of the shares with effect from 29 June 2017 ("**28 June 2017 Announcement**").

The closing price on 22 June 2017, being the last trading day prior to the calling of the trading halt, was S$0.026.

Following the 28 June 2017 Announcement, the Company continues to provide shareholders with updates of the Company's performance, position and outlook on a monthly basis pursuant to Rule 704(22) of the Catalist Rules and other ad-hoc announcements as required by the SGX-ST via SGXNet.

The Company's Annual Report is made available to all shareholders and to other investors on request and is accessible at the Company's registered office. The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. Shareholders are informed of shareholders' meetings through notices, reports or circulars published on SGXNet.

Material queries and comments from shareholders will be addressed by the Board and the Management during the general meetings. Where required, the relevant professionals, including, *inter alia*, the external auditors will assist with queries from shareholders.

Trading Resumption Proposal

Based on the requirements under Rule 1304(1) of the Catalist Rules which states that if an issuer is suspended under Rule 1303(3), it must *"submit a proposal (or proposals) through its sponsor to the Exchange with a view to resuming trading in the issuer's securities ("**resumption proposals**") within 12 months of the date of suspension. If no resumption proposals are received to enable trading to resume within 12 months of the date of suspension, the Exchange may remove the issuer from the Official List*", the Company was required to submit a resumption proposal no later than 28 June 2018.

In this regard, the Company, through its Sponsor, applied to the SGX-ST for extensions of time to submit the resumption proposal. Most recently, the Company had applied for and obtained a 6-month extension to 28 September 2020 to submit a resumption proposal, which should address both financial and business viability issues with the view to resume trading. Shareholders should note that the SGX-ST will not grant any further extension if the Proposed Acquisition does not proceed to completion, nor will the SGX-ST be granting any further extension for the execution or completion of the Proposed Acquisition. The Company will thus face delisting if it is unable to meet the extended deadline to submit its resumption proposal by 28 September 2020.

CORPORATE INFORMATION

Company Name
Resources Prima Group Limited

Incorporated in
Singapore

Stock Code
5MM

ISIN Code
SG1W50939246

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10 Collyer Quay #10-01
Ocean Financial Centre
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Board of Directors
Agus Sugiono
(Executive Chairman and Chief Executive Officer)

Khoo Song Koon
(Lead Independent Director)

Chow Wai San
(Independent Director)

Audit and Risk Management Committee
Chow Wai San (Chairman)
Khoo Song Koon

Nominating Committee
Chow Wai San (Chairman)
Khoo Song Koon

Remuneration Committee
Khoo Song Koon (Chairman)
Chow Wai San

Company Secretaries
Raymond Lam Kuo Wei
Tan Ching Ching

Share Registrar
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

Auditors
Baker Tilly TFW LLP
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

Audit Partner-in-Charge
Lee Chee Sum Gilbert
(appointed since the financial year ended 31 December 2016)

Sponsor
SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**" or the "**Directors**") of the Company recognises the importance of corporate governance and is committed to maintaining high standards to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability by complying with the corporate governance practices contained in the Code of Corporate Governance 2018, which was issued by the Monetary Authority of Singapore on 6 August 2018 (the "**Code**").

This report sets out the corporate governance practices that were adopted by the Group during FY2019 with specific references to each of the principles and provisions of the Code, as well as the accompanying practice guidance. The Board confirms that, for FY2019, the Company has generally adhered to the framework as outlined in the Code. Where there were deviations from any provisions of the Code, appropriate disclosures and explanations are provided in accordance to the requirements of the Catalist Rules.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

The Board's role is to:

(a) provide entrepreneurial leadership, and set strategic objectives, which should include appropriate focus on value creation, innovation and sustainability;

(b) ensure that the necessary resources are in place for the company to meet its strategic objectives;

(c) establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and company performance;

(d) constructively challenge Management and review its performance;

(e) instil an ethical corporate culture and ensure that the Company's values, standards, policies, practices and code of conduct are consistent with the desired organisational culture; and

(f) ensure transparency and accountability to key stakeholder groups.

All Directors exercise due diligence and independent judgment, and are obliged to act in good faith and in the best interest of the Company to enhance the long-term value of the Group to its shareholders. The Board adopted a set of ethical values and standards which establishes the fundamental principles of professional and ethical conduct expected of the Directors in the performance of their duties. Each Director is required to promptly disclose any conflicts or potential conflicts of interest, whether direct or indirect, in relation to any transaction or matter discussed and contemplated by the Group. Where a potential conflict of interest arises, the Director concerned does not participate in the discussions and refrains from exercising any influence over other members of the Board.

Orientation, Briefings, Updates and Trainings for Directors

The Executive Director is appointed by way of a service agreement while the Independent Directors are appointed by way of letters of appointment. The duties and responsibilities of Directors are clearly set out in these service agreement and letters of appointment. Such Directors are given an orientation (including site visits to the Group's principal place of operations) on the Group's business, operations, governance practices and regulatory requirements to facilitate the effective discharge of his duties.

All Directors are encouraged to attend conferences and seminars as well as other training courses relevant to their roles as Directors of the Company. Such conferences and seminars as well as other training courses are arranged and funded by the Company for all Directors.

CORPORATE GOVERNANCE REPORT

In accordance with Rule 406(3)(a) of the Catalist Rules, the Nominating Committee ("**NC**") will ensure that any new Director appointed by the Board, who has no prior experience as a director of an issuer listed on the SGX-ST, must undergo mandatory training in the roles and responsibilities of a director as prescribed by the SGX-ST. During FY2019, no new director was appointed to the Board.

The Independent Directors regularly attend courses held by, *inter alia*, Singapore Institute of Directors, Institute of Singapore Chartered Accountants and Accounting and Corporate Regulatory Authority of Singapore.

During the financial year under review, the Directors received updates on changes to relevant laws and regulations. The external auditors have provided updates to the Directors on the new and revised financial reporting standards, which are relevant to the Group. Regulatory releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority that affect the Company and/or Directors in discharging their duties are circulated to the Board on a timely basis.

Matters specifically referred to the Board for its approval include, but not limited to, the following:

- approval authority matrix, standard operating procedures, policies and procedures;
- strategic policies of the Group;
- annual forecasts, cashflow projects including major revisions thereto;
- employee grading structure, salary bands and annual increments;
- appointment, re-appointment or resignation of Directors, appointment, re-appointment or resignation of members of the Board Committees as well as payment of Directors' fees;
- appointment of a person who is a relative of a Director or Chief Executive Officer or substantial shareholder of the Company to a managerial position in the Company or any of its principal subsidiaries;
- appointment of internal auditor, external auditor and Company representative;
- bank accounts: opening, closing and changes to cheque signatories;
- changes in the capital of the Company;
- material acquisitions and disposal of assets;
- capitalisation of loans due from subsidiaries exceeding 10% of Group net assets;
- advances/loans between group of associate companies;
- announcements: for public release including, but not limited to, interim and full year results including material adjustments to previously announced results;
- general meetings: notices, call for meetings, circular to shareholders, corporate governance statement and chairman's statement for annual report;
- sustainability report;
- financial statements and secretarial: directors' statement, audited financial statements, dividend recommendation and payment, affixing common seal, change of registered office, register of members, share register and alteration to the constitution;
- establishment of Board Committees; and
- review of interested person transactions.

Delegation of Authority by the Board

The Board is assisted by the Audit and Risk Management Committee ("**ARMC**"), the NC and the Remuneration Committee ("**RC**") (collectively the "**Board Committees**") in discharging specific responsibilities. These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis to ensure their continued relevance. The Board accepts that, while these Board Committees have the authority to examine particular issues and report back to the

CORPORATE GOVERNANCE REPORT

Board with their decisions and recommendations, the ultimate responsibility and decision on all matters still lies with the Board. The effectiveness of each Board Committee is also constantly monitored. Further information on these Board Committees are set out under the respective Principles of this report.

Directors' Attendance at Board and Board Committees Meetings

The Board conducts regular scheduled meetings at least four times a year to review the strategic policies of the Group, significant business transactions, performance of the business and approve the release of the quarterly and full year results. As and when required, ad-hoc Board meetings are also held to address significant transactions or specific issues that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The Company's constitution ("**Constitution**") has provision for Board meetings to be held via telephone or video conference.

In addition to scheduled Board meetings, the Chief Executive Officer holds informal meetings with the Independent Directors to brief them on corporate and strategic developments.

The attendance of each Director at the Board and the Board Committees meetings, as well as the frequency of such meetings held during FY2019 are disclosed as follows:

Meetings	**Board**	**Board Committees**		
		ARMC	**NC**	**RC**
Number of meetings held in FY2019	4	4	1	1
Name of Director	**Number of meetings attended**			
Agus Sugiono	4	4*	1*	1*
Khoo Song Koon	4	4	1	1
Chow Wai San	4	4	1	1

***** *By invitation*

All Directors are required to declare their board appointments. When a Director has multiple board representations, the NC will consider whether the Director is able to adequately carry out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. The NC has reviewed and is satisfied that notwithstanding their multiple board appointments, Mr Khoo Song Koon and Mr Chow Wai San have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Director of the Company. Please refer to Principle 4 below for further disclosure in relation to multiple board representations.

The Company fully recognises that the continual flow of relevant and accurate information on a timely basis is critical for the Board to be effective in discharging its duties. The Management provides the Board members with regular updates on the financial performance and financial position of the Company. Board papers are generally made available to Directors on a timely manner, before the meetings and would include financial management reports, reports on performance of the Group, papers pertaining to matters requiring Board's decision, updates on key outstanding issues, strategic plans and developments in the Group. This is to enable the Directors to be properly briefed on matters to be considered at the Board and Board Committees meetings. Quarterly reviews of the Company's activities are also provided to the Board with other key information, such as business updates and plans, corporate actions and other information being communicated to the Directors on an ongoing basis.

Under the directorship of the Chairman, the Company Secretaries ensure good information flows within the Board and its Board Committees and between the Management and the Non-Executive Directors. The Company Secretaries assist the Chairman and the Chairman of each Board Committee in the development of agendas for the various Board and Board Committees meetings. The Company Secretaries administer

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and they or their representatives attend all Board and Board Committees meetings of the Company and prepare minutes of the meetings. The Company Secretaries are also responsible for, among other things, ensuring that the Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act and the Catalist Rules are complied with. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

The Directors have separate and independent access to Management and the Company Secretaries. In addition, the Directors, whether individually or as a group, have access to independent professional advice where such services are required in furtherance of their duties. The cost of such professional advice will be borne by the Company.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

As at the date of this report, the Board comprises the following 3 Directors:

Name of Director	Board Membership	ARMC	NC	RC
Agus Sugiono	Executive Chairman cum Chief Executive Officer	–	–	–
Khoo Song Koon	Lead Independent Director	Member	Member	Chairman
Chow Wai San	Independent Director	Chairman	Chairman	Member

The current Board comprises 2 Independent Non-Executive Directors and 1 Executive Director and is therefore majority non-executive and majority independent. The NC, RC and ARMC each comprises the 2 Independent Directors, falling short of the minimum number of 3 Directors required under the Code due to the current cashflow constraints and the Directors and Management of the Company focusing its efforts on generating revenue and rebuilding the Group's business. Pursuant to Rule 704(7) of the Catalist Rules, in the event of any retirement or resignation which renders the audit committee unable to meet the minimum number (not less than 3), the issuer should endeavour to fill the vacancy within two months but in any case not later than 3 months. The Company had written to the SGX-ST through its Sponsor for, and the SGX-ST had, on 17 April 2020, granted the Company, an extension of time to 28 September 2020 to appoint a 3rd member of the ARMC. The Board will source for suitable candidates who can strengthen the experience and expertise of the Board and Board Committees in due course.

Annual Review of Directors' Independence

As set out under the Code, an independent director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company. The NC assess and review annually the independence of a Director bearing in mind the salient factors as set out under the Code, the Catalist Rules as well as all other relevant circumstances and facts.

Each Independent Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. Based on the confirmation of independence submitted by the Independent Directors, the NC was of the view that each Independent Director is independent on the following basis:

(a) The Independent Directors: (i) are not employed by the Company or any of its related corporations for the current or any of the past 3 financial years; and (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past 3 financial years, and whose remuneration is determined by the RC.

CORPORATE GOVERNANCE REPORT

(b) None of the Independent Directors has served on the Board beyond 9 years from the date of first appointment.

(c) None of the Independent Directors and their immediate family member had in the current or immediate past financial year (i) provided or received significant payments or material services aggregated over any financial year in excess of S$50,000 for services other than compensation for board service; or (ii) was a substantial shareholder, partner, executive officer or a director of any organization which provided or received significant payments or material services aggregated over any financial year in excess of S$200,000 for services rendered.

(d) None of the Independent Directors are directly associated with a substantial shareholder of the Company.

With two out of the three Directors, representing a majority of Directors on the Board, being Independent and Non-Executive Directors, the Board is able to exercise independent and objective judgment on corporate affairs and provide the Management with a diverse and objective perspective on issues.

The Board with the assistance of the NC is proactive in seeking to maintain an appropriate balance of expertise, skills, gender and attributes among the Directors, and this is reflected in the diversity of backgrounds and the competency of each of the Directors. Such competency includes accounting, finance, restructuring, relevant industry knowledge, entrepreneurial and management experience, familiarity with relevant regulatory requirements and risk management. This diversity and competency allow the Management to tap on the broad range of views and perspective and the breadth of experience of the Directors. The profiles and key information on the individual Directors and their shareholdings in the Company are set out in the "Board of Directors" section and the "Directors' Statement" section of this Annual Report.

On an annual basis, the NC will review the size and composition of the Board to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. Subject to the compliance of the Code, the NC has reviewed and is satisfied that the current composition and board size is appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operations.

Given the current cashflow constraints experienced by the Group, the Directors and Management of the Company have been focusing their efforts on generating revenue and rebuilding the Group's business. Further, as previously disclosed in the announcement dated 6 April 2018, as an interim measure to the Group's financial position, the Independent Directors, the Executive Chairman cum Chief Executive Officer ("**CEO**"), and the Chief Operating Officer ("**COO**") have all agreed not to take any fees or remuneration or to take only nominal salaries until there is more clarity on the Group's cashflow situation. The 2 current Independent Directors had not been paid since their appointments in December 2017 and were only subsequently paid in the second half of FY2019, with the consent of one of the investors, for the outstanding Independent Directors' fees until 31 December 2018 which amounted to S$199,689. Hence, it would be challenging for the Group to attract suitable candidates to act as an additional independent director on the same basis and to fulfil the minimum number of 3 Directors required under the Code for the ARMC, NC and RC. The Board is however in the process of sourcing for suitable candidates who can strengthen the experience and expertise of the Board and Board Committees.

The Independent Directors provide, amongst other things, strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively challenge and develop proposals on the Company's plan and direction. During the financial year under review, the Independent Directors, led by the Lead Independent Director, held various informal meetings and discussions amongst themselves without the presence of the Executive Chairman cum CEO and Management, and had provided feedback to the Executive Chairman cum CEO subsequent to the meetings, as appropriate.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Taking into account the size, scope and the nature of the operations of the Group and given the current cashflow situation and financial constraints of the Company, Mr Agus Sugiono has assumed the role of both Executive Chairman and CEO of the Company. Any risk is mitigated by the presence of having majority Independent Directors on the Board as well as the appointment of a Lead Independent Director. In addition, Mr Sugiono's performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. With the existence of Board Committees imbued with the power and authority to perform key functions, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in any single individual.

As the Executive Chairman, Mr Sugiono, leads the Board and will bear responsibility for the working of the Board and reviewing the effectiveness of the corporate governance process of the Board. He ensures that the responsibilities as set out in the Code are properly discharged and is responsible for representing the Board to shareholders.

As CEO, Mr Sugiono is responsible for the executive responsibilities for the Group's performance. His responsibilities include charting and reviewing of corporate directions and strategies, which cover areas of marketing and strategic alliances. He is responsible for providing the Company with strong leadership and vision. In assuming his roles and responsibilities, Mr Sugiono consults with the Board and Board Committees on major issues.

