

Singapore Exchange Securities Trading Limited  
Listings Disciplinary Proceeding No: SGX-LDC-2023-001

**IN THE MATTER OF A DISCIPLINARY PROCEEDING  
UNDER THE SGX-ST LISTING MANUAL MAINBOARD RULES**

**BETWEEN**

**SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

**(the “Exchange”)**

**AND**

**ADITYA WISNUWARDANA SEKY SOERYADJAYA**

**(the “Relevant Person”)**

**GROUNDS OF DECISION**

2 February 2024

***This document constitutes the written grounds of decision of the SGX Listings Disciplinary Committee as required under Mainboard Rule 1417(1), and is prepared for the Exchange and the Relevant Persons who are parties to SGX-LDC-2023-001 (the “Parties”).***

***This document is confidential and meant to be read by the Parties and their legal representatives only, until such time as these grounds of decision are published by the Singapore Exchange Securities Trading Limited pursuant to Mainboard Rule 1418(1).***

## **I. CHARGES BROUGHT BY THE EXCHANGE**

1. The Exchange brought three charges against Mr Aditya Wisnuwardana Seky Soeryadjaya (the “**Relevant Person**” or “**Aditya**”) in his capacity as the former Group Chief Executive Officer (“**CEO**”) and Executive Director (“**ED**”) of Eneco Energy Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for contraventions of the Mainboard Rules of the Exchange in relation to the Company’s failure to disclose in a timely manner, developments surrounding the expiry of a material permit to explore and produce assets in the West Jambi Operating Areas (the “**Permit**”).
2. Having regard to Mainboard Rule 1402(6)<sup>1</sup>, Aditya was charged for causing the Company to be in breach of the following rules:

| <b>Charge</b>             | <b>Relevant Rule</b>                                      | <b>Short Description</b>  |
|---------------------------|---|---|
| 1 <sup>st</sup><br>Charge | Mainboard Rule 703(1)(a) read with Mainboard Rule 1402(6) | Caused the Company to breach Mainboard Rule 703(1)(a) by failing to disclose the status of the Permit on or before 21 September 2017 when the offer of the 2nd Extension <sup>2</sup> lapsed, that disclosure being necessary to avoid the establishment of a false market.   |
| 2 <sup>nd</sup><br>Charge | Mainboard Rule 719(1) read with Mainboard Rule 1402(6)    | Caused the Company to breach Mainboard Rule 719(1) by circumventing established internal protocols in the appointment of a vendor and disbursement of funds to this vendor without the knowledge and approval of the board of directors, causing the Company to fail to have in place a robust and effective system of internal controls, addressing financial, operational and compliance risks. |
| 3 <sup>rd</sup><br>Charge | Mainboard Rule 720(1) read with Mainboard Rule 210(5)(b)  | Failed to demonstrate the character and integrity expected of a director and senior management of a listed issuer.  |

<sup>1</sup> Mainboard Rule 1402(6) provides that a Relevant Person is deemed to have contravened a Relevant Rule when a Relevant Person has caused another Relevant Person to omit to do an act which resulted in a breach of a Relevant Rule. “Relevant Rule” is defined under Mainboard Rule 1401 as the relevant provision(s) in the Exchange’s Listing Rules.

<sup>2</sup> As defined in paragraph 13.

## II. RESOLUTION AGREEMENT

3. In the course of the proceedings, the Exchange and the Relevant Person agreed on the terms for disposing of the disciplinary actions with “no contest”.
4. On 16 November 2023, a resolution agreement signed by the Parties (“**Resolution Agreement**”) was submitted to the LDC for the LDC’s approval.
5. The Resolution Agreement stated that Aditya accepted liability for the 1<sup>st</sup> and 2<sup>nd</sup> Charges and consented for the LDC to take into consideration the 3<sup>rd</sup> Charge for the purposes of determining the sanctions.
6. The Resolution Agreement also set out the relevant facts, the Exchange’s regulatory concerns and the proposed sanctions which the Parties had agreed on.

