



**Securities Investors Association (Singapore)**

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GST Reg No: M90367530Y

**Issuer:** Mirach Energy Limited

**Security:** Mirach Energy Limited

**Meeting details:**

Date: 29 April 2019

Time: 10.00 a.m.

Venue: Carlton Hotel Singapore, Esplanade 3&4, Level 4, 76 Bras Basah Road, Singapore 189558

**Company Description**

Mirach Energy Limited is an investment holding company mainly engaged in the exploration and production of oil and gas. Along with subsidiaries, the Company operates its business through three segments. The Oil Exploration and Oilfield Development segment is mainly involved in the petroleum operation in an offshore area of Cambodia and Indonesia. The Oilfield Services segment is engaged in the provision of oilfield services and sale of hardware products and equipment. The Property Construction and Development segment involves the construction and development of property in Malaysia.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=AWO](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AWO))

**Q1.** In the words of the chairman, the company is in a race to exit the watch-list. On 4 March 2019, the company applied to SGX-ST to seek a further extension of time in order to meet the exit requirements of the Financial Watchlist.

For FY2018, the group recognised revenue of US\$3.711 million and recorded a profit before tax of US\$2.237 million, an improvement from a loss before tax of US\$(9.605) million in FY2017.

As at 31 December 2018, the group has total equity of **US\$200,000** (page 33 – Statements of financial position). The group is pushing ahead with the new businesses in agriculture (durian trees), management services, construction and low cost housing project and oil and gas business.

- (i) How is the board able to monitor and provide oversight of all the various initiatives?**
- (ii) Does the group have the working capital to fund all its initiatives to completion/revenue generation?**
- (iii) For the benefit of new and long standing shareholders, would the board/management clearly articulate its business model (in the four segments of oil and gas, property, agriculture and management services)?**  
For example, it is noted that no revenue was recognised in the oil and gas segment as the KSO contract has been terminated.
- (iv) Please also identify the key value drivers in the segments.**
- (v) Has the board reviewed if the group has the necessary financial and human resources in place for the group to meet its objective?**

**Q2.** In the Corporate Governance report, under Principle 13: Internal audit, the independent directors have recommended an internal audit exercise in the second half of 2018 but it was held back to 2019 by the AC chairman. This was due to major change in business risk profile and its diversification into new businesses.

- (i) Would the AC agree that it would be beneficial to carry out an internal audit early to allow the new businesses to set up the appropriate systems, processes and controls?**
- (ii) What are the selection criteria for the internal auditor?**
- (iii) When will the AC be selecting the internal auditor?**

**Q3.** On 12 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 25 February 2019) and the audited financial statements for FY2018 after the finalisation of audit by the external auditor.

The variances were as large as US\$1.8 million.

The changes after the finalisation of audit included:

- Adjustment to payables and provisions in relation to the termination of the KSO contract for Prisma Kampung Minyak Limited
- Net foreign exchange gain being reclassified from other expenses
- Reclassification of US\$493,000 receivables from trade receivables (current) to trade receivables (non-current);
- Reclassification of US\$157,000 prepayments from trade and other receivables (current) to prepayments.
- Inclusion of income tax receivable as part of trade and other receivables in the Audited Financial Statements
- Inclusion of accrued operating expenses as part of trade and other payables in the Audited Financial Statements

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the Act and SFRS(I)?**
- (ii) Has the audit committee 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) Would the members of the audit committee 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?**
- (iv) Can the AC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**