In view of the Chairman and CEO roles being held by a single individual, the Board is mindful of the need to appoint a lead independent director to provide focal leadership in situations where the Chairman is conflicted. In this regard, Mr Khoo Song Koon was appointed the Lead Independent Director of the Company on 11 May 2018. The Lead Independent Director will be the contact person available to shareholders where they have concerns and for which contact through the normal channels with the Executive Chairman cum CEO or the Management has failed to resolve or where such communication is inappropriate or inadequate.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

The NC currently comprises 2 Directors, all of whom, including the Chairman of the NC, are independent. The NC is chaired by Mr Chow Wai San. The other member of the NC is Mr Khoo Song Koon. The Code requires that the NC comprise at least 3 Directors, the majority of whom, including the NC Chairman, are independent. Due to the current cashflow constraint and situation of the Group as explained above, the current composition of the NC falls short of the requisite minimum 3 members set out under the Code. The risk is mitigated by consulting with the Executive Chairman cum CEO of the Company, who is also invited to attend NC meetings.

The NC will meet at least once a year or when necessary.

The NC is guided by its terms of reference. The NC's duties and functions include, *inter alia*:

(i) reviewing and making recommendations to the Board on all board appointments and re-nomination having regard to the Director's contribution and performance;

(ii) ensuring that all members of the Board submit themselves for re-nomination and re-election at regular intervals;

(iii) determining annually whether a Director is independent, guided by guidelines in the Code;

CORPORATE GOVERNANCE REPORT

(iv) deciding if a Director is able and has adequately carried out his duties as a Director of the Company where he has multiple board representations;

(v) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director to the effectiveness of the Board;

(vi) reviewing succession plans for the Directors and senior executives, including the Chairman and for the CEO, and

(vii) reviewing and approving any new employment of related persons and the proposed terms of their employment.

Each member of the NC shall abstain from voting on any resolutions, making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his performance or independence or his re-nomination as a Director.

Selection, Appointment and Re-appointment of Directors

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors.

The NC will conduct an annual review of the composition of the Board in terms of the size and mix of skills and qualifications of the Board members. It may, if it deems appropriate, recommend the appointment of additional Directors to strengthen the composition of the Board. The NC may also recommend the appointment of a new Director to fill a casual vacancy in the Board. The NC will deliberate and propose the background, skills, qualification and experience of the candidate it deems appropriate. The factors taken into consideration by the NC could include among other things, the new Director to add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he could bring to Board's discussion.

The NC taps on the resources of the existing Directors' personal contacts and other professionals' recommendations of potential candidates for the shortlisting process. The NC will accept nominations and review the resumes of candidates for shortlisting. It will arrange to conduct, meet and talk to the shortlisted candidates to assess their suitability and fit to the Board as well as to assess their interest to take up directorships in the Company. It will narrow its search to two or three most suitable candidates and submit their names to the Board. The Board will review the credentials of the candidates submitted to them and the recommendations of the NC and make a final decision on an appointee.

The role of the NC also includes the responsibility of reviewing the re-appointment of Directors who retire by rotation.

Each member of the Board holds office pursuant to the provisions of the Constitution and thereafter, shall be eligible for re-election unless disqualified from holding office. Under the Constitution, one-third of the Directors (if the number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation at each annual general meeting of the Company ("**AGM**"). The Constitution also provides that all retiring Directors are eligible to offer themselves for re-appointment.

Further, pursuant to Rule 720(4) of the Catalist Rules, the Company must have all Directors (including the Executive Directors) submit themselves for re-nomination and re-appointment at least once every 3 years.

In addition, under the Constitution, a newly appointed Director must retire and submit himself for re-election at the AGM immediately following his appointment. Thereafter, he will be subject to the one-third rotation rule under the Constitution.

Accordingly, the NC has recommended to the Board that Mr Chow Wai San shall retire in accordance with Rule 720(4) of the Catalist Rules and Regulation 104 of the Constitution and be nominated for re-election

CORPORATE GOVERNANCE REPORT

at the forthcoming AGM. In making its recommendation for Mr Chow Wai San, the NC has considered, amongst others, the Director's integrity, independence, contribution and performance (such as attendance, participation, preparedness and candour). The Board has accepted the recommendation of the NC and Mr Chow Wai San had indicated his willingness to be re-elected as a Director of the Company.

Pursuant to Rule 720(5) of the Catalist Rules, the additional information set out in Appendix 7F of the Catalist Rules relating to the retiring Director, Mr Chow Wai San, who is submitting himself for re-election, is disclosed below and to be read in conjunction with his biography under "Board of Directors" section of this Annual Report:

Name of Director	Chow Wai San
Date of Appointment	1 December 2017
Date of last re-appointment (if applicable)	28 September 2018
Age	48
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-appointment of Mr Chow Wai San as Independent Director was recommended by the NC and approved by the Board, after taking into consideration of Mr Chow Wai San's contributions, performance, independence, expertise and past experiences.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Independent Director • Audit and Risk Management Committee, Chairman • Nominating Committee, Chairman • Remuneration Committee, Member
Professional qualifications	• Bachelor of Accountancy, Nanyang Technological University • Chartered Financial Analyst • Chartered Accountant (Singapore) • Certified Public Accountant (Australia) • Associate Member, Singapore Institute of Directors
Working experience and occupation(s) during the past 10 years	2014 to date: Managing Director at Aquifer Consulting Pte Ltd, specialising in debt restructuring, mergers and acquisitions as well as litigation. 2001 to 2014: Director at NTan Corporate Advisory Pte Ltd, specialising in corporate restructuring, mergers and acquisitions and corporate advisory work.
Shareholding interest in the listed issuer and its subsidiaries	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil

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<table>
<tr><td>Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer</td><td>Yes</td></tr>
<tr><td colspan="2">Other Principal Commitments* Including Directorships

* Excludes the working experience and occupation(s) as listed in the previous section</td></tr>
<tr><td>Past (for the last 5 years)</td><td><u>Directorships</u>
1. Acton & Goldhill Pte Ltd
2. Amarilla Investments Pte Ltd
3. Apex Asia Opportunities Pte. Ltd.
4. AP Lariang Pte Ltd
5. Asia Everbright Pte. Ltd.
6. Asia Five Star Quality Investment Pte. Ltd.
7. Cormorant Pte. Ltd.
8. East Gate Commodities Pte Ltd
9. Energy Mega Persada Pte. Ltd.
10. Fiorenza Pte Ltd
11. Flamingo Corporation Pte. Ltd.
12. Fortune Asia Pacific Investments Pte Ltd
13. Fountainvest Partners International Pte Ltd
14. Mavericks Financial Group Pte Ltd
15. Portage Advisory Pte Ltd
16. Presidio Equator Pte. Ltd.
17. Royalvale Pte. Ltd.
18. Skybeau Investments Pte Ltd
19. Storage King (Singapore) Pte Ltd
20. TPB Advisory Pte Ltd
21. Trans Asia Mining Pte Ltd
22. U.S. Flow Control Group Pte Ltd
23. Wymer Directorship Pte Ltd

<u>Other principal commitments</u>
Nil</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><td colspan="2">Present</td><td><u>Directorships</u>
1. Aquifer Consulting Pte Ltd
2. Universal Resource and Services Limited (listed on SGX)
3. Nippecraft Limited (listed on SGX)
4. Resources Prima Group Limited (listed on SGX)
5. K Group Holdings Limited (listed on Hong Kong Stock Exchange)
6. Abelton Capital Ltd
7. Alson & John Corporate Services Pte Ltd
8. Baxelta Pte Ltd
9. Cascadia Partners Pte Ltd
10. Charta Global Inc
11. Cloverland Pte Ltd
12. Coraco Investment S.A.
13. Elpan Pte Ltd
14. Great Asia Global Investments Pte Ltd
15. Jade Lotus Development Pte Ltd
16. Krolberg Partners Inc
17. Kwok Shing Investments Limited
18. Lambec Limited
19. LMOC Serives (L) Berhad
20. Rivart Asia Pacific Pte Ltd
21. Silver Vantage Trading Limited
22. Southampton Holdings Pte Ltd
23. Triump Star Ltd
24. Prime Star Transportation Services Pte Ltd

<u>Other principal commitments</u>
Nil</td></tr>
<tr><td colspan="3">Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operation officer, general manager or other of equivalent rank. If the answer is to any question is a “yes”, full details must be given.</td></tr>
<tr><td>(a)</td><td>Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</td><td>No</td></tr>
<tr><td>(b)</td><td>Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</td><td>No</td></tr>
<tr><td>(c)</td><td>Whether there is any unsatisfied judgment against him?</td><td>No</td></tr>
<tr><td>(d)</td><td>Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?</td><td>No</td></tr>
</table>

(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:	
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

Independence of the Directors

As mentioned under Principle 2 above, the NC reviews the independence of the Directors annually based on the Code and the Catalist Rules and have affirmed Mr Khoo Song Koon and Mr Chow Wai San are independent and are able to exercise judgement on the corporate affairs of the Group independent of the Management.

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Multiple Board Representations

The NC has considered and is of the view that it would not be appropriate to set a limit on the number of directorships that a Director may hold because Directors have different capabilities, and the nature of the organisations in which they hold appointments and the kind of board committees on which they serve are of different complexities. Each Director shall determine the demands of his competing directorships and obligations and assess the number of directorships he could hold and serve effectively. The Board, with the assistance of the NC has, as part of its annual review, taken into account, among others, (i) the contributions by Directors to and during meetings of the Board and Board Committees; (ii) the results of the Board's evaluation of its performance; and (iii) the directorships and principal commitments of individual Directors, and has concluded that the Directors are able to and have devoted sufficient time and attention to the affairs of the Company and to discharge their responsibilities adequately as required under the Code.

There is no alternate Director being appointed to the Board for the financial year under review.

The key information of the current Directors is set out in the "Board of Directors" section of this Annual Report. The date of initial appointment and last re-appointment of each Director, together with his current directorships in other listed companies and other principal commitments of the Directors are set out below:

Name	Date of initial appointment	Date of last re-appointment	Current directorships in other listed companies	Other principal commitments
Agus Sugiono	12 November 2014	28 June 2019	Nil	Nil
Khoo Song Koon	1 December 2017	28 September 2018	• Nippecraft Limited • XMH Holdings Ltd.	JKhoo Consultancy Pte. Ltd.
Chow Wai San	1 December 2017	28 September 2018	• K Group Holdings Limited • Nippecraft Limited • Universal Resource and Services Limited	Aquifer Consulting Pte Ltd

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board.

On an annual and formal basis, the NC assesses the effectiveness of the Board as a whole, each of the Board Committees and the contribution by each Director (including the Chairman) to the effectiveness of the Board. Where appropriate, the Board will review and make changes to the performance criteria to align with prevailing regulations and requirements. The performance criteria shall not be changed from year to year without justification. Recommendations based on these assessments would be tabled to the Board for discussion and/or adoption. The Board will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of Directors may be sought.

For the financial year under review, all Directors are requested to complete evaluation forms designed to seek their view on the various aspects of performance of the Board, Board Committees and individual Directors so as to assess the overall effectiveness of the Board, Board Committees and individual Directors. The completed evaluation forms were submitted to the Company Secretaries for collation and the consolidated responses were presented to the NC for review. The NC then reported to the Board the results of the consolidated responses. Following the receipt of the consolidated responses, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

For the performance criteria for the Board's and Board Committees' evaluations, the NC considers a number of factors, including the discharge of the Board's and Board Committees' functions, access to and timeliness of information provided, participation and effectiveness of the Board and Board Committee meetings, communication and guidance given by the Board to Management.

For the purpose of evaluation of the Directors' performance, the NC focuses on whether the Directors, individually or collectively, possesses the background, experience, competencies in the relevant skills critical to the Company's business as well as whether each Director, with his contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made. Each member of the NC shall abstain from deliberating and voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance and the performance of individual Directors. Where relevant, the NC will consider such engagement.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies
Level and Mix of Remuneration
Disclosure on Remuneration

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his own remuneration.

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The RC of the Company comprises Mr Chow Wai San and Mr Khoo Song Koon, both of whom are Independent Directors. The RC is chaired by Mr Khoo Song Koon. Due to the current cashflow constraint and situation of the Group as explained above, the current composition of the RC falls short of the requisite minimum 3 members set out under the Code.

The RC will meet at least once a year or when necessary.

The RC has established terms of reference, which sets out its authority and duties. The RC will review and recommend remuneration policies and specific remuneration packages that will attract, retain and motivate each Director and key Management to exert their best efforts to work towards the growth of the Group, the protection and promotion of the interests of all shareholders and the interests of improved corporate performance. The review of remuneration packages takes into consideration the long-term interests of the Group such that the interests of the Directors and the key Management are aligned with that of the shareholders. The review covers all aspects of remuneration, including but not limited to, Directors' salaries, fees, allowances, bonuses, options, share-based incentives and awards, benefits-in-kind and termination payments. The RC's recommendations will be submitted for endorsement by the entire Board.

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In addition, the RC will perform an annual review of the remuneration of employees related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC, when applicable, will also review and approve any bonuses, pay increments and/or promotions of these employees and will also review the Group's obligations arising in the event of termination of the Executive Directors' and key Management's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expenses of such services shall be borne by the Company. For the financial year under review, the RC did not engage the services of an external remuneration consultant.

Each member of the RC shall abstain from voting on any resolutions, making recommendations and/or participating in any deliberations of the RC in respect of his remuneration package or that of employees related to him (if any). The RC shall also be empowered to review human resource management policies of the Group.

In its review and recommendations on remuneration policies and packages for the Directors, the RC will consider, among others, the size and complexity of the Group, the time commitment required, as well as survey reports published by reputable human resource consulting firms.

The Independent Directors receive Directors' fees in accordance with a remuneration framework where each Director is paid a basic fee and an additional fee for appointments as chairman or a member of a Board Committee commensurate with additional responsibilities associated with such appointments. The Independent Directors shall not be over-compensated to the extent that their independence may be compromised. Payments of Directors' fees are subject to shareholders' approval at the AGM.

The remuneration policy of the Group seeks to, *inter alia*, align the interests of employees within the Group, reward and encourage performance based on its core values and to ensure that remuneration is commercially competitive to attract and retain talent. Remuneration packages are initially discussed with the prospective employee to obtain his/her requirements. Such requirements are then considered and adjusted in light of the current employee remuneration structure and levels, company resources as well as market data, where available. The typical remuneration package consists of a fixed monthly salary plus a religious festive bonus in the amount equal to the basic monthly salary of the employee.

The remuneration package of the Executive Chairman cum CEO and the Management are set by individual service agreements and comprise (i) a basic salary component; (ii) a religious festive bonus, based on the country of residence, in the amount equal to the basic monthly salary of the executive; and (iii) a variable component, where applicable, which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The salary, performance bonus and any other benefits-in-kind which the Management are entitled to are subject to annual review and approval by the Board and/or the RC. The Management and/or their associates will abstain from voting in respect of any resolution or decision to be made by the Board in relation to the terms and renewal of their respective service agreements.

Mr Agus Sugiono does not receive a Director's fee but is remunerated as a member of Management. The Company entered into a service agreement with Mr Sugiono as Executive Chairman cum CEO, for an initial term of three years from 12 November 2014. Upon the expiry of the initial term, his employment may, at the option of the Company, be extended for such further period on terms and conditions to be agreed between the Company and the Executive Chairman cum CEO. Mr Sugiono's service agreement is currently extended on a 3-month rolling basis until either revised or terminated by the Board.

Remuneration of key Management will be reviewed by the Company's human resource department, if applicable, in consultation with the CEO. The review will take into consideration the value-added and the extent of contribution of the key Management towards the financial health and business needs of the Group. The Company will offer competitive remuneration packages to recruit, motivate and retain valuable staff. The RC will also administer the employee share option scheme and performance share plan of the Company.

CORPORATE GOVERNANCE REPORT

There are no termination or retirement benefits granted to the Directors, CEO and key Management. Currently, contractual provisions are not used that would allow the Company to reclaim incentive components of remuneration from the Executive Directors and key Management in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. The Company believes that there are alternative legal avenues to these specific contractual provisions that will enable the Company to recover financial losses arising from such exceptional events from the Executive Directors and key Management. The RC would review such contractual provisions as and when necessary.