## III. RELEVANT FACTS

### *Background of the Group and the Relevant Person*

7. The Company (formerly known as Ramba Energy Limited) was listed on the Mainboard on 6 May 2004 and is engaged in oil and gas exploration and production in Indonesia.
8. Aditya was a founding member of the Group and a majority shareholder, with 29.67% interest in the shareholdings of the Company as at 17 March 2017. He was appointed to the Company’s board of directors (the “**Board**”) as an ED on 30 June 2008, and subsequently appointed as Group CEO on 17 November 2008. Aditya retired from his position as Group CEO on 3 July 2019, and resigned from his position as ED on 21 February 2020.
9. At all material times, Aditya was also concurrently a director of Ramba Energy West Jambi Ltd (“**REWJ**”) since its incorporation on 9 December 2010, as well as PT Hexindo Gemilang Jaya (“**PT Hexindo**”). Both REWJ and PT Hexindo are subsidiaries of the Company in Indonesia.

### *Key events relating to the Charges*

10. On 14 June 2011, the Company announced that its subsidiary, REWJ, had entered into an agreement with PT Pertamina EP (“**PEP**”) to explore and produce assets in the West Jambi Operating Areas (the “**West Jambi KSO concession**”). The operation cooperation agreement would be for a term of 20 years, with REWJ holding the entire working interest in the West Jambi KSO concession. Pursuant to the agreement, REWJ was to, inter alia, submit to PEP a work program which shall be carried out by REWJ for a three-year period (the “**Firm Commitment**”) and deliver a bank guarantee (“**BG**”) of USD2.88 million in favour of PEP to guarantee the conduct of the Firm Commitment. The BG shall be effective for three years from 11 June 2011 and shall be extended until completion of all Firm Commitment. Such extension is subject to

prior written approval from PEP. In return, the Company would be issued with the Permit.

11. Since 2011, REWJ had provided two BGs to PEP for the periods of (a) 7 July 2011 to 6 July 2014 to secure the Permit; and (b) 22 September 2014 to 21 September 2016 for the first extension of the Firm Commitment (the “**1st Extension**”).
12. The West Jambi KSO concession was one of the Group’s three key energy assets. The carrying amounts of the Group’s investment in exploration and evaluation assets and receivables relating to the Permit amounted to S\$16.924 million and S\$4.896 million, respectively as at 30 September 2016. The aggregate carrying amount represented approximately 29.4% of the Group’s net asset value (“**NAV**”) of approximately S\$60.995 million as at 30 September 2016.
13. Following the expiry of the 1st Extension, PEP issued an approval letter to REWJ dated 29 March 2017 (the “**2nd Extension Approval Letter**”). In this letter, PEP granted a one-year extension from 22 September 2016 to 21 September 2017 (the “**2nd Extension**”) subject to, inter alia, the conditions of procuring a BG of USD2.88 million in favour of PEP by 8 April 2017, and due acceptance by REWJ of the 2nd Extension.
14. Between July 2016 and September 2018, the Company approached nine financial institutions to obtain the required BG but was unsuccessful in doing so.
15. On 11 November 2016, in an Audit Committee (“**AC**”) meeting where Aditya was present, the Board was updated that REWJ had secured an extension of the Firm Commitment for one year until September 2017. This was false, which was known to Aditya. Aditya did not correct this misrepresentation.
16. On 8 August 2017, in an AC meeting where Aditya was present, the Board was updated on the following matters:
  - a. the Permit would expire in September 2018. This was false, which was known to Aditya. Aditya did not correct this misrepresentation;
  - b. REWJ was evaluating whether to apply for an extension of the Permit or to return the concession of the block to PEP; and
  - c. REWJ was exploring the potential acquisition of the West Jambi field by Bass Oil Limited, an Australian company.
17. On 24 August 2017 and 28 September 2017, PEP issued letters to REWJ, noting that REWJ had not signed the 2nd Extension Approval Letter and reminding REWJ that PEP was entitled to terminate the Permit if REWJ did not meet the terms and conditions of the 2nd Extension Approval Letter.
18. In October 2018, at the recommendation of Mr. Bambang Satya Mutri (“**BSM**”), a director and general manager of REWJ, PT Mandiri Pratama Khatulistiwa (“**MPK**”) was appointed by Aditya to assist in the procurement of the requisite BG. Pursuant to the

agreement with MPK, the Group was to transfer USD2.88 million (cash collateral for the BG) and USD7,500 (service charges) to MPK for the service. Payment was made to MPK in two tranches:

- a. a sum of USD2,832,633 was transferred from the bank account of PT Hexindo to Aditya's personal bank account (the "**Queried Payment**"); and
  - b. a transfer of USD2,877,500 from Aditya's personal bank account to an account purportedly belonging to MPK on 6 and 7 November 2018 respectively.
19. On 12 November 2018, in an AC meeting where Aditya was present, the Board was updated that REWJ was awaiting approval for the extension of the Permit from PEP and that it was working on the BG with an Indonesian bank or insurance company. This was false, which was known to Aditya. Aditya did not correct this misrepresentation. There was also no mention of the Queried Payment at this meeting.
20. On 17 January 2019, PT Hexindo's Head of Finance discovered the Queried Payment after reviewing PT Hexindo's bank statements for November 2018, and escalated the matter to the Group's Financial Controller.
21. On 25 February 2019, the Company's auditors, Ernst & Young LLP ("**EY**") highlighted the Queried Payment to the AC. This was the first time the AC was made aware of the Queried Payment.
22. On 10 June 2019, the Company announced that its auditors, EY had issued a disclaimer of opinion on its financial statements (the "**EY Disclaimer**") for the financial year ended 31 December 2018 ("**FY2018**"). The following matters were highlighted by EY as its basis for the EY Disclaimer:
- a. the Group's ability to continue as a going concern as its current liabilities exceeded its current assets by S\$11,431,000, and the Group incurred a net loss of S\$40,032,000 for FY2018. Additionally, the Company incurred a net loss of S\$72,202,000 for FY2018;
  - b. impairment of the Company's investment in exploration and evaluation assets and receivables relating to the West Jambi KSO concession, which amounted to S\$17,252,000 and S\$1,022,000, respectively. While the Company was confident that a further extension of the Permit by PEP would be granted and no impairment loss was required for the financial year, EY was unable to obtain sufficient audit evidence to satisfy themselves that the Permit, which had expired for more than a year, would be extended and that no impairment loss was required to be recognised; and
  - c. inconsistencies between the management's representations and information independently obtained by EY from the bank that purportedly issued a proforma BG in relation to the Queried Payment. Accordingly, EY was unable to determine whether the said payment was appropriately accounted for as well

as its recoverability. EY had therefore reported their concerns to the AC and suggested that an investigation be conducted.

23. On 11 and 12 June 2019, immediately after the release of the EY Disclaimer, the Company's share price fell to an intra-day low of S\$0.049 (a 27.9% decrease), from the closing price of S\$0.068 on 10 June 2019, accompanied by a five-fold increase in the traded volume, from 248,000 shares on 10 June 2019 to an average of 1,383,600 shares per day.
24. On 4 September 2019, the Company appointed Deloitte & Touche Financial Advisory Services Pte. Ltd ("**Deloitte**") to investigate into the Queried Payment. Deloitte issued their report on 8 July 2022 (the "**Deloitte Report**"). The key findings are as follows:
  - a. non-disclosure of the expiry of the Permit;
  - b. failure to escalate material developments relating to the Permit to the Board;
  - c. non-compliance with established procedures with respect to the appointment of MPK;
  - d. non-compliance with established procedures with respect to the disbursement of funds from PT Hexindo's bank account; and
  - e. lack of proper maintenance of documentation.
25. On 28 February 2020, the Company released its unaudited financial statements for the quarter and financial year ended 31 December 2019 (the "**FY2019 Results**"). The Company disclosed that it had recorded the full impairment of S\$17.2 million towards the carrying amount of the Permit since it had expired.
26. On 2 March 2020 (immediate trading day after the release of the FY2019 Results), trading in the Company's securities was halted. The trading halt was extended on 5 March 2020.
27. On 9 March 2020, the Company requested for a voluntary trading suspension pursuant to Listing Rule 1303(3), pending satisfactory conclusion and address of the issues raised by its auditors in connection with its ability to operate as a going concern.
28. On 1 February 2021, the Company announced that it had received a notice from PEP dated 25 January 2021, terminating the Permit as REWJ was obligated to but failed to deliver a BG of USD2.88 million in favour of PEP.

#### **IV. RELEVANT PROVISIONS OF THE MAINBOARD RULES**

##### Disclosure of information

29. Mainboard Rule 703(1)(a) states:

*“An issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which is necessary to avoid the establishment of a false market in the issuer’s securities.”*

[Emphasis added.]

30. Paragraph 3(a) of Appendix 7.1 on Corporate Disclosure Policy (“**Appendix 7.1**”) provides that, *inter alia*, “[a] false market may exist if information is not made available that would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell the securities”.

[Emphasis added.]

