Mirach Energy

Tapping on our Resources

Annual Report **2011**

contents

corporate information

Board of Directors

Chan Shut Li, William
(Executive Chairman and Chief Executive Officer)
Lui Che Kin, Gordon
(Executive Director and Chief Financial Officer)
Liu Mei Ling, Rhoda
(Independent Director)
Xing Heping
(Independent Director)
Lim Jun Xiong, Steven
(Independent Director)
Wang Jiemin
(Non-Executive Director)

Audit Committee

Liu Mei Ling, Rhoda
(Chairman and Independent Director)
Xing Heping
(Independent Director)
Lim Jun Xiong, Steven
(Independent Director)

Remuneration Committee

Xing Heping
(Chairman and Independent Director)
Liu Mei Ling, Rhoda
(Independent Director)
Lim Jun Xiong, Steven
(Independent Director)

Nominating Committee

Lim Jun Xiong, Steven
(Chairman and Independent Director)
Chan Shut Li, William
(Executive Chairman and Chief Executive Officer)
Liu Mei Ling, Rhoda
(Independent Director)
Xing Heping
(Independent Director)

Company Secretaries

Lotus Isabella Lim Mei Hua (FCIS)
Lee Bee Fong (ACIS)

Registered Office

96 Robinson Road, #17-01 SIF Building
Singapore 068899
Tel: (65) 6536 8033
Fax: (65) 6536 1882

Principal Place of Business

3902 Cosco Tower, 183 Queens Road Central
Hong Kong
Tel: (852) 2850 7437
Fax: (852) 2850 6369

Share Registrar

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

Auditors

LTC LLP
Certified Public Accountants
1 Raffles Place, #20-02 One Raffles Place
Singapore 048616

Partner-in-charge

Tsang Siu For Thomas
(appointed since financial year ended 31 December 2007 to 31 December 2009 and 31 December 2011)

Bankers

The Hongkong and Shanghai Banking
21 Collyer Quay, #08-01
HSBC Building
Singapore 049320

corporate profile

Mirach Energy is an energy exploration and production company with oil and gas interests in Asia. The Group operates on petroleum assets in Cambodia, South Sumatra and East Papua of Indonesia. Complimentary to its core exploration and production business, Mirach's group of companies also provides effective technical oilfield services and solutions, including enhanced oil recovery techniques. The Group also has a small interest to produce and sell coal in Indonesia.

our business

Exploration and Production ("E&P")

The Group currently owns interests in one exploration oil block, one exploration gas block and two production oil blocks. Management strategy is to balance the risks in its portfolio of assets, by investing in producing oil fields to generate income and cash flow, and developing exploration interests for asset upside potential. Mirach Energy's E&P team have vast experience in exploration and production activities, including overseeing important exploration and production planning programs in China oil fields.

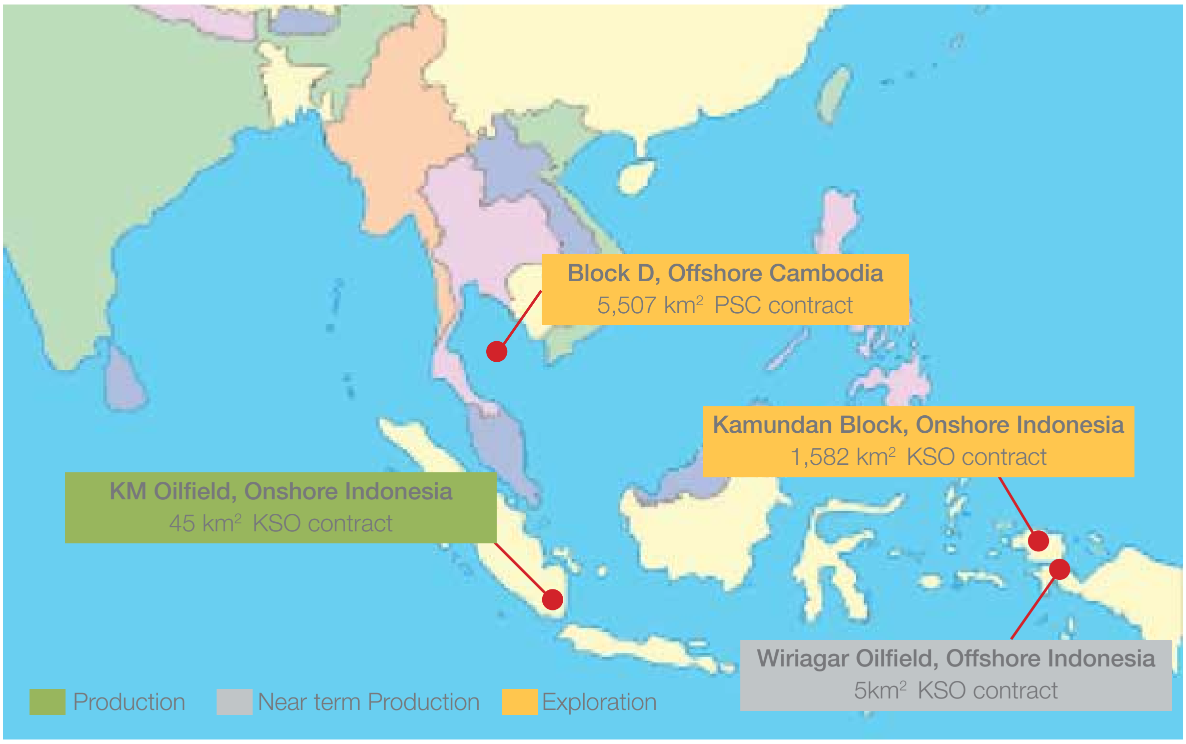
Oilfield Services

Mirach Energy recognises the demand in enhancing oil recovery ("EOR") rate in Asia and provides EOR and related oilfield services through an integrated approach to achieve higher oil recovery efficiently. The Group has resourcefully harnessed a team of accomplished geoscientists and engineers experience in managing oil and gas E&P projects. Our people has extensive study, design, and operation experience and has worked in complex projects that span a wide range of operating conditions and technological applications.