The compensation paid or payable to the members of the Board (including Directors' fee) and key Management of the Group (who are not Directors and CEO) (including salary, bonus, provident fund contribution, benefits-in-kind and deferred compensation accrued in the financial year under review and payable at a later date) are as follows:

	Base/ Fixed Salary	**Bonus**	**Provident Fund Contribution**	**Directors' Fee**	**Allowances and Other Benefits**	**Total**
	(S$'000)	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**
Name of Director						
Agus Sugiono	409	22	–	–	–	431
Chow Wai San	–	–	–	108	–	108
Khoo Song Koon	–	–	–	108	–	108
TOTAL	**409**	**22**	**–**	**216**	**–**	**647**
Name of Key Management Personnel (who are not Directors or CEO)[(1)]	**Base/ Fixed Salary**	**Bonus**	**Provident Fund Contribution**	**Directors' Fee**	**Allowancesand Other Benefits**	**Total**
S$250,001 – S$500,000						
Nordiansyah Nasrie	95%	5%	–	–	–	100%
Up to S$250,000						
Thng Tien Lung[(2)]	89%	–	11%	–	–	100%

Notes:

(1) There were only 2 key management personnel during the financial year.

(2) Mr Thng Tien Lung was the Company's Chief Financial Officer from 11 February 2019 to 7 December 2019.

As announced on 6 April 2018 the Group has been operating under severe cashflow constraints. As such, and as an interim measure,

1. the current Independent Directors (since their respective dates of appointment) and the previous Independent Directors of the Company since end of September 2017;

2. the CEO, COO and the former CFO since the end of October 2017; and

3. the previous Executive Director since end of December 2017,

have agreed not to take any fees/remuneration or to take only nominal salaries until there is more clarity on the Group's cashflow situation.

CORPORATE GOVERNANCE REPORT

The 2 current Independent Directors had not been paid since their appointments in December 2017 and were only subsequently paid in second half of FY2019, with the consent of one of the investors, for the outstanding independent directors' fees until 31 December 2018 which amounted to S$199,689.

In aggregate, the total remuneration (including allowances and other benefits) accrued to the top 2 key management personnel (who are not Directors or the CEO) during FY2019 was US$327,000.

Furthermore, following the expiry of the initial 3-year service agreements of the CEO and COO on 12 November 2017, such service agreements have been extended on a 3-month rolling basis. Notwithstanding the above, the Management's service agreements together with the amounts owing to them will be addressed in conjunction with the Proposed Acquisition, and will be subject to the approval of the RC.

Remuneration of Related Employees

There are no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S$100,000 per annum during the financial year under review.

Details of Employee Share Scheme

A Resources Prima Group Limited Employee Share Option Scheme (the "**Scheme**") and a Resources Prima Group Limited Performance Share Plan (the "**Plan**") were approved by the shareholders at an Extraordinary General Meeting held on 7 May 2010. The Scheme and the Plan will expire on 6 May 2020. Further details of the Scheme and the Plan are set out in the "Directors' Statement" section of this Annual Report.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interest of the Company and its shareholders.

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against the occurrence of material errors or poor judgment in decision-making.

The Board, assisted by the ARMC, reviews annually and ensures that a sound system of risk management and internal controls is maintained by the Group to safeguard Shareholders' interests and the Group's assets and determines the nature and extent of the significant risks which the Group is willing to take in achieving its strategic objectives.

The ARMC has appointed BDO LLP as internal auditor ("**IA**") of the Company to perform a review of the internal controls of the Group in accordance with the Standards for the Professional Practice of Internal Auditing laid down by the International Professional Practices Framework issued by the Institute of Internal Auditors. BDO LLP is an international well-established firm with vast experience in areas, including internal audit. The engagement team assigned comprises of 3 members and the partner-in-charge has more than 20 years of experience performing internal audits for listed companies in Singapore. The ARMC has assessed and is satisfied that the IA function of the Group is independent and the internal auditors have adequate resources to perform its function effectively and is staffed by qualified and experienced professionals with the relevant experience. Accordingly, the Company is in compliance with Rule 1204(10C) of the Catalist Rules. For FY2019, the internal audit review focused on corporate governance processes, capital expenditure and fixed assets management as well as cash and bank management. Subsequent to the review, the IA reported its findings to the ARMC and proposed recommendations to enhance the Group's internal controls and to resolve any instances of inadequate internal control processes. The Management is responsible for the implementation of the various recommendations and will report the progress of implementation to the ARMC. While there are no high risk items noted in the findings, the Management has rectified all major points noted by BDO LLP as instructed by the ARMC. The internal audit work plan for FY2020 will focus on material processes and procedures of the Group and will be subject to changes subsequent to the successful injection of a new viable and sustainable business into the Group.

The Board and the ARMC work closely with the IA, external auditors and the Management to institute, execute and monitor relevant controls with a view to enhance the Group's risk management system. The Board did not establish a separate Board Risk Committee as it is currently assisted by the ARMC, IA and external auditors in carrying out its responsibility of overseeing the Group's risk management framework and policies.

For FY2019, the Board has received letters of assurance from the CEO, the COO and the Group Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and that the Group's risk management and internal control systems are adequate and effective. Based on the work performed by the IA and external auditors for FY2019 and the assurance from the Management, the Board, with the concurrence of the ARMC, is of the opinion that the risk management system and internal controls currently in place are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group.

An overview of the key financial risks, the extent of the Group's exposure and the approach to managing these risks are set out in Note 22 of the accompanying financial statements.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The ARMC of the Company comprises Mr Chow Wai San and Mr Khoo Song Koon, both of whom are Independent Directors. The ARMC is chaired by Mr Chow Wai San. Due to the current cashflow constraint and situation of the Group as explained above, the current composition of the ARMC falls short of the requisite minimum of 3 members as set out under the Code. Accordingly, The Company had written to SGX-ST through its Sponsor for, and the SGX-ST had, on 17 April 2020, granted the Company, an extension of time to 28 September 2020 to appoint a 3rd member of the ARMC.

Mr Chow Wai San and Mr Khoo Song Koon who are both Chartered Accountants provide the Board and ARMC with relevant financial experience and professional expertise in, *inter alia*, debt restructuring and mergers and acquisition which are relevant to the current position of the Company.

No former partner or director of the Company's current auditing firm or auditing corporation is a member of the ARMC.

The overall objective of the ARMC is to ensure that the Management has created and maintained an effective control environment in the Company. The ARMC has explicit authority to investigate on any matter within its terms of reference and has full access to and co-operation by the Management. The ARMC also has full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.

The ARMC is guided by its terms of reference. The ARMC's duties and functions include, *inter alia*:

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;

CORPORATE GOVERNANCE REPORT

(c) reviewing the assurance from the CEO and the CFO (or equivalent) on the financial records and financial statements;

(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function; and

(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

In addition, the ARMC will have the discretion to investigate any matter within its terms of reference and also direct an independent review of the risk management procedures of the Group and the frequency of such review.

In the event that a member of the ARMC is interested in any matter being considered by the ARMC, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

The Group has complied with Rules 712 and 715 of the Catalist Rules in relation to its external auditors. Save for Johan Malonda Mustika and Rekan which is a member of Baker Tilly International, the Company confirms that there are no other external auditors auditing the Group's companies.

For the financial year under review, the aggregate amount of fees paid or payable to the Company's external auditors, Baker Tilly TFW LLP ("**Baker Tilly**"), was US$104,000, comprising US$52,000 of audit fees and US$52,000 in relation to non-audit services to act as reporting accountants for the Proposed Acquisition and as tax agents; whereas the aggregate amount of fees paid or payable to Johan Malonda Mustika and Rekan was approximately US$12,000, comprising US$8,000 of audit fees and US$4,000 in relation to non-audit services as tax agents. The ARMC confirms that it has undertaken a review of all non-audit services provided by the external auditors, and is satisfied that the nature and extent of such non-audit services will not, in the ARMC's opinion, prejudice the independence and objectivity of the external auditors. Accordingly, the ARMC has recommended to the Board, the nomination of Baker Tilly, the external auditors of the Company, for re-appointment at the forthcoming AGM.

The internal audit function of the Group is currently undertaken by BDO LLP. BDO LLP had also provided valuation services in respect of the convertible loans arising from the 3 Investment Agreements. The ARMC approves the hiring, removal, evaluation and compensation of the internal auditors.

The primary reporting line of the internal audit function is to the ARMC. The internal auditors have unfettered access to all of the Group's documents, records, properties and personnel, including the ARMC, and has appropriate standing within the Group.

Further information on the Group's internal audit function are set out under the "Risk Management and Internal Controls" section in this report.

The ARMC meets on a quarterly basis and plays a key role in assisting the Board to review significant financial reporting issues and judgments to ensure the quality and integrity of the accounting reports, the audit procedures, internal controls, financial statements and any announcements relating to the Group's financial performance. The ARMC will also meet with the external auditors and the internal auditors, as well as meet among themselves in the absence of the Management, when necessary but at least annually, so as to be able to react to potential concerns when they are identified. The ARMC reviews the independence of the external auditors annually.

During FY2019, the ARMC has met once with the external auditors and the internal auditors without the presence of the Management.

CORPORATE GOVERNANCE REPORT

In line with the recommendations by Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and SGX-ST, the ARMC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on Key Audit Matters ("**KAM**"). The ARMC having reviewed the KAM presented by Baker Tilly in their audit report, concurred and agreed with Baker Tilly and the Management on their assessments, judgements and estimates on the significant matters reported.

SHAREHOLDER RIGHTS AND ENGAGEMENT
MANAGING STAKEHOLDERS RELATIONSHIPS

Shareholder Rights and Conduct of General Meetings
Engagement with Shareholders

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise their shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its responsibility to ensure that the best interests of the Company are served.

Shareholders are encouraged to participate during the general meetings and to articulate their views on matters relating to the Company and the Group or question the Board on issues pertaining to the resolutions proposed at the general meetings. Shareholders will also be briefed by the Company on the rules, including voting procedures, that govern general meetings. Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the Business Times and posted on the SGXNet. The Company's Constitution allows a member (other than a relevant intermediary as defined in Section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Companies Act allows relevant intermediaries, which include CPF and SRS Approved Nominees to appoint multiple proxies, and empower CPF and SRS investors to attend and vote at general meetings of the Company as their CPF and SRS Approved Nominees' proxies.

The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. All resolutions at the forthcoming AGM will be put to vote by poll. This will be in compliance with the requirements of the Catalist Rules and allow greater transparency and more equitable participation by shareholders.

The Chairman of the Board and the respective chairman of the ARMC, NC and RC are normally present and available to address shareholders' questions at general meetings. If a specific member of the Board to whom a question is addressed is not present, another member of the Board or an executive officer of the Company who is present will address the question. The Company's external auditors are also present to address shareholders' queries relating to the conduct of the audit and the preparation and content of the auditors' report. Where deemed appropriate, the Board may call upon other professional service providers to address queries. For FY2019, the Company held one annual general meeting and all members of the Board were present.

As the authentication of Shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being not to implement voting in absentia by mail, email or

CORPORATE GOVERNANCE REPORT

fax. In this regard, the Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia by mail, email or fax will only be permitted after security, integrity and other pertinent issues are satisfactorily resolved.

The proceedings of the AGM will be properly recorded, including all comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management.

The Company does not publish minutes of general meetings of shareholders on its corporate website as contemplated by Provision 11.5 as there are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting), including risk of litigation if defamatory statements are made during the meeting or of disclosure of sensitive information to the Group's competitors. The Company is of the view that its position is consistent with the intent of Principle 11 as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. Further, shareholders, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of minutes of general meetings in accordance with the Companies Act. The Company is therefore of the view that, consistent with the intent of Principle 11, as between themselves, shareholders are treated fairly and equitably by the Company.

In view of the Covid-19 situation, the Company will be putting in place alternative measures and arrangements for its upcoming AGM. Shareholders are advised to refer to the Company's announcement on SGXNet on the notice of AGM which will be released in due course for more information on the AGM proceedings.

The Company does not have a formal dividend policy. The form, frequency and amount of declaration and payment of future dividends on shares of the Company that the Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as other factors deemed relevant by the Directors:

(a) the level of cash and retained earnings;

(b) the actual and projected financial performance and financial conditions;

(c) projected working capital requirements;

(d) projected levels of capital expenditure and other investment plans; and

(e) restrictions on payment of dividends imposed on the Group by its financing arrangements or other agreements (if any).

The Board does not recommend any payment of dividends for FY2019 as the Company does not have sufficient profits to declare dividends.

Shareholders can have access to the Company's financial information as well as the developments of the Company through the public records and may also communicate directly with the Company.

Announcements of the Company's quarterly and full year results are done via SGXNet. All information on the Company's new developments is communicated to shareholders on a timely basis via SGXNet.

During the financial year under review, the Company communicated with its shareholders on a timely basis, through its annual reports, financial statements announcements, notice of and explanatory memorandum for general meetings, press releases and disclosures to the SGX-ST. The Company does not practice selective disclosure. In line with the continuous obligations of the Company under the Catalist Rules and the Companies Act, the Company's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

CORPORATE GOVERNANCE REPORT

The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.

The Company's investor relations policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions. While the Company may not currently have a corporate website to communicate and engage with stakeholders in view of the present scale of operations and limited resources, stakeholders can contact us via our Executive Chairman cum CEO, our Company Secretaries or our Sponsor. The Company also had in place a whistle-blowing framework by which any staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the ARMC Chairman and/or the Lead Independent Director and other Independent Directors, as necessary. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action. No such whistle-blowing letter was received in FY2019.

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups. The Company will disclose such information, together with its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period, in its sustainability report for FY2019, which will be released separately.

OTHER CORPORATE GOVERNANCE MATTERS

DEALING IN SECURITIES

The Company's shares have been suspended from trading on 29 June 2017.

The Company has adopted policies In line with Rule 1204(19) of the Catalist Rules on dealings in the Company's securities. The Company and its officers are prohibited from dealing in the Company's securities on short-term considerations or when they are in possession of material unpublished price-sensitive or trade-sensitive information. The Company's officers are also prohibited from dealing in the Company's shares 2 weeks prior to the release of the Company's quarterly financial statements and 1 month prior to the release of the Company's full year financial statements.

INTERESTED PERSON TRANSACTIONS

The Company has an internal policy in respect of any transactions with interested persons and has in place a process to review and approve any interested person transaction.

The Company does not have any general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Catalist Rules. There were no interested person transactions entered into during FY2019.

MATERIAL CONTRACTS

Save for the service agreement entered into between the Company and the Executive Chairman cum CEO, there were no material contracts entered into by the Company or any of its subsidiaries involving the interests of the Executive Chairman cum CEO, any Director or controlling shareholder and either (i) still subsisting at the end of FY2019 or (ii) entered into since the end of FY2018.

NON-SPONSORSHIP FEE

With reference to Rule 1204(21) of the Catalist Rules, S$101,650 was paid to the Sponsor, SAC Capital Private Limited, for FY2019 (FY2018: S$NIL) as the first progressive payment for acting as the Full Sponsor and Issue Manager in respect of the Proposed Acquisition.

USE OF PROCEEDS

Please refer to the "Chairman's Message" section of this Annual Report for the use of proceeds in respect of the 3 investment agreements.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Resources Prima Group Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 43 to 93 are properly 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 2019 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

(ii) at the date of this statement, after considering the matters as described in Note 3(a) to the financial statements, 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:

Agus Sugiono
Khoo Song Koon
Chow Wai San

Arrangement to enable directors to acquire benefits

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 in or debentures of the Company or any other body corporate, other than share options and share awards as disclosed in this statement.

DIRECTORS' STATEMENT

Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, except as follows:

	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
Name of directors and companies in which interest are held	**At 1.1.2019**	**At 31.12.2019**	**At 1.1.2019**	**At 31.12.2019**
Ultimate holding company				
Madrone Enterprises Limited				
Agus Sugiono	–	–	1#	1#
Company				
Resources Prima Group Limited				
Agus Sugiono	–	–	742,384,980#	742,384,980#

Notes:

\# The sole shareholder of Madrone Enterprises Limited is Joyful Sky Limited incorporated in British Virgin Islands, which holds the share as a nominee of Gabriel Giovani Sugiono. Gabriel Giovani Sugiono is therefore deemed to have an interest in the shares of the Company held by Madrone Enterprises Limited in which he is the ultimate beneficial owner. Agus Sugiono is deemed to have an interest in the shares of the Company held by his son, Gabriel Giovani Sugiono.

Agus Sugiono, by virtue of his interest of not less than 20% of the issued share capital of the Company, is deemed to have an interest in the shares held by the Company in the following subsidiary that is not wholly-owned by the Group.