31. Paragraph 4 of Appendix 7.1 states that

*“Material information includes information, known to the issuer, concerning the issuer’s property, assets, business, financial condition and prospects; mergers and acquisitions; and dealings with employees, suppliers and customers; material contracts or development projects, whether entered into in the ordinary course of business or otherwise; as well as information concerning a significant change in ownership of the issuer’s securities owned by insiders, or a change in effective or voting control of the issuer, and any developments that affect materially the present or potential rights or interests of the issuer’s shareholders.”*

[Emphasis added.]

#### Robust and effective system of internal controls

32. Mainboard Rule 719(1) provides as follows:

*“An issuer should have a robust and effective system of internal controls, addressing financial, operational and compliance risks. The audit committee (or such other committee responsible) may commission an independent audit on internal controls for its assurance, or where it is not satisfied with the systems of internal controls.”*

[Emphasis added.]

#### Responsibility to ensure compliance with the Mainboard Rules

33. Under Mainboard Rule 720(1), directors and executive officers of an issuer are required to provide personal undertakings that they shall, *inter alia*, use their best endeavours to comply with the requirements of the Exchange pursuant to or in connection with the Mainboard Rules from time to time in force, and to procure that the issuer shall so comply. In addition, Mainboard Rule 720(1) provides that Mainboard Rule 210(5) shall be complied with on a continuing basis.
34. Mainboard Rule 210(5)(b) states:

*“The character and integrity of the directors, management and controlling shareholders of the issuer will be a relevant factor for consideration. In considering whether the directors, management and controlling shareholders have the character and integrity expected of a listed issuer, the Exchange will take into account the disclosure made in compliance with Rule 246(5)(a).”*

## **V. MAINBOARD RULE BREACHES**

*1<sup>st</sup> Charge concerning Mainboard Rule 703(1)(a) read with Listing Rule 1402(6) – Causing the Company to fail to disclose the status of the Permit on or before 21 September 2017 when the offer of the 2<sup>nd</sup> Extension lapsed, that disclosure being necessary to avoid the establishment of a false market*

35. Regarding the facts relating to this charge, the LDC noted that:

- a. with reference to paragraphs 10 to 28 above:
  - (i) the West Jambi KSO concession was one of the Group’s three key energy assets. The carrying amounts of the Group’s investment in exploration and evaluation assets and receivables relating to the Permit amounted to S\$16.924 million and S\$4.896 million, respectively as at 30 September 2016. The aggregate carrying amount represented approximately 29.4% of the Group’s NAV of approximately S\$60.995 million as at 30 September 2016. Accordingly, the West Jambi KSO concession was a material asset of the Group;
  - (ii) following the expiry of the 1<sup>st</sup> Extension on 21 September 2016, PEP offered a 2<sup>nd</sup> Extension, from 22 September 2016 to 21 September 2017, subject to, *inter alia*, the conditions of procuring a BG of USD2.88 million in favour of PEP by 8 April 2017 and due acceptance by REWJ of the 2<sup>nd</sup> Extension;
  - (iii) between July 2016 and September 2018, the Company had approached nine financial institutions to obtain the required BG but was unsuccessful in doing so;
  - (iv) on 10 June 2019, the Company disclosed the EY Disclaimer for its FY2018 financial statements. The EY Disclaimer stated, among other things, that while the Company was confident that a further extension of the Permit by PEP would be granted and hence no impairment loss was required for the financial year, EY was unable to obtain sufficient audit evidence to satisfy themselves that the Permit, which had expired for more than a year, would be extended and that no impairment loss was required to be recognized for FY2018;
  - (v) on 11 and 12 June 2019, immediately after the release of the EY Disclaimer, the Company’s share price fell to an intra-day low of S\$0.049 (a 27.9% decrease), from the closing price of S\$0.068 on 10

June 2019, accompanied by a five-fold increase in the traded volume, from 248,000 shares on 10 June 2019 to an average of 1,383,600 shares per day;

