



Issuer: Eneco Energy Ltd (formerly Ramba Energy Limited)

Security: Eneco Energy Ltd (formerly Ramba Energy Limited)

Meeting details:

Date: 28 Jun 2019

Time: 3.00 p.m.

Venue: Crowne Plaza Changi Airport, Alstonia Ballroom Level 2, 75 Airport Boulevard, Singapore 819664

Company Description

Eneco Energy Ltd, formerly Ramba Energy Limited, is a Singapore-based oil and gas exploration and production company. The Company's segments include the oil and gas segment, logistics segment, rental segment and corporate segment. The logistics segment consists of transportation management and air cargo terminal handling services. The rental segment relates to the property rental business. The corporate segment relates to its level corporate services and treasury function. The Company holds interest in the Jatirarongan TAC block, which is located in West Java, Indonesia; holds interest in the West Jambi KSO block, located in Sumatra, Indonesia, and holds interest in the Lemang PSC block, also located in Sumatra, Indonesia. The Company's logistics business unit, RichLand Logistics (Richland), provides supply chain services, including inbound and outbound transportation activities, distribution management, and seaport and airport cargo handling services.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=R14)

Q1. On 10 June 2019, the company announced that the independent auditor has issued a Disclaimer of Opinion in their report on the audited financial statements of the group for the financial year ended 31 December 2018 (“FY2018”).

The auditors have stated the following:

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet and statement of changes in equity of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

The basis for disclaimer of opinion are:

- Going concern assumption
- Impairment of investment in exploration and evaluation assets and receivables relating to West Jambi concession
- Amount due from a broker

The full disclaimer of opinion could be found on pages 46 and 47 of the annual report.

The company has further disclosed that the board has decided to appoint an independent external reviewer to investigate the circumstances surrounding a payment made by a subsidiary of the company to a broker which is an Indonesian party amounting to US\$3.876 million.

- (i) Would the board identify the director who was directly involved in the withdrawal of the funds and had represented that the funds were then advanced to a broker to secure a bank guarantee in favour of Ramba Energy West Jambi Ltd?** The company has disclosed that the director in question is also a substantial shareholder of the company. Based on the disclosures made in the annual report, it appears that Aditya Wisnuwardana Seky Soeryadjaya is the only director who is also a substantial shareholder of the company.
- (ii) How will the board be selecting the “independent external reviewer”? When will the reviewer be selected?**
- (iii) What is the scope of the special audit by the independent external reviewer?**
- (iv) How long does the board expect the review to take?**

On pages 31-32, the board has stated that, with the concurrence of the Audit Committee, it is of the opinion that the group’s system of internal controls and risk management procedures are adequate as at 31 December 2018, in addressing the financial, operational (including information technology) and compliance risks of the group.

- (v) **Has the board considered it opportune to carry out a comprehensive review on the group's internal controls given that there are questions surrounding the movement of US\$3.876 million of the group's funds which subsequently jeopardised the group's application for the extension for the West Jambi concession?**

Q2. Would the board provide shareholders with better clarity on the strategic direction of the group? Specifically:

- (i) **West Jambi concession: Can the board help shareholders understand the group's efforts at obtaining the extension of the exploratory permit at West Jambi prior to its expiration? Given that this is a significant and material asset for the group, what were the risk management policies put in place to ensure the renewal of the exploratory permit? When does the group expect to obtain the renewal of the West Jambi concession?**
- (ii) **Business model: Would the board elaborate further on the group's business models in the oil & gas segment?** The group has reported segment loss of \$(40.0) million in FY2018 and \$(4.9) million in FY2017. With additional farming out of participating interests in the field, the group recognised further impairment losses. Allowance for doubtful receivables amounted to \$(19.1) million in the year as the group recognised impairment of \$(9.2) million due from a NCI holder, \$(6.1) million due to a former joint venture partner and \$(3.9) million due from a broker. **In particular, can the board elaborate further on the framework to shortlist and select its partners?**
- (iii) **Eneco: Has the group explored how it could be working with the Japan-incorporated Eneco Investment, Inc. following their investment? How has the group's strategic objectives changed?**

Q3. On 10 June 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 28 February 2019) and the audited financial statements for FY2018 after the finalisation of audit.

The company provided more than 21 points to explain the audit adjustments. Full details could be found in the company's announcement dated 10 June 2019.

After the finalisation of audit, loss for the period ballooned by \$(13.2) million to \$(45.2) million and the variance was as large as \$71.9 million. Total equity at the group level dropped from \$33.3 million to just \$4.2 million.

On 7 May 2018, the company also announced material differences between the unaudited results and the audited financial statements for the financial year ended 31 December 2017 after the finalisation of audit.

The audit committee, since 14 December 2018, comprises Mr Low Chai Chong (as chairman), Mr Patrick Tan Tse Chia and Mr Teo Cheow Beng. Prior to 18 December 2018, the audit committee comprised Mr Tay Ah Kong Bernard, Mr Chee Teck Kwong Patrick and Mr Tan Chong Huat.

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (ii) Has the audit committee (AC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) Is the company (and its officers) familiar with Singapore Financial Reporting Standards (International)?**
- (iv) Would the members of the AC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (v) What was the level of involvement by the AC in the preparation of the financial statements?**
- (vi) Can the AC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Ramba%20Energy%20Ltd&cid=4654,4273>

The company's response could be found here: -----