	Number of ordinary shares			
	Shareholdings registered in his own name		Shareholdings in which a director is deemed to have an interest	
Name of director and company in which interest is held	**At 1.1.2019**	**At 31.12.2019**	**At 1.1.2019**	**At 31.12.2019**
Subsidiary				
PT Pilar Mas Utama Perkasa				
Agus Sugiono	–	–	20,000	20,000

The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

DIRECTORS' STATEMENT

Share options and share awards

At an Extraordinary General Meeting held on 7 May 2010, shareholders of the Company approved the Employee Share Option Scheme (the "Scheme") for the granting of non-transferable options that are settled by issuance or transfer of the ordinary shares of the Company, in the name of the Central Depository (Pte) Limited ("CDP"), for credit to the securities account of participants or that participant's securities sub-account with a Depository Agent.

The shareholders also approved the Performance Share Plan (the "Plan") for the granting of shares that are settled by allotment or transfer of the ordinary shares of the Company on the release of an award to a participant to be issued in the name of, or transferred to, CDP to the credit of either, the securities account of that participant maintained with CDP; or the securities sub-account of that participant maintained with a Depository Agent, or the Central Provident Fund ("CPF") investment account maintained with a CPF agent bank.

The Remuneration Committee ("RC") is responsible for administering the Scheme and the Plan. At the date of this statement, the members of the RC are Khoo Song Koon (Chairman) and Chow Wai San.

No share options were granted or released or vested pursuant to the Scheme since its commencement and no options were outstanding at 31 December 2019 ("FY2019").

In respect of the Plan, share awards, the details of which are noted below, were granted during financial year ended 31 December 2017 ("FY2017").

Details of Share Award Grants – Directors and Other Employees		
a.	Date of grants	10 April 2017
b.	Number and class of shares which are the subject of the share awards	107,000,000 Ordinary shares
c.	Validity period	4-year period from 1 January 2017 ending 31 December 2020.
d.	Vesting period of the share awards and basis for vesting	The vesting of the share awards is subject to performance conditions, as determined by the Remuneration Committee, being achieved for each financial year from 1 January 2017 to 31 December 2020 as well as the relevant participants continuing as a Director or an employee of the Company. The performance conditions include: • minimum audited net profit after tax ("NPAT") of US$5 million for each of the financial years ended 31 December 2017, 31 December 2018, 31 December 2019, and financial year ending 31 December 2020 (each a "Performance Period"). • total costs of the aggregate number of award shares that may be released in respect for each Performance Period shall not exceed 25% of NPAT at the time of release.

DIRECTORS' STATEMENT

Share options and share awards (cont'd)

Details of Share Award Grants – Controlling Shareholders		
a.	Date of grants	26 April 2017
b.	Number and class of shares which are the subject of the share awards	40,000,000 Ordinary shares
c.	Validity period	4-year period from 1 January 2017 ending 31 December 2020.
d.	Vesting period of the share awards and basis for vesting	The vesting of the share awards is subject to performance conditions, as determined by the Remuneration Committee, being achieved for each financial year from 1 January 2017 to 31 December 2020 as well as the relevant participants continuing as a Director or an employee of the Company. The performance conditions include: • minimum audited NPAT for each of the Performance Period. • total costs of the aggregate number of award shares that may be released in respect for each Performance Period shall not exceed 25% of NPAT at the time of release.

Agus Sugiono was granted share awards of 25,000,000 following the approval of shareholders at the annual general meeting held on 26 April 2017 while Nordiansyah Nasrie was granted share awards of 20,000,000 on 10 April 2017.

As at 31 December 2019, a total of 22,500,000 share awards remain outstanding following the lapse of share awards as the performance target for FY2018 was not met. Details of which are set out below.

Name of participant	Balance as at 1 January 2019 ('000)	Share awards granted ('000)	Share awards vested ('000)	Share awards cancelled ('000)		Balance as at 31 December 2019 ('000)
				Termination/ resignation	Lapsed	
Controlling shareholder						
Agus Sugiono	18,750	–	–	–	6,250[(1)]	12,500
Other employee						
Nordiansyah Nasrie	15,000	–	–	–	5,000[(1)]	10,000
Total	**33,750**	–	–	–	**11,250**	**22,500**

(1) Share awards had lapsed after the period of 1 month from the date of the annual general meeting of the Company at which Shareholders have received and adopted the audited financial statements for FY2018 as the performance target of minimum audited NPAT had not been met. For the avoidance of doubt, as the FY2019 performance target of minimum NPAT has not been met, another 6,250,000 and 5,000,000 share awards granted to Agus Sugiono and Nordiansyah Nasrie will lapse after the period of 1 month from the date of the forthcoming annual general meeting.

DIRECTORS' STATEMENT

Share options and share awards (cont'd)

No share awards have been released, vested or were exercised since the commencement of the Plan and up to the end of financial year under review.

No share awards will vest for FY2019 as the performance conditions have not been met. For the avoidance of doubt, as the FY2019 performance target of minimum NPAT has not been met, another 11,250,000 share awards will lapse after the period of 1 month from the date of the forthcoming annual general meeting. Of the 33,750,000 share awards brought forward from FY2018, 11,250,000 share awards have lapsed as the performance conditions for the financial year ended 31 December 2018 were not achieved and 22,500,000 are available for retesting against the performance conditions in the next financial year.

Any unreleased or unvested share awards in respect of any Performance Period shall lapse and be of no value after the period of 1 month from the date of the annual general meeting of the Company at which shareholders have received and adopted the audited financial statements of the Company relating to that performance period as stated in the Letter to Shareholders dated 11 April 2017.

None of the participants to whom the shares awards have been granted has any right to participate by virtue of the share award grant in any share issue of any other company.

There were no unissued shares of the Company or its subsidiary corporations under options granted by the Company or its subsidiary corporations as at the end of the financial year.

Since the commencement of the Scheme until the end of the financial year ended 31 December 2019:

– No options have been granted to directors or controlling shareholders of the Company and their associates.

– No participant under the Scheme has received 5% or more of the total options available under the Scheme.

– No options have been granted at a discount.

Since the commencement of the Plan until the end of the financial year ended 31 December 2019, no participant has received 5% or more of the total number of shares available under the Plan.

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee ("ARMC") at the date of this statement are:

Chow Wai San (Chairman)
Khoo Song Koon

The ARMC carries out its functions in accordance with Section 201B(5) of the Act, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist (the "Catalist Rules") and the Code of Corporate Governance and its duties include, *inter alia*:

(i) review with the internal and external auditors the audit plan, scope of work, their evaluation of the system of internal accounting controls, their management letter and the management's response and results of the audits conducted by the internal and external auditors of the Group;

(ii) review the scope and results of the external audit and the independence and objectivity of the external auditor;

Audit and Risk Management Committee (cont'd)

(iii) review the periodic consolidated financial statements and results announcements before submission to the Board of Directors (the "Board") for approval, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;

(iv) review the internal control and procedures and ensure co-ordination between the external auditor, internal auditor and the management, and review the assistance given by the management to the auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);

(v) ensure that annual internal controls audits are commissioned until such time it is satisfied that the Group's internal controls are robust and effective. Further, the ARMC may initiate such internal controls audits as and when it deems fit to satisfy itself that the Group's internal controls remain robust and effective;

(vi) review and approve all formal hedging and trading policies (if any) and ensure that adequate procedures are in place, prior to implementation by the Group;

(vii) review and discuss with the external auditor any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(viii) review and report to the Board at least annually the risk profile of the Group, effectiveness and adequacy of its internal control and risk management procedures, including accounting, financial, operational, compliance and information technology controls and procedures and the appropriate steps to be taken to mitigate and manage risks at an acceptable level determined by the Board;

(ix) consider the appointment, remuneration, terms of engagement or re-appointment of external and internal auditors, and matters relating to the resignation or dismissal of the auditors;

(x) review and approve any transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);

(xi) review potential conflict of interests, if any, and take any necessary steps to resolve and mitigate such conflict of interests;

(xii) review significant financial reporting issues and judgements with the Chief Financial Officer and the external auditor so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board;

(xiii) review and establish procedures for receipt, retention and treatment of complaints received by the Group, inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group;

(xiv) review the policy and arrangements by which staff of the Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken;

DIRECTORS' STATEMENT

Audit and Risk Management Committee (cont'd)

(xv) undertake such other review and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the ARMC; and

(xvi) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, or by such amendments as may be made thereto from time to time.

The ARMC is satisfied with the independence and objectivity of the independent auditor and has nominated Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Agus Sugiono Director	Chow Wai San Director

30 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RESOURCES PRIMA GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Resources Prima Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 43 to 93, which comprise the statements of financial position of the Group and the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial 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 and the statement of financial position and 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial 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 3(a) to the financial statements with respect to the Group's and the Company's ability to continue as going concerns and contingent liabilities as disclosed in Note 26 to the financial statements. During the financial year ended 31 December 2019, the Group incurred a net loss of US$2,165,000 (2018: US$1,401,000) and the Company incurred a net loss of US$1,825,000 (2018: US$1,252,000). As at 31 December 2019, the Group's and the Company's total and current liabilities exceeded its total and current assets by US$3,633,000 (2018: US$1,528,000) and US$3,951,000 (2018: US$1,980,000) and US$3,448,000 (2018: US$1,712,000) and US$3,448,000 (2018: US$1,712,000) respectively.

These factors and contingent liabilities as disclosed in Note 26 to the financial statements indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, for the reasons disclosed in Note 3(a) to the financial statements, the directors of the Company are of the opinion that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2019 is appropriate. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RESOURCES PRIMA GROUP LIMITED

Report on the Audit of the Financial Statements (cont'd)

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.

Accounting treatment and valuation of convertible loans

As at 31 December 2019, the carrying amounts of the borrowings, derivative liability component on the convertible loans and convertible loans equity reserve with respect to the Group's convertible loans amounted to US$1,897,000, US$591,000 and US$141,000 respectively. The determination of whether each convertible loan contains a liability component with an equity component or a liability component with a derivative liability component involves significant judgement. The valuation of the liability component for compound financial instruments at initial recognition and derivative liability component for hybrid financial instruments at initial recognition and subsequent reporting dates requires application of judgement and use of significant estimates by management.

The accounting policy for convertible loans is disclosed in Note 2(k) and significant judgements and estimates made by management on convertible loans is disclosed in Note 3(a). Further details on the borrowings and derivative liability components on the convertible loans are disclosed in Note 16 and Note 17. The assumptions and models used for estimating fair value of the derivative liability component are disclosed in Note 23(d).

Our procedures to address the key audit matter

We have reviewed the convertible loan agreements to obtain an understanding of the transactions and the key terms and conditions.

We evaluated management's assessment of each convertible loan either as a compound financial instrument or a hybrid financial instrument. We examined the valuation report from external experts engaged by the Group to determine the fair value of liability component for compound financial instruments at initial recognition and derivative liability component for hybrid financial instruments at initial recognition and subsequent reporting dates. We involved our valuation specialist in assessing the valuation methodology and the key inputs used in the valuation report from external experts engaged by the Group. We also reviewed the adequacy of the disclosures relating to convertible loans.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2019, 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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RESOURCES PRIMA GROUP LIMITED

Report on the Audit of the Financial Statements (cont'd)

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 SFRS(I), 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.

- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RESOURCES PRIMA GROUP LIMITED

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 subsidiary corporations 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 Lee Chee Sum Gilbert.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

30 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	**2019** **US$'000**	2018 US$'000
Revenue	4	**114**	1,171
Cost of sales		**(405)**	(1,279)
Gross loss		**(291)**	(108)
Other income, net		**92**	24
Administrative expenses		**(1,383)**	(1,280)
Other operating expenses		**(312)**	–
Impairment loss on trade receivables		**(59)**	(27)
Finance costs	5	**(218)**	(8)
Loss before tax	6	**(2,171)**	(1,399)
Tax credit/(expense)	8	**6**	(2)
Loss for the financial year		**(2,165)**	(1,401)
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation, representing other comprehensive (loss)/income for the financial year, net of tax		**(81)**	24
Total comprehensive loss for the financial year		**(2,246)**	(1,377)
Loss attributable to:			
Equity holders of the Company		**(2,164)**	(1,381)
Non-controlling interests		**(1)**	(20)
		(2,165)	(1,401)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(2,245)**	(1,357)
Non-controlling interests		**(1)**	(20)
		(2,246)	(1,377)
Loss per share *(expressed in US cents per share)*			
Basic and diluted	9	**(0.12)**	(0.08)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019

		Group		Company	
		2019	2018	**2019**	2018
	Note	**US$'000**	US$'000	**US$'000**	US$'000
Non-current assets					
Property, plant and equipment	10	**318**	467	**–**	–
Investment in subsidiaries	11	**–**	–	**–***	–
		318	467	**–***	–
Current assets					
Trade and other receivables	12	**1,305**	183	**1,264**	2
Inventories	13	**57**	45	**–**	–
Cash and cash equivalents		**145**	253	**98**	70
		1,507	481	**1,362**	72
Total assets		**1,825**	948	**1,362**	72
Non-current liability					
Finance lease liabilities	14	**–**	15	**–**	–
Current liabilities					
Finance lease liabilities	14	**–**	56	**–**	–
Trade and other payables	15	**2,484**	1,900	**2,322**	1,784
Borrowings	16	**1,897**	–	**1,897**	–
Derivative liability component on the convertible loans	17	**591**	–	**591**	–
Lease liabilities	18	**19**	–	**–**	–
Tax payable		**467**	505	**–**	–
		5,458	2,461	**4,810**	1,784
Total liabilities		**5,458**	2,476	**4,810**	1,784
Net liabilities		**(3,633)**	(1,528)	**(3,448)**	(1,712)
Equity					
Share capital	19	**100,480**	100,480	**236,508**	236,508
Currency translation reserve	20	**(881)**	(800)	**(15,861)**	(15,809)
Accumulated losses		**(103,179)**	(101,015)	**(224,236)**	(222,411)
Convertible loans equity reserve		**141**	–	**141**	–
Equity attributable to equity holders of the Company		**(3,439)**	(1,335)	**(3,448)**	(1,712)
Non-controlling interests		**(194)**	(193)	**–**	–
Total equity		**(3,633)**	(1,528)	**(3,448)**	(1,712)

* Amount less than US$1,000.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Company						
	Share capital US$'000	**Currency translation reserve US$'000**	**Accumulated losses US$'000**	**Convertible loans equity reserve US$'000**	**Total US$'000**	**Non-controlling interests US$'000**	**Total equity US$'000**
Group							
2019							
At 1.1.2019	100,480	(800)	(101,015)	–	(1,335)	(193)	(1,528)
Loss for the financial year	–	–	(2,164)	–	(2,164)	(1)	(2,165)
Other comprehensive loss							
Currency translation differences arising on consolidation	–	(81)	–	–	(81)	–	(81)
Total comprehensive loss for the financial year	–	(81)	(2,164)	–	(2,245)	(1)	(2,246)
Issuance of convertible loans	–	–	–	141	141	–	141
At 31.12.2019	**100,480**	**(881)**	**(103,179)**	**141**	**(3,439)**	**(194)**	**(3,633)**
2018							
At 1.1.2018	100,480	(824)	(99,634)	–	22	(173)	(151)
Loss for the financial year	–	–	(1,381)	–	(1,381)	(20)	(1,401)
Other comprehensive income							
Currency translation differences arising on consolidation	–	24	–	–	24	–	24
Total comprehensive income/(loss) for the financial year	–	24	(1,381)	–	(1,357)	(20)	(1,377)
At 31.12.2018	100,480	(800)	(101,015)	–	(1,335)	(193)	(1,528)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital US$'000	Currency translation reserve US$'000	Accumulated losses US$'000	Convertible loans equity reserve US$'000	Total equity US$'000
Company					
2019					
At 1.1.2019	236,508	(15,809)	(222,411)	–	(1,712)
Loss for the financial year	–	–	(1,825)	–	(1,825)
Other comprehensive loss					
Currency translation differences	–	(52)	–	–	(52)
Total comprehensive loss for the financial year	–	(52)	(1,825)	–	(1,877)
Issuance of convertible loans	–	–	–	141	141
At 31.12.2019	**236,508**	**(15,861)**	**(224,236)**	**141**	**(3,448)**
2018					
At 1.1.2018	236,508	(15,833)	(221,159)	–	(484)
Loss for the financial year	–	–	(1,252)	–	(1,252)
Other comprehensive income					
Currency translation differences	–	24	–	–	24
Total comprehensive income/(loss) for the financial year	–	24	(1,252)	–	(1,228)
At 31.12.2018	236,508	(15,809)	(222,411)	–	(1,712)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 US$'000	2018 US$'000
Cash flows from operating activities		
Loss before tax	**(2,171)**	(1,399)
Adjustments for:		
Depreciation of property, plant and equipment	**149**	238
Fair value loss on derivative liability	**312**	–
Finance costs	**218**	8
Impairment loss on trade receivable	**59**	27
Unrealised foreign currency exchange (gain)/loss	**(24)**	13
Operating cash flows before working capital changes	**(1,457)**	(1,113)
Inventories	**(12)**	6
Trade and other receivables	**77**	(110)
Trade and other payables	**584**	1,152
Currency translation adjustments	**(81)**	54
Cash used in operations	**(889)**	(11)
Taxes paid	**(4)**	(10)
Net cash used in operating activities	**(893)**	(21)
Cash flows from financing activities		
Interest paid	**(7)**	(8)
Repayment of finance lease liability	**–**	(40)
Issuance of convertible loans	**842**	–
Repayment of lease liabilities	**(50)**	–
Net cash generated from/(used in) financing activities	**785**	(48)
Net decrease in cash and cash equivalents	**(108)**	(69)
Cash and cash equivalents at beginning of the financial year	**253**	322
Cash and cash equivalents at end of the financial year	**145**	253

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate information

The Company (Co. Reg. No. 198602949M) is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. The registered office of the Company is at 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315.