- (vi) on 28 February 2020, the Company released its unaudited FY2019 financial statements where it disclosed the full impairment of S\$17.2 million towards the carrying amount of the Permit since it had expired. This impairment contributed to the Group recording a net loss of S\$26,298,000 for FY2019; and
  - (vii) on 1 February 2021, the Company announced that it had received a notice from PEP dated 25 January 2021, terminating the Permit as REWJ was obligated to but failed to deliver a BG of USD2.88 million in favour of PEP;
- b. it was clear that the 2<sup>nd</sup> Extension had not been granted, as the conditions were not fulfilled. Accordingly, the Permit would be deemed to have expired since 21 September 2016. In any event, there was no disclosure of the lapsing of the proposed 2<sup>nd</sup> Extension offered, which was after 21 September 2017. While the Permit was never officially terminated until 25 January 2021, and REWJ had been in constant talks with PEP on the fulfilment of conditions pertaining to the 2<sup>nd</sup> Extension, the Company ought to have, at the very least, provided an update on the status of the Permit on or before 21 September 2017;
  - c. paragraph 3(a) of Appendix 7.1 provides that a false market may exist if information is not made available, that would or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell the securities. Paragraph 4 of Appendix 7.1 provides a non-exhaustive list of information that is likely to constitute material information. In particular, it includes “*material contracts or development projects, whether entered into in the ordinary course of business or otherwise*”;
  - d. the Permit was a material asset to the Group, given that the carrying amounts of the investment in exploration and evaluation assets and receivables relating to the Permit represented approximately 29.4% of the Group’s NAV as at 30 September 2016. Accordingly, the expiry of the Permit would constitute material information that, if not made available, would or would be likely to influence persons who commonly invest in securities in deciding whether or not to buy or sell the Company’s securities. The omission or failure to disclose this material information would result in market participants trading in the Company’s securities on an uninformed basis;
  - e. this is evident from the adverse market reaction on the two trading days following the release of the EY Disclaimer, when the expiry of the Permit for more than a year was disclosed for the first time. The share price fell to an intra-day low of S\$0.049 on 12 June 2019, a reduction of 27.9% from the closing price of S\$0.068 on 10 June 2019. Traded volume also increased

approximately 5.6 times to an average of 1,383,600 shares per day (from 248,000 shares on 10 June 2019);

- f. accordingly, the Company had breached Listing Rule 703(1)(a) as it had failed to promptly disclose the status of the Permit, on or before 21 September 2017 when the offer of the 2<sup>nd</sup> Extension lapsed, that disclosure being necessary to avoid the establishment of a false market in the Company's securities;
- g. Aditya was the Group CEO and ED, as well as a director of both REWJ and PT Hexindo at the material time. The Board had relied on Aditya for updates on the status and progress on the Company's oil and gas projects based in Indonesia. Executives of the Company's Indonesian subsidiaries mostly reported to Aditya or the Company's finance team in Singapore for finance related matters;
- h. at the material time, Aditya knew of the Permit's expiry on 21 September 2016 and REWJ's inability to procure a valid BG to secure the 2<sup>nd</sup> Extension, despite having approached various financial institutions between July 2016 and September 2018. However, Aditya did not update the Board of such developments despite ample opportunities during the AC meetings where matters concerning the Permit were presented to the Board. Though Aditya was present at these meetings, he had allowed the Finance team to misrepresent the developments surrounding the Permit (based on information furnished by the Indonesian team). At no time did Aditya attempt to correct any of the following misrepresentations:
  - (i) on 11 November 2016, the Board was updated that REWJ had secured an extension of the Firm Commitment for one year until September 2017;
  - (ii) on 8 August 2017, the Board was updated that the Permit would expire in September 2018; and
  - (iii) on 12 November 2018, the Board was updated that REWJ was awaiting approval for an extension of the Permit from PEP;
- i. pursuant to Aditya's personal undertaking provided to the Exchange under Mainboard Rule 720(1) as a director, he was required to use his best endeavours to (a) comply with the requirements of the Exchange pursuant to or in connection with the Listing Manual, and (b) procure that the Company shall so comply. He had a duty to ensure that all material information was duly disclosed by the Company, in accordance with the requirements set out in Mainboard Rule 703; and
- j. Aditya's failure to correct the misrepresentations concerning the Permit effectively concealed the actual state of affairs from the Board. At no time was the Board aware that a fresh BG had not been procured in time for the 2<sup>nd</sup> Extension; they were given representations to the contrary. Consequently, the

Board was not able to disclose timely updates on the status of the Permit, particularly when the offer of the 2<sup>nd</sup> Extension lapsed, in compliance with Mainboard Rule 703(1)(a). Information on the expiry of the Permit was only belatedly made known to the Board when the Queried Payment was brought to the AC's attention by EY. Aditya's actions directly caused the failure by the Company to disclose this material information to the market.

36. As such, the LDC finds that Aditya had breached Mainboard Rule 703(1)(a) read with Mainboard Rule 1402(6) for causing the Company to fail to promptly disclose the status of the Permit, on or before 21 September 2017 when the offer of the 2<sup>nd</sup> Extension lapsed, that disclosure being necessary to avoid the establishment of a false market in the Company's securities.