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

The ultimate holding company of the Company is Madrone Enterprises Limited, incorporated in British Virgin Islands and is controlled by the ultimate beneficial owner, Gabriel Giovani Sugiono, the son of Agus Sugiono who is the Executive Chairman cum Chief Executive Officer of the Company.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in United States dollar ("US$") and all financial information presented is rounded to the nearest thousand ("US$'000") except when otherwise indicated.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, current trade and other receivables, current trade and other payables, borrowings and finance lease liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

2 Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New and revised standards

In the current financial year, the Group has adopted all the new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INT.

The adoption of these new and revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial results or position of the Group and the Company.

SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing SFRS(I) 1-17: *Leases* for financial periods beginning 1 January 2019. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statement of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. Accordingly, finance lease liabilities as at 31 December 2018 have been reclassified to lease liabilities as at 1 January 2019.

The adoption of SFRS(I) 16 did not have significant impact on the Group's and the Company's financial position and financial results for the financial year ended 31 December 2019.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting date but are not yet effective for the financial year ended 31 December 2019 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as a gain from bargain purchase in profit or loss on the date of acquisition.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

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 (i.e. transactions with owners in their capacity as owners). The carrying amount 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 attributable to owners of the Company.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated losses if required by a specific SFRS(I).

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investment in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2 Summary of significant accounting policies (cont'd)

(d) Revenue recognition

Revenue from services - Coal hauling

The Group provides coal hauling services. Such services are recognised as a performance obligation at a point in time when the Group has delivered the coal to the location specified by its customer and the customer has accepted the coal in accordance with the coal hauling contract. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. A receivable is recognised when the coal is delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Payment for coal hauling services is not due from the customer until the services are complete.

Revenue from services - Logistical support for nickel mining

The Group provides the following logistical support to PT Prima Dharma Karsa ("PT Prima") in relation to a mining area:

- Transportation of nickel such as barging;
- Supervision of mining operations;
- Provision of mining equipment; and
- Provision of mining services.

The above services constitute a single performance obligation as the Group provides a significant service of integration which results in the sales of nickel ore from the mining area to PT Prima's customers. Such logistical support is recognised as a performance obligation satisfied over time as the Group provides the logistical support. Revenue is determined based on the net profit generated from the sales of nickel ore by PT Prima subject to a minimum rate of US$5 per tonne of nickel ore sold. Where the revenue is variable, the estimated amount is included as revenue to the extent that it is highly probable that a significant reversal of the revenue will not occur when the uncertainty associated with the variable consideration is resolved. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(e) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal, or restoration is incurred as a consequence of acquiring or using the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

(e) Property, plant and equipment (cont'd)

Freehold land is not depreciated. Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

	Years
Vehicles	4 - 5
Machinery	2 - 4
Office equipment	4

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

(f) Leases

The accounting policy for leases before 1 January 2019 are as follows:

When a Group entity is the lessee:

Finance leases

Leases of property, plant and equipment in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the outstanding liability and finance charges. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance lease is taken to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

(f) Leases (cont'd)

The accounting policy for leases after 1 January 2019 are as follows:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When a Group entity is the lessee:

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (e.g. leases of tablet and personal computers, small items of office equipment and telephones). For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Lease liabilities are presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

(f) Leases (cont'd)

When a Group entity is the lessee (cont'd):

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of use assets are presented within "Property, plant and equipment" in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(n).

(g) Inventories

Fuel and spare parts are stated at lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(h) Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

2 Summary of significant accounting policies (cont'd)

(h) Financial assets (cont'd)

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group classifies its financial assets at amortised cost.

The classification is based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement

<u>Debt instruments</u>

Debt instruments include trade and other receivables (excluding prepayments) and cash and cash equivalents. The subsequent measurement category is depending on the Group's business model for managing the asset and cash flow characteristics of the asset.

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

(h) Financial assets (cont'd)

Impairment (cont'd)

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at reporting date. The Group has established a provision matrix based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

(j) Share capital

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.

2 Summary of significant accounting policies (cont'd)

(k) Convertible loans

The Group classifies its convertible loans in the following measurement categories:

- Compound financial instruments; and
- Hybrid financial instruments.

(1) Compound financial instruments

Compound financial instruments comprise convertible loans denominated in Singapore dollar that can be converted to share capital once the preconditions are met, where the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion feature. The equity component is recognised initially at an amount which is the difference between the total proceeds of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the loans. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

When the conversion occurs, the carrying amounts of both the liability and equity component of the compound financial instrument are transferred to share capital.

(2) Hybrid financial instruments

Hybrid financial instruments comprise convertible loans denominated in foreign currency that combines feature of derivative liability component and non-convertible loan component.

The derivative liability component (conversion portion) is recognised at its fair value, determined by applying a valuation model. The difference between the total proceeds and the derivative liability component is allocated to the non-convertible loan component. Any directly attributable transaction costs are allocated to the derivative liability component (conversion portion) and non-convertible loan component in proportion to their initial carrying amounts. The transaction costs directly attributable to the derivative liability component (conversion portion) will be recognised in profit or loss whereas the transaction costs for the non-convertible loan component are added to the carrying amount of the non-convertible loan component and amortised using the effective interest rate ("EIR") method.

On subsequent measurements, the derivative liability component is measured at its fair value, with fair value changes recognised in profit or loss. The non-convertible loan component is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the loan.

When the conversion occurs, the carrying amount of both the liability and the derivative liability component are transferred to share capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

(l) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current financial year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the liability method, on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

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 currently enacted or substantively enacted tax rates at the reporting date.

(m) Cash and cash equivalents in the consolidated statement of cash flows

For the purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and in banks, deposits with financial institutions which are readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

(n) Impairment of non-financial assets

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2 Summary of significant accounting policies (cont'd)

(n) Impairment of non-financial assets (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in the profit or loss.

(o) Employee benefits

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

(2) Share-based compensation

Employees of the Group receive remuneration in the form of shares as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the shares granted on the date of the grant. This cost is recognised in profit or loss, with a corresponding increase in the share award reserve, over the vesting period. Non-market vesting conditions are included in the estimation of the number of shares that are expected to vest on the vesting date. At each reporting date, the Group revises its estimates of the number of shares that are expected to vest on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share award reserve over the remaining vesting period.

When the shares are awarded, the related balance previously recognised in the share award reserve are credited to the share capital account when new ordinary shares are issued. If the vesting conditions are not met, the balance in the share award reserve is transferred to accumulated losses.

(p) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and that the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. When the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Summary of significant accounting policies (cont'd)

(q) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or 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 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 recognised in the profit or loss using the effective interest method.

(r) Functional and foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The functional currency of the Company is Singapore dollar. The consolidated financial statements of the Group are presented in United States dollar as the Group's principal operations will be conducted in Indonesia and transactions are predominately in United States dollar.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except for currency translation differences on net investment in foreign operations and borrowings, which are included in the currency translation reserve within equity in the financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the reporting date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings are taken to the currency translation reserve.

2 Summary of significant accounting policies (cont'd)

(r) Functional and foreign currencies (cont'd)

Translation of Group entities' financial statements (cont'd)

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

3 Critical accounting judgement and key sources of estimation uncertainty

(a) *Critical judgement in applying the Group's accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimates, which are dealt in the preceding paragraphs).

Going concern assumption

During the financial year ended 31 December 2019, the Group incurred a net loss of US$2,165,000 (2018: US$1,401,000) and the Company incurred a net loss of US$1,825,000 (2018: US$1,252,000). As at 31 December 2019, the Group's and the Company's total and current liabilities exceeded its total and current assets by US$3,633,000 (2018: US$1,528,000) and US$3,951,000 (2018: US$1,980,000) and US$3,448,000 (2018: US$1,712,000) and US$3,448,000 (2018: US$1,712,000) respectively. These factors and contingent liabilities as disclosed in Note 26 indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's ability to continue as going concerns.

In 2017, the Group's main operating subsidiary, PT Rinjani Kartanegara ("Rinjani"), was adversely affected by the above average rainfall in its operating area and the dewatering issue which arose due to the above average rainfall. This caused a significant reduction in coal production, coal sales quantities, coal sales revenue and cashflows of Rinjani and resulted in Rinjani's inability to pay the waste mining contractor's current waste mining costs on time. The inability of Rinjani to pay the current waste mining costs also triggered a cross default in its agreements with the waste mining contractor as well as the cessation of waste mining operations by the waste mining contractor at Rinjani's mine site with effect from 23 June 2017 and, consequently, the cessation of all coal production from Rinjani.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Critical accounting judgement and key sources of estimation uncertainty (cont'd)

(a) *Critical judgement in applying the Group's accounting policies (cont'd)*

Going concern assumption (cont'd)

On 29 August 2017, Rinjani received a letter from the Commercial Court, Jakarta, stating that an application filed by Rinjani's creditors for the suspension of payment of Rinjani, akin to a Scheme of Arrangement under the Singapore Companies Act, had been approved and that the suspension of payment period will be effective for a period of 45 days from 24 August 2017. Since the approval of the suspension of payment on 24 August 2017, the directors and management of Rinjani no longer had sole authority to administer or represent Rinjani or exercise any management or ownership decisions over the assets and operations of Rinjani. It was also no longer entitled to any returns from its investment in Rinjani or able to affect the amount of returns from its investment in Rinjani.

Subsequently, on 9 October 2017, the composition plan presented by Rinjani in accordance with the suspension of payment process, was rejected and Rinjani entered into bankruptcy with effect from that date and the Commercial Court of Jakarta appointed 2 curators to administer the bankruptcy estate and a supervisory judge to supervise the bankruptcy process.

Subsequent to the loss of control of Rinjani on 24 August 2017, the remaining active subsidiary of the Group is PT Energy Indonesia Resources ("EIR") which carries out coal hauling activities, an ancillary part of the Group's business rather than its primary business. In October 2017, EIR entered into a coal hauling service agreement with a third party, PT Coalindo Adhi Nusantara ("CAN") effective from 1 November 2017. However, the average quantity of coal hauled was significantly less than the 100,000 tonnes per month as stipulated under the agreement with CAN due to ongoing heavy rainfall, poor condition of the coal hauling road and operational disruptions experienced by CAN. On 15 May 2019, CAN unilaterally terminated the coal hauling contract with EIR. EIR has since, taken various actions to protect and enforce its rights under the coal hauling service agreement, including, inter alia, sending sets of notification letters which are required in accordance to the Indonesian laws prior to commencing any legal proceedings as well as contemplating the issuance of a letter of demand and commencing formal legal action against CAN.

As a result of the Rinjani situation (including without limitation the loss of control of Rinjani), the Group has been operating under severe cashflow constraints as there was no operating cashflow for the period from July 2017 to October 2017 and the severe underperformance of the coal hauling agreement with CAN as set out above added more uncertainty to the cash flows that can be generated by the Group.

Given the current cashflow constraints, the directors and management of the Company have been focusing their efforts on generating revenue and rebuilding the Group's business, as well as continuing to evaluate various options (including but not limited to obtaining financial support from the current shareholders and introduction of new investors to the Company). Further to these efforts, the Company had, on 6 August 2018, 4 September 2018, 28 September 2018 and 31 March 2019, announced the entry of an investment agreement ("Ang Investment Agreement") whereby the investor, Mr Ang Liang Kim (currently a substantial shareholder of the Company), has committed not less than S$4 million of investment in the Company by way of a convertible loan (of up to S$2 million) and rights issue, with the funds to be used for general working capital (excluding salary and fees of directors and management) and where necessary, capital expenditures (including but not limited to potential business opportunities). The key terms of the Ang Investment Agreement included: (1) The submission of a trading resumption proposal by 31 December 2021; and (2) To convene a general meeting by 31 December 2021 to seek shareholders' approval for listing of the conversion shares to convert the full amount of the drawn down convertible loan of up to S$2 million into up to 2 billion ordinary shares of the Company.

3 Critical accounting judgement and key sources of estimation uncertainty (cont'd)

(a) ***Critical judgement in applying the Group's accounting policies (cont'd)***

Going concern assumption (cont'd)

On 31 March 2019, the Company announced that it has entered into an investment agreement with Mr Perman Yadi ("Mr Yadi") ("Yadi Investment Agreement"). Pursuant to the Yadi Investment Agreement, Mr Yadi will grant the Company a convertible loan with a principal of US$2 million. The purposes of the convertible loan are extended to the Company for, inter alia business operations and projects undertaken by the Company with Mr Yadi's express approval. The key terms of the Yadi Investment Agreement is for the Company to convene a general meeting by 31 December 2021 to seek shareholders' approval for listing of the conversion shares to convert the full amount of the drawn down convertible loan of up to US$2 million into ordinary shares of the Company at the conversion price of S$0.001 per share based on the currency exchange rate of US$1 to S$1.3525.

In addition, the Company had on 31 March 2019 announced that it had through its wholly-owned subsidiary company, RPG Logistics Pte. Ltd. ("RPG Logistics"), which was incorporated on 25 March 2019, entered into a joint operation agreement (the "JOA") with PT Prima Dharma Karsa ("PT Prima"), a company incorporated in Indonesia, toprovide logistical support to PT Prima, in respect but not limited to the transportation of nickel to a loading port, the supervision of mining operations as well as provision of mining equipment and mining services to PT Prima in relation to a mining area. In return, PT Prima will pay the RPG Logistics an amount equivalent to 60% of the profit per tonne of nickel ore sold from the mining area by PT Prima provided always that the amount shall not be less than US$5 per tonne.

Following the ongoing efforts in seeking the injection of a sustainable business, the Company had, on 27 September 2019 announced the entry into a sales and purchase agreement to acquire 100% of Kitty Hawk Natural Resources Pte. Ltd. ("Target") (a holding company incorporated in Singapore) ("Proposed Acquisition") which operates a coal mine in Indonesia through the Target's 95%-owned subsidiary, PT Rizky Barito Timur ("Target Subsidiary"), from Trilax Multi Investments Ltd and Anant Finance Corporation (collectively the "Vendors").

In addition, on 27 September 2019, the Company announced that it has entered into an investment agreement with Mr Chaw Chong Foo ("Mr Chaw") ("Chaw Investment Agreement"). Pursuant to the Chaw Investment Agreement, Mr Chaw will grant the Company a convertible loan with a principal of S$1.35 million. The purposes of the convertible loan are extended to the Company for, inter alia, costs and expenses in relation to the Proposed Acquisition of the Target. Mr Chaw may also extend an additional loan amount in excess of S$1.35 million to accommodate any working capital requirements set out in the Catalist Rules.

The Company had appointed the various relevant professionals in October/November 2019 to perform due diligence on the Proposed Acquisition. Certain of the professionals have completed substantially their due diligence work and have issued draft reports in respect of the work conducted. These drafts are currently being reviewed by the Company and its professionals. Concurrently, the Company together with its professionals and the vendors of the Target are in the midst of addressing certain issues highlighted in the draft reports. The ground work for the financial due diligence has also commenced. Barring any unforeseen circumstances, the Company expects due diligence pertaining to the Proposed Acquisition to be completed by end August 2020.