*2<sup>nd</sup> Charge concerning Mainboard Rule 719(1) read with Mainboard Rule 1402(6) –Causing the Company to breach Mainboard Rule 719(1) by circumventing established internal protocols in the appointment of MPK and disbursement of funds to MPK without the Board's knowledge and approval, causing the Company to fail to have in place robust and effective system of internal controls, addressing financial, operational and compliance risks*

37. Regarding the facts relating to this charge, the LDC noted that:
- a. the Deloitte Report revealed the following internal control lapses within the Group:
    - (i) there were no formal procedures in place on matters that require escalation to the Board. The executive directors (i.e. Aditya) would decide if an issue should be escalated to the Board. Accordingly, when material issues concerning the status of the Permit, the appointment of MPK and the disbursement of funds to MPK arose, it would have been Aditya's duty to inform the Board of such matters, and to ensure that such material information (where applicable) was duly disclosed by the Company. However, Aditya did not escalate any of these matters to the Board but acted on his own without any notice to any other members of the Board or the Company. Consequently, the Board was not aware of developments surrounding the expiry of the Permit as well as the Queried Payment until February 2019, when the matter was brought to the AC's attention by the external auditors;
    - (ii) the appointment of MPK did not adhere to PT Hexindo's procurement procedures, which require any purchase of material and services ("**M&S**") to be conducted by the procurement arm and the requisition of the M&S to be documented in a M&S form. Under the procedures, the vendor should also provide documentation for a Vendor's Qualification check before it can be listed in PT Hexindo's vendor list. Specifically, Deloitte noted that Aditya and BSM were directly involved in the appointment of MPK (without the involvement of the procurement arm) to assist in the procurement of the requisite BG. Further, Deloitte did

not sight any M&S form for the requisition of the BG nor documentation from MPK as required for the Vendor's Qualification;

- (iii) the appointment of MPK was done without performing any proper due diligence. Deloitte was not able to sight any evidence to substantiate that background checks had been performed on MPK by Aditya, PT Hexindo and/or REWJ prior to the selection and appointment of MPK. Deloitte's checks on MPK's company profile revealed that the issued and paid-up capital of MPK was only IDR600 million (i.e. approximately S\$60,000). There was also no direct reference in MPK's profile to any business activities relating to acting as a broker or providing financial services;
  - (iv) the disbursement of funds from PT Hexindo's account to MPK was carried out without complying with PT Hexindo's treasury activity procedures, which require a payment request and remittance form to be submitted to the Finance and Accounting team for processing, before a director reviews and signs the cheque for payment. Deloitte noted that BSM had handed the invoice from MPK to Aditya, instead of PT Hexindo's finance team for processing. Thereafter, Aditya single-handedly withdrew USD2,832,633 from PT Hexindo's bank account and deposited the funds into his personal bank account, before purportedly transferring USD2,877,500 to MPK. This was in breach of the Group's internal policy, which requires all bank transfers to be subject to the approval of the respective business units' boards; and
  - (v) Deloitte's review did not uncover any evidence to prove that the monies were indeed transferred from Aditya's personal bank account to MPK. It is further observed that the withdrawal from PT Hexindo's bank account did not appear to have been recorded in PT Hexindo's books until it was discovered by its Head of Finance;
- b. it is clear from the foregoing that Aditya's actions had circumvented the Company's system of internal controls. Notably, Aditya's breach of the Company's established internal protocols further culminated in the Group having to make a full allowance for the amount due from MPK of S\$3,876,000;
  - c. accordingly, the Company had breached Listing Rule 719(1) for failing to have in place a robust and effective system of internal controls, addressing financial, operational and compliance risks;
  - d. pursuant to Aditya's personal undertaking provided to the Exchange under Mainboard Rule 720(1) as a director, he was required to use his best endeavours to (a) comply with the requirements of the Exchange pursuant to or in connection with the Listing Manual, and (b) procure that the Company shall so comply; and

- e. Aditya, as Group CEO and ED as well as a director of both REWJ and PT Hexindo at the material time, was a key member of the management team whom the Board had depended on to report on matters specific to the Indonesian subsidiaries' operations. However, not only did Aditya fail to escalate material developments relating to the Permit to the Board, he also unilaterally appointed MPK without conducting any proper due diligence and further made unauthorised disbursement of funds to MPK without the Board's knowledge and approval. Accordingly, Aditya had caused a major breakdown of the Company's internal controls.