The SGX-ST had, on 17 April 2020 approved the Company's application for an extension of time to 28 September 2020 to, inter alia, submit its resumption of trading proposal. SGX-ST has also informed the Company that it will not grant any further extension if the Proposed Acquisition does not proceed to completion. SGX-ST will also not be granting any further extension for the execution or completion of the Proposed Acquisition. The Company will thus face delisting if it is unable to meet the extended deadline to submit its trading resumption proposal by 28 September 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Critical accounting judgement and key sources of estimation uncertainty (cont'd)

(a) *Critical judgement in applying the Group's accounting policies (cont'd)*

Going concern assumption (cont'd)

In view of the above, the Group has updated its profitability and cashflow analysis for the 12-month period from 31 December 2019 (the reporting date) and the analysis confirms that the Group and the Company are able to meet all of its debts and obligations during the forecast period.

The directors of the Company are therefore satisfied that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2019 is appropriate.

If the Group and the Company are unable to continue in operational existence in the foreseeable future or if the Group and the Company are unable to discharge their liabilities in the normal course of business, adjustments may have to be made to reflect the situation and 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 statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

Convertible loans

As at 31 December 2019, the carrying amounts of the borrowings, derivative liability component on the convertible loans and convertible loans equity reserve with respect to the Group's convertible loans amounted to US$1,897,000, US$591,000 and US$141,000 respectively.

Classification and measurement of convertible loans as compound financial instruments or hybrid financial instruments is based on the accounting policy as disclosed in Note 2(k). Significant judgement is required to assess whether the Group can settle the convertible loans by issuing a fixed number of shares in exchange for a fixed amount of cash ("fixed for fixed criteria") based on the terms and conditions of the respective convertible loan agreements. Management has exercised judgement and assessed that the terms of the Ang Investment Agreement and Chaw Investment Agreement meet the fixed for fixed criteria and hence these are accounted for as compound financial instruments. Management assessed that the terms of the Yadi Investment Agreement does not meet the fixed for fixed criteria due to its foreign currency nature and accordingly accounted for it as a hybrid financial instrument.

For compound financial instruments, the Group engaged external experts to determine the fair value of the liability component on inception date through discounted cash flow analysis. The discount rate used is based upon the market borrowing rates for a similar liability without the conversion feature which will be available to the Group. The valuer has estimated this discount rate to be 20.91% to 21.11%. A higher discount rate used will result in a lower liability component and a higher equity component at initial inception date with higher interest expense during the period when the convertible loan is outstanding.

For hybrid financial instruments, the Group engaged external experts to determine the fair value of the derivative liability component on inception date and at every reporting date through using valuation techniques such as the probability-weighted average value of two assumed scenarios, redemption and conversion. Significant unobservable inputs to the model are used such as the likelihood of each scenario happening and the fair value of shares at conversion date. Changes in these estimates could affect the fair value of the embedded derivative liability component recognised.

Further details on the borrowings, derivative liability component on the convertible loans are disclosed in Note 16 and Note 17. The assumptions and models used for estimating fair value of the embedded derivative liability component are disclosed in Note 23(d).

3 Critical accounting judgement and key sources of estimation uncertainty (cont'd)

(b) ***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

As at each reporting date, the Group assesses whether there is any objective evidence that property, plant and equipment is impaired. An impairment loss exists when the carrying value of the property, plant and equipment exceeds their recoverable amount. Fair value less cost to sell calculation is based on observable market prices or market valuations less incremental costs for disposing asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on management's assessment, no allowance for impairment loss on the Group's property, plant and equipment is necessary at the end of the reporting period. The carrying amounts of the Group's property, plant and equipment are disclosed in Note 10.

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on trade and other receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade and other receivables. Details of ECL measurement and carrying value of trade and other receivables at the reporting date are disclosed in Note 12 and Note 22(b).

4 Revenue

	Group	
	2019	2018
	US$'000	US$'000
At a point in time		
Revenue from coal hauling	**86**	1,171
Over time		
Revenue from logistical services	**28**	–
	114	1,171

Revenue are predominantly attributable from Indonesia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 Finance costs

	Group	
	2019	2018
	US$'000	US$'000
Interest expense on lease liabilities	**6**	8
Accretion of convertible loan (Note 16)	**212**	–
	218	8

6 Loss before tax

	Group	
	2019	2018
	US$'000	US$'000
This is arrived at after charging:		
Depreciation of property, plant and equipment (Note 10)	**149**	238
Audit fees paid/payable to:		
- auditor of the Company	**52**	58
- other auditor *	**8**	4
Fees for non-audit services paid/payable to:		
- auditor of the Company	**52**	4
- other auditor *	**4**	–
Fair value loss on derivative liability component (Note 17)	**312**	–
Impairment loss on trade receivable [Note 22(b)]	**59**	27
Other professional fees	**336**	42
Repair and maintenance	**16**	203
Staff costs (Note 7)	**998**	1,365

* Includes independent member firms of the Baker Tilly International network.

7 Staff costs

	Group	
	2019	2018
	US$'000	US$'000
Salaries and related costs	**989**	1,364
Defined contribution plans	**9**	1
	998	1,365
Representing staff costs charged to:		
Cost of sales	**162**	367
Administrative expenses	**836**	998
	998	1,365

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 Staff costs (cont'd)

Employee share-based compensation

Included in the employment contract of an employee is an entitlement to a one-off bonus issuance of shares upon the completion of the Proposed Acquisition as mentioned in Note 3(a) based on the number of months between December 2019 and the completion of the Proposed Acquisition. If the Proposed Acquisition is terminated, the employee is entitled to a separate cash bonus based on the number of months between December 2019 and the termination of the Proposed Acquisition. The bonus compensation for the financial year ended 31 December 2019 was approximately US$3,000.

8 Tax (credit)/expense

	Group	
	2019	2018
	US$'000	US$'000
Tax (credit)/expense attributable to loss is made up of:		
Current income tax provision		
- Current income tax	**–**	–
- (Over)/under provision in respect of previous financial years	**(6)**	2
	(6)	2

The income tax (credit)/expense on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable in the countries where the Group entities operates due to the following factors:

	Group	
	2019	2018
	US$'000	US$'000
Loss before tax	**(2,171)**	(1,399)
Tax calculated at domestic rates applicable to loss in the countries in which the Group entities operates	**(397)**	(261)
Expenses not deductible for tax purposes	**314**	233
Deferred tax asset not recognised	**86**	35
Income not subject to tax	**–**	(8)
Singapore statutory step exemptions	**(2)**	–
(Over)/under provision in respect of previous years	**(6)**	2
Others	**(1)**	1
	(6)	2

The above tax reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The corporate income tax rate applicable to the entities in Singapore is 17% (2018: 17%). The corporate income tax rate applicable to the subsidiaries in Indonesia is 25% (2018: 25%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8 Tax (credit)/expense (cont'd)

Deferred tax assets are recognised for unabsorbed tax losses and other deductible temporary differences carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unabsorbed tax losses and other deductible temporary differences of approximately US$878,000 (2018: US$491,000) and US$664,000 (2018: US$704,000) respectively at the reporting date which will expire progressively over the next 5 years up till 2024, subject to the conditions imposed by the Indonesian tax authorities. No deferred tax assets have been recognised in the financial statements as it is not probable that the future taxable income will be sufficient to allow the related tax benefits to be realised in the foreseeable future.

9 Loss per share

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2019	2018
Net loss attributable to equity holders of the Company (US$'000)	**(2,164)**	(1,381)
Weighted average number of ordinary shares outstanding for basic loss per share (in million)	**1,833**	1,833
Basic and diluted loss per share (US cents per share)	**(0.12)**	(0.08)

There was no difference between the basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive for the financial years ended 31 December 2019 and 31 December 2018.

10 Property, plant and equipment

	Freehold land US$'000	**Vehicles US$'000**	**Machinery US$'000**	**Office equipment US$'000**	**Total US$'000**
Group					
Cost					
Balance at 1.1.2018, 31.12.2018 and 31.12.2019	250	1,662	6	22	1,940
Accumulated depreciation					
Balance at 1.1.2018	–	1,215	2	18	1,235
Depreciation charge	–	235	2	1	238
Balance at 31.12.2018	–	1,450	4	19	1,473
Depreciation charge	–	147	1	1	149
Balance at 31.12.2019	–	**1,597**	**5**	**20**	**1,622**
Net carrying value					
Balance at 31.12.2018	250	212	2	3	467
Balance at 31.12.2019	**250**	**65**	**1**	**2**	**318**

10 Property, plant and equipment (cont'd)

(a) Following the adoption of SFRS(I) 16 on 1 January 2019, included in vehicles are right-of-use assets of US$45,000 (1.1.2019: US$114,000) which are pledged as security for the related lease liability (Note 18).

(b) Prior to the adoption of SFRS(I) 16 on 1 January 2019, the net carrying value of property, plant and equipment of the Group held under finance lease arrangements (classified as finance lease under SFRS(I) 1-17) at 31 December 2018 was US$114,000. The leased assets are pledged as security for the related finance lease liabilities (Note 14).

11 Investment in subsidiaries

	Company	
	2019	2018
	US$'000	US$'000
Unquoted equity shares, at cost	**193,177**	193,177
Additions	**–***	–
Less: Allowance for impairment loss	**(193,177)**	(193,177)
	–*	–

* Amount less than US$1,000.

Movements in allowance for impairment loss are as follows:

	Company	
	2019	2018
	US$'000	US$'000
At beginning and end of the financial year	**193,177**	193,177

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 Investment in subsidiaries (cont'd)

(a) Details of subsidiaries:

Name of subsidiaries (Country of incorporation)	Principal activities	Group's effective equity interest 2019 %	2018 %
Held by the Company			
Energy Prima Pte. Ltd.[(1)] (Singapore)	Investment holding	**100**	100
PT Energy Indonesia Resources[(2)] (Indonesia)	Mining support activities consisting of management of a stockpile facility, jetty and loading conveyor; transportation of coal; and other logistical support activities	**99**	99
RPG Trading Pte. Ltd.[(1)] (Singapore)	Trading and marketing of coal	**100**	100
RPG Logistics Pte. Ltd.[(1)(3)] (Singapore)	Logistical support for nickel mining	**100**	–
Held by Energy Prima Pte. Ltd.			
PT Pilar Mas Utama Perkasa[(2)] (Indonesia) ("Pilar Mas")	Trading (import) of goods	**80**	80
Held by Pilar Mas			
PT Rinjani Kartanegara (Indonesia) ("Rinjani")	Coal mining, including production, construction, processing, refining and sale	**79.8**[(4)]	79.8[(4)]

(1) Audited by Baker Tilly TFW LLP, Singapore.

(2) Audited by Johan Malonda Mustika & Rekan, Indonesia, an independent member firm of Baker Tilly International network.

(3) RPG Logistic Pte. Ltd. was incorporated on 25 March 2019 by the Company with a share capital of S$1.

(4) Subsidiary is not consolidated due to the loss of control over the subsidiary as disclosed in Note 3(a).

(b) Company level - Impairment review of investment in subsidiaries

In the previous financial years prior to 1 January 2018, the Company performed impairment test for the investment in subsidiaries. Due to the loss of control over Rinjani which held the sole coal mining licenses of the Group, a full impairment loss of US$193,177,000 was recognised. For the financial years ended 31 December 2019 and 31 December 2018, there were no further improvements in the operating conditions of the previously impaired subsidiaries. Hence, no reversal of impairment was made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**86**	170	**–**	–
Less: expected credit loss	**(86)**	(27)	**–**	–
	–	143	**–**	–
Other receivables				
- third parties	**42**	36	**–**	–
- other subsidiaries	**–**	–	**1,814**	1,814
- RPG Logistics Pte. Ltd. (subsidiary)	**–**	–	**1,260**	–
- PT Prima	**1,258**	–	**–**	–
- Rinjani	**24,272**	24,235	**9,321**	9,321
Less: expected credit loss	**(24,272)**	(24,235)	**(11,135)**	(11,135)
	1,300	36	**1,260**	–
Prepayments	**4**	3	**4**	2
Deposits	**1**	1	**–**	–
	1,305	183	**1,264**	2

The amounts due from subsidiaries are interest-free, non-trade in nature, unsecured and repayable on demand.

The amount due from PT Prima pertains to amount recoverable from PT Prima for costs and expenses incurred by RPG Logistics Pte. Ltd. in respect of the services provided under the JOA. Management had assessed that the 12 months estimated credit loss on this receivable is immaterial as these amounts are financed by the Yadi Investment Agreement. In the event that the Group is unable to recover the receivables from PT Prima, the Group is able to offset the amount payable to Mr Yadi under the Yadi Investment Agreement with the receivables from PT Prima due to the repayment in kind clause as disclosed in Note 16 for convertible loan 2.

13 Inventories

	Group	
	2019	2018
	US$'000	US$'000
Fuel and spare parts	**57**	45

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to US$60,000 (2018: US$530,000) during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14 Finance lease liabilities

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2(a).

	Group	
	2018	
	Minimum lease payments	Present value of lease payments
	US$'000	US$'000
Not later than 1 financial year	63	56
Later than 1 financial year but not later than 5 financial years	15	15
Total minimum lease payments	78	71
Less: Future finance charges	(7)	–
Present value of finance lease liabilities	71	71

	Group
	2018
	US$'000
Representing finance lease liabilities:	
Current	56
Non-current	15
	71

At 31 December 2018, the finance leases bear effective interest rate at 12% per annum.

The net carrying value of property, plant and equipment acquired under finance lease arrangements are disclosed in Note 10.

Reconciliation movement of liabilities to cash flows arising from financing activities:

	Obligations under finance lease
	2018
	US$'000
Balance at 1 January	99
Changes from financing cash flows:	
- Repayments	(40)
- Interest paid	(8)
Non-cash changes:	
- Interest expenses	8
Effect of changes in foreign exchange rates	12
Balance at 31 December	71

NOTES TO THE FINANCIAL STATEMENTS

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15 Trade and other payables

		Group		Company	
		2019	2018	**2019**	2018
		US$'000	US$'000	**US$'000**	US$'000
Trade payables					
- third parties		**35**	36	**–**	–
Accrued operating expenses		**139**	133	**84**	81
Other payables					
- third parties		**601**	364	**417**	202
- VAT payable		**221**	213	**–**	–
- subsidiaries	(i)	–	–	**333**	347
- former directors	(ii)	**97**	92	**97**	92
- directors	(ii)	**844**	513	**844**	513
- key management personnel	(ii)	**547**	549	**547**	549
		2,484	1,900	**2,322**	1,784

(i) The amounts due to subsidiaries are interest-free, non-trade in nature, unsecured and repayable on demand.

(ii) The amounts due to former directors, directors and key management personnel are interest-free, non-trade in nature, unsecured and repayable as and when there is more clarity on the Group's cashflow position.

16 Borrowings

	Group and Company	
	2019	2018
	US$'000	US$'000
Convertible loan 1	**611**	**–**
Convertible loan 2	**1,132**	**–**
Convertible loan 3	**154**	**–**
	1,897	**–**

Convertible loan 1

	2019
	US$'000
Face value of loan on initial recognition	671
Equity component on initial recognition	(124)
Liability component on initial recognition	547
Accretion of convertible loan	64
Liability component at end of the financial year	611

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16 Borrowings (cont'd)

Convertible loan 1 (cont'd)

On 6 August 2018, the Company announced that it had entered into the Ang Investment Agreement whereby, the investor, Mr Ang Liang Kim (currently a substantial shareholder of the Company), has committed not less than S$4 million of investment in the Company by way of a convertible loan (of up to S$2 million) and rights issue. The key terms of the Ang Investment Agreement included: (1) The submission of a trading resumption proposal by 31 December 2021; and (2) To convene a general meeting by 31 December 2021 to seek shareholders' approval for listing of the conversion shares to convert the full amount of the drawn down convertible loan of up to S$2 million into up to 2 billion ordinary shares of the Company at the conversion price of $0.001 per share. During the financial year, S$902,575 was drawn down. If the conditions are not met, the convertible loan will be due immediately and interest of 18% per annum will be accrued daily from the date of draw down.