38. As such, the LDC finds that Aditya had breached Mainboard Rule 719(1) read with Mainboard Rule 1402(6) for causing the Company to fail to have in place a robust and effective system of internal controls, addressing financial, operational and compliance risks.

*3<sup>rd</sup> Charge concerning Mainboard Rule 720(1) read with Mainboard Rule 210(5)(b) – Failing to demonstrate the character and integrity expected of a director and senior management of a listed issuer*

39. Regarding the facts relating to this charge, the LDC noted that:

- a. With reference to paragraphs 10 to 28 above:
  - (i) the Company and the Board had relied on Aditya, in his capacity as Group CEO and ED, as well as a senior member of the Company's management team based in Indonesia, for updates on the status and progress of the Company's oil and gas projects in Indonesia. While Aditya knew of the Permit's expiry since 21 September 2016 and that REWJ was unable to procure a valid BG to secure the 2nd Extension, he failed to escalate these matters to the Board. Consequently, the Board had no knowledge of the actual state of affairs relating to the Permit;
  - (ii) at the AC meetings held on 11 November 2016, 8 August 2017 and 12 November 2018 where the Board was updated on the status of the Permit, Aditya was present and fully aware that the Finance team had misrepresented the circumstances surrounding the Permit. However, he did not correct the misinformation presented to the Board at any time during these meetings. Consequently, the Board was misled into believing that there were no issues with the Permit and that it was not at risk of being terminated, until February 2019 when the Queried Payment was brought to the AC's attention. In so doing, Aditya had misplaced the trust of the Board and also failed to act in the interests of the Company and its minority shareholders;
  - (iii) in respect of the appointment of MPK, Deloitte noted that Aditya and BSM were the only ones directly involved in the process, without the Board's knowledge. PT Hexindo's procurement arm was also not

involved in the appointment of MPK as required under PT Hexindo's procurement procedures. In addition, Deloitte was unable to sight any evidence substantiating that background checks had been carried out prior to the selection and appointment of MPK;

- (iv) Deloitte noted that Aditya had singlehandedly withdrawn funds from PT Hexindo's bank account and transferred them into his personal bank account, before disbursing them to an account purportedly belonging to MPK. These transfers did not adhere to PT Hexindo's treasury activity procedures and Aditya was unable to satisfactorily explain to Deloitte how he had managed to circumvent the need for a co-signatory in withdrawing the funds from PT Hexindo's bank account. The withdrawal of USD2,832,663 from PT Hexindo's bank account on or around 6 November 2018 constituted 99% of PT Hexindo's opening cash balance (approximately USD2.86 million) as at 6 November 2018. Consequently, PT Hexindo's estimated cash balance fell to a mere USD24,585 immediately after the withdrawal;
  - (v) the aforesaid withdrawal and transfer of funds were also carried out without the knowledge and approval of the Board. According to Deloitte, there are no records of any discussion on the withdrawal of funds from PT Hexindo's account and the subsequent transfer to MPK in the Board meetings and AC meetings between 9 May 2018 and 31 December 2018. Notably, there are no records of any such discussion or update in the Board meeting and AC meeting held on 12 November 2018 (i.e. approximately one week after the withdrawal and transfer was effected), even though Aditya was present at both meetings; and
  - (vi) Aditya's circumvention of the Group's established internal protocols (in the appointment of MPK and subsequent unauthorised disbursement of funds to MPK) culminated in the Group making a full allowance for the amount due from MPK of S\$3,876,000, which contributed to the Group's net loss of S\$45.2 million for FY2018. Deloitte noted that the withdrawn amount constituted 36.19% of the Group's opening cash balance (approximately S\$10.711 million) and 11.29% of the Group's opening NAV balance (approximately S\$34.345 million) for FY2018;
- b. the Mainboard Rules set out certain expectations of directors and management of issuers. In particular, Mainboard Rule 103(5) provides that the directors of an issuer shall act in the interests of shareholders as a whole; and
  - c. despite being Group CEO and ED of the Company at the material time, Aditya had withheld material developments concerning the Permit (a material asset of the Group) from the Board and the holding company. At the same time, Aditya also unilaterally appointed MPK, an entity without any known track record of acting as a broker or providing financial services, to assist in the procurement of the requisite BG, and further effected an unauthorised disbursement to MPK, without the Board's knowledge and approval. In so doing, Aditya circumvented

the Group's established internal protocols, which led to the eventual impairment of the amount due from MPK and loss suffered by the Company. Aditya's actions (or the lack thereof) evidently demonstrated a blatant disregard for corporate governance and accountability to the Group's stakeholders, in breach of his fiduciary duties.