Convertible loan 2

	2019
	US$'000
Face value of loan on initial recognition	1,258
Derivative liability component on initial recognition	(274)
Liability component on initial recognition	984
Accretion of convertible loan	148
Liability component at end of the financial year	1,132

On 31 March 2019, the Company announced that it has entered into the Yadi Investment Agreement. Pursuant to the Yadi Investment Agreement, Mr Yadi will grant the Company a convertible loan with a principal of US$2 million. The key terms of the Yadi Investment Agreement is for the Company to convene a general meeting by 31 December 2021 to seek shareholders' approval for listing of the conversion shares to convert the full amount of the drawn down convertible loan of up to US$2 million into ordinary shares of the Company at the conversion price of S$0.001 per share based on the currency exchange rate of US$1 to S$1.3525. During the financial year, US$1,258,000 was drawn down. If the conditions are not met, the convertible loan will be due immediately and interest of 10% per annum will be accrued daily from the date of draw down. Repayment of the convertible loan liabilities (including all accrued interest) shall be made in and by way of transferring to Mr Yadi all the Company's shares in RPG Logistics Pte. Ltd..

Convertible loan 3

	2019
	US$'000
Face value of loan on initial recognition	171
Equity component on initial recognition	(17)
Liability component on initial recognition	154
Accretion of convertible loan	–
Liability component at end of the financial year	154

16 Borrowings (cont'd)

Convertible loan 3 (cont'd)

On 27 September 2019, the Company announced that it had entered into the Chaw Investment Agreement. In accordance to the Chaw Investment Agreement, Mr Chaw will grant the Company a convertible loan with a principal of S$1.35 million which may be increased by mutual agreement. The key terms of the agreement included: (1) The Company to convene a general meeting by 31 December 2021 to seek shareholders' approval to convert the full amount of the drawn down convertible up to S$1.35 million into ordinary shares of the Company at the conversion price of S$0.001 per share; and (2) To use reasonable efforts to effect the resumption of trading of shares by 31 December 2021. During the financial year, S$230,000 was drawn down. If the conditions are not met, the convertible loan will be due within five years and interest of 18% per annum will be accrued daily from the date of draw down.

No interest has been accrued on the 3 convertible loans stated above on the basis that the controlling shareholder and the entities controlled by the controlling shareholder have given undertakings, inter alia, to vote and/or procure the voting of all the undertaking shares of 742,384,980 ordinary shares, representing approximately 40.5% of the total number of issued shares of the Company, in favour of the resolutions at any extraordinary general meeting of the Company to be held to approve, among others, the transactions contemplated in the convertible loans, including but not limited to the convertible loans, the issuance of shares pursuant to the convertible loans, the whitewash waiver, and the rights issue. The 3 convertible loans will only bear interest if shareholder's approval for conversion does not take place by 31 December 2021.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2019 **US$'000**
Balance at 1 January	–
Changes from financing cash flows:	
- Loans received	842
Non-cash changes:	
- Direct financing from Mr Yadi for joint operation with PT Prima	1,258
- Equity component on initial recognition	(141)
- Derivative liability component on initial recognition (Note 17)	(274)
- Accretion of convertible loan (Note 5)	212
Balance at 31 December	1,897

17 Derivative liability component on the convertible loans

	Group and Company	
	2019 **US$'000**	2018 US$'000
Derivative liability component on initial recognition of convertible loan 2 (Note 16)	**274**	–
Fair value loss on derivative liability component (Note 6)	**312**	–
Effect of foreign currency changes	**5**	–
	591	–

NOTES TO THE FINANCIAL STATEMENTS

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17 Derivative liability component on the convertible loans (cont'd)

The derivative liability component relates to the conversion component of the convertible loan 2 that is recognised at its fair value, determined by applying probability weighted average model. This fair value measurement is categorised in Level 3 of the fair value hierarchy.

18 Lease liabilities

The Group as a lessee

Nature of the Group's leasing activities

The Group leases vehicles with a lease term of 3 years where the charge on the vehicles by the lessor will be discharged at the end of the lease period. No restrictions are imposed on dividends or further leasing.

Amounts recognised in statement of financial position

	31.12.2019	1.1.2019
	US$'000	US$'000
Carrying amount of lease liabilities		
Non-current	**–**	15
Current	**19**	56
	19	71

Amounts recognised in profit or loss

	2019
	US$'000
Depreciation charge during the financial year	**69**
Interest expense on lease liabilities	**6**

Total cash flows for leases amounted to US$57,000.

Reconciliation movement of liabilities to cash flows arising from financing activities:

	Lease liabilities 2019 US$'000
Balance at 1 January on adoption of SFRS(I) 16	**71**
Changes from financing cash flows:	
- Repayments	**(50)**
- Interest paid	**(7)**
Non-cash changes:	
- Interest expenses	**6**
Effect of foreign currency changes	**(1)**
Balance at 31 December	**19**

19 Share capital

	Group		Company	
	Number of shares ’000	US$’000	Number of shares ’000	US$’000
Issued and fully paid:				
At 1 January 2018, 31 December 2018 and 31 December 2019	**1,833,000**	**100,480**	**1,833,000**	**236,508**

The ordinary shares of the Company have no par value. 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 restriction.

At an Extraordinary General Meeting held on 7 May 2010, shareholders of the Company approved the Employee Share Option Scheme (the “Scheme”) for the granting of non-transferable options that are settled by issuance or transfer of the ordinary shares of the Company, in the name of the Central Depository (Pte) Limited (“CDP”), for credit to the securities account of participants or that participant’s securities sub-account with a Depository Agent.

The shareholders also approved the Performance Share Plan (the “Plan”) for the granting of shares that are settled by allotment or transfer of the ordinary shares of the Company on the release of an award to a participant to be issued in the name of, or transferred to, CDP to the credit of either, the securities account of that participant maintained with CDP; or the securities sub-account of that participant maintained with a Depository Agent, or the Central Provident Fund (“CPF”) investment account maintained with a CPF agent bank.

The Remuneration Committee (“RC”) is responsible for administering the Scheme and the Plan. At the date of this statement, the members of the RC are Khoo Song Koon (Chairman) and Chow Wai San.

Performance Share Plan

Under the Plan, the RC may, at its discretion, award shares of the Company to eligible participants, after taking into account criteria such as, *inter alia*, the rank, scope of responsibilities, performance, years of service, potential for future development, extent of effort and resourcefulness with which the performance target(s) may be achieved within the performance period. The principal terms of the Plan are as follows:

(i) The maximum number of shares in respect of which options may be granted under the Plan must not, in aggregate, exceed 15% of the issued share capital of the Company on the day preceding the award date, and which must not in aggregate (including all outstanding options granted and yet to be exercised under any other share option scheme of the Company) exceed 15% of the shares of the Company in issue from time to time.

(ii) The Plan expires in ten (10) years commencing on the date the Plan was adopted by the Company or such earlier date as may be determined by the RC.

In respect of the Plan, further details of which are noted in the directors’ statement, 147,000,000 share awards were granted during the financial year ended 31 December 2017. As at 31 December 2019, a total of 11,250,000 share awards remain outstanding following the resignation and/or termination of employees and directors who were granted the share awards and the lapse of awards as the performance target was not met.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19 Share capital (cont'd)

Performance Share Plan (cont'd)

Any unreleased or unvested share awards in respect of any Performance Period shall lapse and be of no value after the period of 1 month from the date of the annual general meeting of the Company at which Shareholders have received and adopted the audited financial statements of the Company relating to that performance period as stated in the Letter to Shareholders dated 11 April 2017.

Employee Share Option Scheme

Under the Scheme, the RC may, at its discretion, invite eligible participants to take up options to subscribe for shares of the Company. The principal terms of the Scheme are as follows:

(i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 15% of the issued share capital of the Company, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company) exceed 15% of the shares of the Company.

(ii) The exercise price is determined by the RC in its absolute discretion by reference to:

   (a) a price equal to the average of the last dealt price(s) for a share, as determined by reference to the official list or any other publication by the Singapore Exchange Limited ("SGX-ST"), for the last five (5) market days immediately preceding the offering date of that option (the "Market Price"); or

   (b) a price which is set at a discount to the Market Price, provided that: (i) the maximum discount shall not exceed 20% of the Market Price; (ii) the discount must have been approved by the shareholders in a separate resolution; and

   (c) a price which is set at a premium to the Market Price.

(iii) An option may be accepted by a proposed grantee within 30 days from the date of the offer of grant of the option. The minimum period for which an option must be held before it can be exercised is one year except for in the case of an exercise price set at a discount, which is two years. An option may be exercised at any time thereafter prior to its expiry.

(iv) Upon acceptance of the option, the grantee shall pay S$1 to the Company by way of consideration for the grant of the option.

(v) The Scheme expires in ten (10) years commencing on the date the Scheme was adopted by the Company or such earlier date as may be determined by the RC.

No share options were granted or released or vested pursuit to the Scheme for the financial years ended 31 December 2019 and 31 December 2018 and no options were outstanding at 31 December 2019 and 31 December 2018.

20 Currency translation reserve

Currency translation reserve arises from the translation of the financial statements of the entities whose functional currencies are different from the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21 Significant related party transactions

Key management personnel compensation is as follows:

	Group	
	2019	2018
	US$'000	US$'000
Directors' fee	**162**	160
Salaries and related costs	**660**	835
Defined contribution plans	**9**	1
	831	996

22 Financial instruments

(a) Categories of financial instruments

Financial instruments at their carrying amounts as at reporting date are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Financial assets at amortised cost	**1,446**	433	**1,358**	70
Financial liabilities				
Financial liabilities at amortised cost	**4,179**	1,758	**4,219**	1,784
Derivative financial instruments	**591**	–	**591**	–
	4,770	1,758	**4,810**	1,784

(b) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The policies for managing each of these risks are summarised below. The directors review and agree policies and procedures for the management of these risks.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which the Group and the Company manages and measures financial risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22 Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Foreign currency risk

Foreign currency risk arises on certain transactions that are denominated in currencies other than the functional currency of the entities in the Group. The foreign currencies in which the Group's and the Company's currency risk arises are mainly United States dollar ("USD") and Singapore dollar ("SGD").

The Group's and the Company's overall risk management strategy seek to minimise adverse effects from these financial risks on the Group's and the Company's financial performance. The Group and the Company may use derivatives such as forward currency contracts to hedge certain financial risk exposures but the Group and the Company do not hold derivative financial instruments for hedging purposes as at the reporting date.

The Group's and the Company's foreign currency exposures based on the information provided by key management are as follows:

	USD	**SGD**
	US$'000	**US$'000**
2019		
Group		
Financial assets		
Cash and cash equivalents	74	–
Financial liabilities		
Trade and other payables	(1,230)	(509)
Borrowings	(1,132)	–
Derivative liability component on the convertible loans	(591)	–
Net financial liabilities, representing net exposure	**(2,879)**	**(509)**
Company		
Financial assets		
Cash and cash equivalents	33	–
Financial liabilities		
Trade and other payables	(1,230)	–
Borrowings	(1,132)	–
Derivative liability component on the convertible loans	(591)	–
Net financial liabilities, representing net exposure	**(2,920)**	**–**

22 Financial instruments (cont'd)

(b) **Financial risk management objectives and policies (cont'd)**

Foreign currency risk (cont'd)

	USD US$'000	**SGD US$'000**
2018		
Group		
Financial assets		
Cash and cash equivalents	46	–
Financial liabilities		
Trade and other payables	(916)	(510)
Net financial liabilities, representing net exposure	(870)	(510)
Company		
Financial assets		
Cash and cash equivalents	33	–
Financial liabilities		
Trade and other payables	(916)	–
Net financial liabilities, representing net exposure	(883)	–

If the USD and SGD changes against the respective functional currencies of the Group's entities by 5% with all other variables including tax rate being held constant, the effects arising from the net financial liabilities denominated in foreign currencies are as follows:

	(Increase)/decrease in loss after tax	
	2019 US$'000	2018 US$'000
Group		
USD against SGD		
- strengthened	**(98)**	(15)
- weakened	**98**	15
Company		
USD against SGD		
- strengthened	**(121)**	(37)
- weakened	**121**	37

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from the borrowings, finance lease liabilities and certain trade and other payables. Borrowings at fixed rates expose the Group and the Company to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22 Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

As the Group and Company have no significant interest-bearing assets and floating rate financial liabilities, the Group's and the Company's net loss is substantially independent of changes in market interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties.

The Group has no significant concentration of credit risk except for other receivables from PT Prima as disclosed in Note 12. The Company has no significant concentration of credit risk.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statements of financial position.

The following sets out the Group's and the Company's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, cannot be located or are not recoverable despite legal recourse made to recover the debt, and reminders and warning letters issued for debts due for more than 12 months	Write-off

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22 Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook that is available without undue cost or effort.

In particular, the Group and the Company consider the following information when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor.

The Group and the Company regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

The Group and the Company also assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the borrower has a strong capacity to meet its contractual cashflow obligations in the near term; and adverse changes in economic and business condition in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cashflow obligation.

Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company, in full (without taking into account any collaterals held by the Group and the Company).

Irrespective of the above analysis, the Group and the Company consider that default has occurred when a financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22 Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Movement in credit loss allowance are as follows:

	Trade receivables	
	2019	2018
	US$'000	US$'000
Group		
Balance at 1 January	**27**	–
Loss allowance measured:		
Lifetime ECL	**59**	27
Balance at 31 December	**86**	27

	Other receivables	
	2019	2018
	US$'000	US$'000
Group		
Balance as at 1 January	**24,235**	24,297
Effect of foreign currency changes	**37**	(62)
Balance as at 31 December	**24,272**	24,235
Company		
Balance as at 1 January and 31 December	**11,135**	11,135

Trade receivables

The Group has applied the simplified approach to measure the lifetime expected credit loss allowance for trade receivables.

The Group categorises its trade debt balance into different groupings based on its revenue billing type as historical credit loss experience shows different loss patterns for different revenue billing type. Each grouping of debt balance is further categorised by the debt's past due status. The Group estimates the expected credit loss rates for each grouping of the trade debt balance based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

22 Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Trade receivables (cont'd)

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor such as when the debtor has been placed under liquidation, has entered into bankruptcy proceedings, cannot be located or are not recoverable despite legal recourse made to recover the debt, including reminders and warning letters issued for debts due for more than 12 months.

The Group's summarised credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2019 and 2018 are set out in the provision matrix below:

Group

		Past due					
	Not past due US$'000	**Within 1 month US$'000**	**1-2 months US$'000**	**2-3 months US$'000**	**3-4 months US$'000**	**More than 4 months US$'000**	**Total US$'000**
2019							
Expected loss rate	–	–	–	30%	50%	100%	
Gross receivables	–	–	–	–	–	86	86
Loss allowance	–	–	–	–	–	(86)	(86)
Net carrying amount	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2018							
Expected loss rate	–	–	–	30%	50%	100%	
Gross receivables	29	48	44	9	31	9	170
Loss allowance	–	–	–	(3)	(15)	(9)	(27)
Net carrying amount	29	48	44	6	16	–	143

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, deposits and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22 Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Other financial assets at amortised cost (cont'd)

The table below details the credit quality of the Group's and the Company's financial assets (other than trade receivables):

	12-month or lifetime ECL	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000
2019				
Group				
Other receivables and deposits	N.A - Exposure limited	43	–	**43**
Receivable from PT Prima	12-month ECL	1,258	–	**1,258**
Receivable from Rinjani	Lifetime ECL -credit-impaired	24,272	(24,272)	**–**
Cash and cash equivalents	N.A - Exposure limited	145	–	**145**
Company				
Receivable from RPG Logistics Pte. Ltd.	12-month ECL	1,260	–	**1,260**
Receivable from other subsidiaries	Lifetime ECL -credit-impaired	1,814	(1,814)	**–**
Receivable from Rinjani	Lifetime ECL -credit-impaired	9,321	(9,321)	**–**
Cash and cash equivalents	N.A - Exposure limited	98	–	**98**
2018				
Group				
Other receivables and deposits	N.A - Exposure limited	37	–	37
Receivable from Rinjani	Lifetime ECL -credit-impaired	24,235	(24,235)	–
Cash and cash equivalents	N.A - Exposure limited	253	–	253
Company				
Receivable from other subsidiaries	Lifetime ECL -credit-impaired	1,814	(1,814)	–
Receivable from Rinjani	Lifetime ECL -credit-impaired	9,321	(9,321)	–
Cash and cash equivalents	N.A - Exposure limited	70	–	70

22 Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their obligations as they fall due. Liquidity risk is managed by matching the payment and receipt cycle.

The Group and the Company monitor their liquidity risk and maintain a level of cash and bank balances deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

In view of the Group's and the Company's liquidity position and the liquidity risk management approach as described in Note 3(a), directors of the Company have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within 1 year US$'000	**Within 2 to 5 years US$'000**	**Total US$'000**
Group			
2019			
Trade and other payables	2,263	–	2,263
Lease liabilities	19	–	19
Borrowings	2,100	–	2,100
	4,382	**–**	**4,382**
2018			
Trade and other payables	1,687	–	1,687
Finance lease liabilities	63	15	78
	1,750	15	1,765

	On demand or within 1 year US$'000	**Within 2 to 5 years US$'000**	**Total US$'000**
Company			
2019			
Trade and other payables	2,322	–	2,322
Borrowings	2,100	–	2,100
	4,422	**–**	**4,422**
2018			
Trade and other payables	1,784	–	1,784

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 Fair values of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value measurements of assets and liabilities that are measured at fair value

The following table presents the level of fair value hierarchy for each class of assets and liabilities measured at fair value at the end of the reporting date.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Recurring fair value measurements				
2019				
Group and Company				
Financial liability				
Derivative liability component on the convertible loans	–	–	591	591

(c) Assets and liabilities not carried at fair value but which fair values are disclosed

The carrying amounts of borrowings and non-current finance lease liabilities approximate their fair values at the reporting date, as the market lending rate at the reporting date was not significantly different from either the interest rates of borrowings or market lending rate at the initial measurement date.

The above does not include financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 Fair values of assets and liabilities (cont'd)

(d) Determination of fair values

Derivative liability component on the convertible loans

The fair value of the derivative liability component is determined based on a probability weighted average value of 2 scenarios, redemption and conversion. The inputs to the model include the probability assigned to each scenario, the maturity date of the instrument, the value that the convertible loan will be redeemed in a redemption scenario and the fair value of the shares that will be converted in a conversion case.

A higher probability assigned to the conversion scenario will result in a higher derivative liability component. A higher fair value of shares that will be converted in a conversion scenario will result in a higher derivative liability component.

The fair value measurement of derivative liability component on the convertible loans is categorised as Level 3 in the fair value hierarchy.

24 Segment information

Geographical information

The Group has only one reportable segment which is in Indonesia. All non-current assets are located in Indonesia.

Information about major customers

The following are customers who individually contributed 10% or more of Group's revenue in 2019 and 2018 respectively:

	Group	
	2019	2018
	US$'000	US$'000
Customer 1	**86**	1,171
Customer 2	**28**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25 Capital management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group and the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group's and the Company's overall strategies remains unchanged from 2018.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less tax payable less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		**Company**	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Net debt	**4,846**	1,718	**4,712**	1,714
Total equity	**(3,633)**	(1,528)	**(3,448)**	(1,712)
Total capital	**1,213**	190	**1,264**	2
Gearing ratio	**400%**	904%	**373%**	85,700%

26 Contingent liabilities

Rinjani - Legal claim

On 11 February 2015, a claim was made by H. Adji Mohamad Salehoeddin a.k.a Adji Pangeran Adipati Praboe Anoem Soerya Adiningrat and H. Adji Azuar Poeger bin Adji Anuar a.k.a Adji Pangeran Hario Kesuma Poeger bin Adji Moh Parikesit (the "Claimant") against a subsidiary, Rinjani for compensation totaling IDR399,300,000,000 (equivalent to US$30,518,000). The claim relates to the total land area of 1,933 ha of the subsidiary covered by Coal Mining Production licence, 308.4 ha of which is covered by a Borrow-to-Use Permit for Forestry Areas.

In the petition submitted to the State Court of Tenggarong (the "Court"), the Claimant asserts that such total area of 1,933 ha was crown land of Kesultanan Kutai, which now belongs to the Claimant through grant or "hibah" and inheritance. The directors of the Company and the subsidiary consider the claim to have no legal standing since the total area of 1,933 ha is located in an active forest area controlled and owned by the Forestry and Environment Ministry of the Republic of Indonesia, and the subsidiary holds valid permits including Coal Mining Production licence and Borrow-to-Use Permit for Forest Areas.

Based on court decision from the Court dated 5 November 2015, the Court has rejected all claims submitted by the Claimant.

Due to court decision, the Claimant then appealed to the Higher Court of Samarinda which issued a decision in the favour of the subsidiary based on decision No. 11/DPT/2016/PT.SMR dated 22 February 2016.

26 Contingent liabilities (cont'd)

Rinjani - Legal claim (cont'd)

As of 22 February 2016, in its court decision, the Higher Court of Samarinda rejected all claims submitted by the Claimant. Further to the Higher Court decision, the Claimant submitted an appeal to the Supreme Court along with the "Memori Kasasi". On 13 May 2016, the subsidiary sent the response for Memori Kasasi to the Supreme Court. As of 9 October 2017, such appeal is under review by the judges of the Supreme Court.

As disclosed in Note 3(a), with the loss of control of Rinjani on 24 August 2017, the Company and its Board has no authority to administer or represent Rinjani. All litigation matters and decisions will be handled by the curators appointed by the Commercial Court of Jakarta. As at 31 December 2019, the Company and its Board did not receive any further updates from the curators.

Rinjani - Royalty claims

On 19 August 2015, a claim was submitted by a farmers group "Bentuhung" to the District Court of Tenggarong against Mr. Nordiansyah Nasrie (director of Rinjani) for a total royalty claim of IDR90,720,000,000 (equivalent to US$6,720,000). Bentuhung claimed that on 27 October 2008, an agreement was entered between the subsidiary (Rinjani) and Mr. Erhamsyah, Head of Bentuhung, in which the subsidiary (Rinjani) agreed to provide Bentuhung with a royalty fee in the amount of US$1/MT of the subsidiary's coal production in return for Bentuhung providing the subsidiary (Rinjani) with assistance in its field operations. Bentuhung claimed that they have provided assistance to the subsidiary (Rinjani) in accordance with the agreement and therefore they have the right to claim the royalty fee.

Based on court decision from District Court dated 20 April 2016 and Appeal Court dated on 23 November 2016, both the claim and appeal of Bentuhung were rejected by the respective courts.

As a follow-up to the above rejections, Bentuhung then made final legal request to the Supreme Court on 13 March 2017. As of 9 October 2017, the status of the claim is ongoing in the Supreme Court and the subsidiary (Rinjani) is in the midst of sourcing alternative legal counsel to represent it in the Supreme Court.

As disclosed in Note 3(a), with the loss of control of Rinjani on 24 August 2017, the Company and its Board has no authority to administer or represent Rinjani. All litigation matters and decisions will be handled by the curators appointed by the Commercial Court Jakarta. As at 31 December 2019, the Company and its Board did not receive any further updates from the curators.

Rinjani - Legal proceedings commenced by Mr Tan Kim Sing ("TKS")

On 14 November 2016, the subsidiary, Rinjani was formally served with a writ of summons and statement of claim. The plaintiff of the claim is Tan Kim Sing (the "Plaintiff"). The legal proceedings against the subsidiary commenced in the High Court of the Republic of Singapore by way of Suit No. 1211 of 2016. According to the statement of claim, the Plaintiff claims against the subsidiary for the payment of approximately S$16.1 million, representing fees and expenses allegedly owed in respect of fund raising and other services rendered to the subsidiary pursuant to an agreement entered into between the subsidiary and Newbreed Capital Limited in or around March 2011 (the "Fund Raising Agreement"), or alternatively damages for breaches of the Fund Raising Agreement. The Plaintiff alleges that he is the current assignee of all the benefits under the Fund Raising Agreement.

As of 9 October 2017, legal proceedings were ongoing in the High Court of the Republic of Singapore.

As disclosed in Note 3(a), with the loss of control of Rinjani on 24 August 2017, the Company and its Board has no authority to administer or represent Rinjani. All litigation matters and decisions will be handled by the curators appointed by the Commercial Court of Jakarta. As at 31 December 2019, the Company and its Board did not receive any further updates from the curators.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26 Contingent liabilities (cont'd)

Rinjani - Matters concerning Agus Sugiono - Arbitration proceedings

Further to the arbitration proceedings commenced by TKS in November 2016 against Agus Sugiono, Executive Chairman and Chief Executive Officer of the Company, in May 2017 TKS served an application to include the Group's subsidiary, Rinjani, as a party to the arbitration proceedings and pursuant thereto to claim against Rinjani. TKS's claim against Rinjani under the arbitration proceedings is for payment of S$8.5 million, representing fees and expenses allegedly owed in respect of fund raising and other services rendered to the Group pursuant to an agreement allegedly entered into with Rinjani. The claim of S$8.5 million against Rinjani is additional to the claim of S$16.1 million against Rinjani as noted above.

The Company has since been advised and has received a copy of the order of the tribunal dated 9 April 2018, wherein the tribunal orders pursuant to Rule 32.10 of the Rules and Articles 30 and 32 of the UNCITRAL Model Law on International Commercial Arbitration that the Arbitration be terminated (the "**Order**"). The Order, which also terminates the joinder application served on Rinjani came into force and effect following the payment of the outstanding costs of SIAC Arbitration No 283 of 2016.

All legal and arbitration costs and fees are to be borne by Agus Sugiono and/or TKS.

Pilar Mas - Statement of Claim

The Group's subsidiary, Pilar Mas, received a notice dated 24 January 2018 from the State Court of West Jakarta, Indonesia (the "**Notice**") in relation to a statement of claim filed by a former shareholder of Rinjani, being Ruznie Oms., S.H. M.Hum ("**Ruznie**"). The statement of claim is filed against, Pilar Mas, Agus Sugiono, the Group's Executive Chairman and Chief Executive Officer ("**Defendant II**"), Rinjani ("**Defendant III**"), Nordiansyah Nasrie, the Group's Chief Operating Officer ("**Defendant IV"**) and other third parties (collectively, the "**Defendants**").

The statement of claim against the Defendants, claims, inter alia, losses arising from events and transactions pertaining to the sale and purchase of Rinjani's shares from its original shareholders prior to the reverse takeover back in 2014, one of which being Ruznie. The amount being claimed of Rp665 billion (approximately US$50 million), represents, amongst others, Ruznie's loss of rights from the sale of Rinjani's shares and loss of opportunity to profit from the sale of Rinjani coal.

Following a decision of the West Jakarta District Court to exclude Rinjani from the mediation process due to its bankruptcy and unwillingness to participate, the mediation process recommenced with the first mediation hearing scheduled on 3 July 2018. The mediation hearing was before a panel of 3 judges and included Ruznie, Pilar Mas, and Defendants II and IV amongst others.

At the 3 July 2018 mediation hearing, no agreement was reached between the parties and as such an initial hearing was set for 10 July 2018 during which Pilar Mas and Defendants II and IV submitted their response to Ruznie's statement of claim. Following a number of hearings the latest on which was held on 15 August 2018 a further hearing has been scheduled for 29 August 2018 for Pilar Mas and Defendants II and IV to provide their updated response to Ruznie's statement of claim. Following completion of the mediation and hearing process and the presentation of witnesses the panel of judges shall then decide either in favour of Ruznie or Pilar Mas and Defendants II and IV.

At 11 December 2018, the panel of judges decided in favour of Pilar Mas and Defendants II and IV. The formal decision of the Court has been received and Ruznie has appealed against the decision to the Higher Court. No further actions are required by Pilar Mas, and Defendants II and IV while the higher court considers Ruznie's appeal.The Company will continue to defend its position and does not expect to incur any costs arising from the appeal process.

26 Contingent liabilities (cont'd)

Pilar Mas - Corporate Guarantee

On 23 September 2014, a corporate guarantee was issued by Pilar Mas placed as security for the debt owed by Rinjani to its main supplier amounting to approximately US$15 million. The Group has assessed that the expected credit loss exposure is immaterial.

27 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company were authorised for issue in accordance with a resolution of the directors dated 30 April 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 23 APRIL 2020

SHARE CAPITAL INFORMATION

Issued and fully paid-up capital	:	S$307,306,455
Total number of issued shares	:	1,832,999,998
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary
Voting rights	:	One vote for each ordinary share

There are no treasury shares and subsidiary holdings held in the issued share capital of the Company.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholdings	No. of Shares	% of Shareholdings
1 – 99	9	0.51	321	0.00
100 – 1,000	237	13.35	109,277	0.01
1,001 – 10,000	468	26.37	2,221,728	0.12
10,001 – 1,000,000	955	53.80	153,754,246	8.39
1,000,001 AND ABOVE	106	5.97	1,676,914,426	91.48
TOTAL	**1,775**	**100.00**	**1,832,999,998**	**100.00**

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	MADRONE ENTERPRISES LIMITED	650,000,000	35.46
2	ANG LIANG KIM	123,288,000	6.73
3	BLUE ENERGY HOLDINGS LIMITED	93,750,000	5.11
4	HO WEN YAN	75,800,000	4.14
5	LEONG ANN JONG	62,648,000	3.42
6	L.K. ANG CORPORATE PTE LTD	62,146,000	3.39
7	RAFFLES NOMINEES (PTE.) LIMITED	50,764,257	2.77
8	DBS NOMINEES (PRIVATE) LIMITED	44,135,650	2.41
9	UOB KAY HIAN PRIVATE LIMITED	43,878,880	2.39
10	SUEN YIU CHUNG DICKY	39,326,692	2.15
11	OCBC SECURITIES PRIVATE LIMITED	22,676,450	1.24
12	PHILLIP SECURITIES PTE LTD	20,371,993	1.11
13	QUEK YIANG HANG	17,265,000	0.94
14	TIEW LEONG HENG	17,138,900	0.94
15	CITIBANK NOMINEES SINGAPORE PTE LTD	16,938,810	0.92
16	QUAN HENG SWEE JACOB (GUAN XINGRUI JACOB)	15,000,000	0.82
17	LYE INVESTMENTS LIMITED	14,433,750	0.79
18	GOH CHENG SENG	13,619,600	0.74
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	13,422,900	0.73
20	RHB SECURITIES SINGAPORE PTE. LTD.	12,964,000	0.71
	TOTAL	**1,409,568,882**	**76.91**

STATISTICS OF SHAREHOLDINGS

AS AT 23 APRIL 2020

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest		Total
Substantial Shareholders	**No. of Shares**	**% of Shareholdings**	**No. of Shares**	**% of Shareholdings**	**%**
Gabriel Giovani Sugiono	–	–	742,384,980[(2)]	40.50	40.50
Joyful Sky Limited	–	–	742,384,980[(2)]	40.50	40.50
Agus Sugiono	–	–	742,384,980[(3)]	40.50	40.50
Madrone Enterprises Limited	742,384,980[(1)]	40.50	–	–	40.50
Blue Energy Holdings Limited	93,750,000	5.11	–	–	5.11
Xie Ping	–	–	93,750,000[(4)]	5.11	5.11
Qing Guangmei	–	–	93,750,000[(4)]	5.11	5.11
Ang Liang Kim	123,288,000	6.73	62,146,000[(5)]	3.39	10.12

Notes:

(1) Madrone Enterprises Limited holds 650,000,000 shares in the Company through shares certificates held in its own name as well as 1,758,123 shares via UOB Kay Hian Private Limited. The balance of 90,626,857 shares held by Madrone Enterprises Limited was pledged as collateral in respect a private loan borrowed by Madrone Enterprises Limited.

(2) Joyful Sky Limited (the sole shareholder of Madrone Enterprises Limited) is a nominee of Gabriel Giovani Sugiono who is the ultimate beneficial owner of the shares in Madrone Enterprises Limited by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore. Gabriel Giovani Sugiono is therefore deemed to be interested in the shares of the Company held by Madrone Enterprises Limited.

(3) Agus Sugiono is the father of Gabriel Giovani Sugiono, who is the ultimate beneficial owner of the shares in Madrone Enterprises Limited by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore. Agus Sugiono is deemed to be interested in the shares of the Company held by Madrone Enterprises Limited.

(4) Xie Ping and Qing Guangmei are husband and wife, and they are deemed to be interested in the shares of the Company held by Blue Energy Holdings Limited by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

(5) Ang Liang Kim is deemed to be interested in the shares held by L.K. Ang Corporate Pte Ltd by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

PERCENTAGE OF SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 23 April 2020, approximately 44.27% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Catalist Rules has been complied with.