40. The LDC noted that, as stated in paragraph 5 of these Grounds of Decision, Aditya consented for the LDC to take into consideration the 3<sup>rd</sup> Charge against him for the purposes of determining the sanctions.

## **VI. THE EXCHANGE'S REGULATORY CONCERNS**

41. The LDC noted the Exchange's regulatory concerns which are set out in this section.
42. In a disclosure-based regime, shareholders and investors rely on accurate and timely information in the public domain to make their investment decisions. In the current case, the withholding of material information relating to the status of the Permit resulted in investors and shareholders trading in the Company's securities on an uninformed basis, without the knowledge that there existed factors that might adversely affect the Company's value and prospects.
43. Aditya was the key person in charge of the Indonesian subsidiaries dealing with the oil and gas projects based in Indonesia, and whom the Board had depended on to report on matters specific to the subsidiaries' operations. However, despite being aware of both the expiry of the Permit as well as the difficulties encountered by REWJ in obtaining the requisite BG, Aditya not only failed to raise these matters promptly to the Board for a considered and collective decision, he also did not attempt to correct the misrepresentations made by the finance team at the AC meetings time and again. Consequently, the Board had the mistaken impression that all was well with the Permit, and was not able to publicly disclose the developments surrounding its expiry.
44. The Permit's expiry was eventually disclosed only on 10 June 2019 via the EY Disclaimer, almost two years and eight months after the initial expiry of the 1<sup>st</sup> Extension on 21 September 2016. During this period, a false market was potentially created as the market was trading on an uninformed basis with respect to the Company's actual state of affairs. This was evidenced by the adverse market reaction following the issuance of the EY Disclaimer when the expiry of the Permit was made known publicly for the first time. Immediately on 11 and 12 June 2019, the Company's share price fell to an intra-day low of S\$0.049 (a 27.9% decrease), from the closing price of S\$0.068 on 10 June 2019, accompanied by a five-fold increase in the traded volume. The increased trading volume suggests heightened trading interest in the Company's securities following the disclosure.
45. In his attempt to obtain the requisite BG for the 2<sup>nd</sup> Extension, Aditya further circumvented the Group's established internal protocols by appointing MPK unilaterally, without conducting proper due diligence checks, and making unauthorised withdrawal of funds from PT Hexindo's bank account to transfer to MPK. None of

Aditya's actions were approved nor made known to the Board until the discovery of the Queried Payment on 17 January 2019.

46. In the current case, not only were shareholders not promptly apprised of the material developments surrounding the Permit, which were likely to have materially affected the Group's value and prospects, the subsequent impairment of S\$17.2 million towards the carrying amount of the Permit as well as a full allowance for S\$3,876,000 due from MPK, contributed to the Group's losses for FY2018 and FY2019, and adversely impacted the value of their shareholdings.
47. In light of the foregoing, Aditya had fallen short of his duty to ensure compliance with the Mainboard Rules and departed from the reasonable standard of conduct and diligence expected of him as Group CEO and ED of the Company in the discharges of his duties.
48. Accordingly, the imposition of a restrictive covenant on Aditya is warranted, to make clear the gravity of the offending conduct and to deter other would-be offenders, in order to provide assurance to the investing public that such breaches of the Mainboard Rules are met with robust regulatory action.

## **VII. SANCTIONS IMPOSED BY THE LDC ON THE RELEVANT PERSON**

49. The LDC considered the facts disclosed in the Resolution Agreement and the Exchange's regulatory concerns included therein. On 8 December 2023, the LDC posed questions to the parties on whether further disclosures had been made to the Company's shareholders regarding the Queried Payment and the adequacy of the proposed sanctions. The parties responded on 15 December 2023 and 11 January 2024.
50. After reviewing the further information provided by the parties, including the Company's disclosures to shareholders concerning follow up actions on the Queried Payment and sanctions imposed in past cases, the LDC has unanimously decided to impose the following sanctions:
  - a. a public reprimand is issued to Aditya; and
  - b. Aditya shall provide a signed written undertaking to the Exchange not to seek any directorship on the board of directors, or role as a key executive officer (as defined in the SGX listing rules), of issuers whose securities are listed on the SGX Mainboard or Catalist for a period of two and a half years from the date of these grounds of decision.

END