Coal Production

Mirach Energy was provided the rights by a coal mine owner to produce and sell coal in an open-pit coal mine in Samarinda, East Kalimantan. The existing contract area covers approximately 100 hectares and is excellently located with well developed transportation facilities like haulage road, stockyard and conveyor loading jetty.

our asset locations



Mirach Energy interests at a glance

Crude Oil and Condensate:

Prospective Resources

Oil & Gas Contracts	Acreage (sq km)	Mirach interests	Property Gross Unrisked Mean Estimate (MMbbl)
Block D PSC	5,507	48%	366.8
Kamundan KSO	1,582	33.6%	28.8
Kampung Minyak KSO	45	92.6%	40.9

Contingent Resources

Oil & Gas Contracts	Acreage (sq km)	Mirach interests	Property Gross Unrisked Mean Estimate (Mbbl)
Kampung Minyak KSO	45	92.6%	2,431
Wiriagar KSO	5	40%	965

Natural Gas:

Prospective Resources

Oil & Gas Contracts	Acreage (sq km)	Mirach interests	Property Gross Unrisked Mean Estimate (Bcf)
Kamundan KSO	1,582	33.6%	4,287
Kampung Minyak KSO	45	92.6%	43.1

Block D, Cambodia

The Group owns 48% interests in associated company CPHL (Cambodia) Co., Ltd ("CPHLC"), which holds the Cambodia offshore oilfield Block D Production Sharing Contract ("PSC") that grants 7 years of exploration and 30 years of production rights. Block D covers 5507 sq km in shallow water area, and Mirach Energy is the operator.

Kampung Minyak, South Sumatra, Indonesia

The Kampung Minyak Oil Block is a mature oil field located at onshore South Sumatra, Indonesia and covers an area of approximately 45 sq km. The Group is working with Pertamina under a Joint Operations Contract ("KSO") to re-activate and enhance production in the area. The contract period is 15 years, and expires in 2026.

Kamundan, East Papua Indonesia

Mirach Energy holds a 33.6% stake in associated company, PT Kamundan Energy, which has a KSO license in a 1,582 sq km gas field in Kamundan Indonesia. The block is currently at its exploration stage and the KSO expires in 2027.

Wiriagar, East Papua Indonesia

The Group has a 40% stake in a joint venture company, PT Petroenergy Utama Wiriagar, which has a KSO license in a small 5 sq km production oil block in the Wiriagar Operating Area, situated at the onshore area of the Bintuni Basin, Eastern Indonesia. This block is adjacent to the Group's Kamundan operating area.

Kalimantan, Indonesia

The Group produces and sells coal from an open-pit coal mine in Samarinda, East Kalimantan. The contract area covers approximately 100 hectares and produces sub-bituminous coal.

chairman's statement

> "Notwithstanding the tough economic conditions, our management is always driven to grow the Company and at the same time build a sustainable income."

Dear Fellow Shareholders,

The year 2011 was a busy one for our staff. We issued convertible bonds to acquire new interests in the Kampung Minyak Oil Field, brought in new investors for our interests in Kamundan and Wiriagar, and we proposed to dual list our shares on AIM to enhance investors' profile as well as to raise funds for the development of our asset interests in Cambodia.

Corporate Developments

The Company acquired Kampung Minyak Oil Field in July 2011 and appointed Daqing Enterprise International ("DQE") to provide integrated production services on the field, jointly with our operations team. At the end of last year, the joint team embarked on the first phase of operations where wells were re-opened for well-processing and studies. Repairing and rebuilding of facilities like the gathering stations, well heads and pumps were also carried out.

For the rest of this year, the team will process another 29 old wells and at the same time drill another 12 new wells.This will be a larger scale work program that includes water injection to improve the pressure of the reservoir to achieve a target oil recovery rate.

In September 2011, a new partner, Permanent Rich Energy ("Permanent") invested in the Kamundan and Wiriagar area in East Papua. Permanent is currently developing the two blocks and is planning for exploration drilling in the Kamundan Block this year.

In the third quarter of last year, Mirach Energy worked with a nominated advisor to list the Group on the AIM of the London Stock Exchange. The aim was to enhance the profile of the Group, widen investors' base, as well as to raise operating funds for Cambodia Block D. Currently, we are holding back from the listing as the conditions for listing are not up to our expectations.

Corporate Results Review for FY2011

The Group recorded revenue of USD4.94 million, contributed largely by the coal production and sales and oil field services provision. Revenue rose significantly for the year as a result of full year contribution from the coal production business. Despite the higher revenue, a group net loss attributable to shareholders of USD3.28 million was registered, versus USD1.47 million in FY2010. This was largely due to impairment losses from the coal business and interests paid on the convertible loans issue.

Total assets of the Group grew to USD47.36 million as at the end of 2011, up from USD36.74 million the year before, as a result of the acquisition of the Kampung Minyak Oil Field.

Notwithstanding the tough economic conditions, our management is always driven to grow the Company and at the same time build a sustainable income. While we appreciate that our work programs had enhanced the value of our asset portfolio, we acknowledge that the exploration projects duration were longer than we planned. Despite this, we assure that the Company is taking good progress in the planned direction.

Status Report for the Use of Proceeds from the Convertible Bond Issue

In March 2011, the Company issued Convertible Bonds to Legend Luso Investment Company Limited and Triple Master Investment Holdings Limited, to raise net proceeds of USD12.5 million. In 2011, approximately USD11.5 million from the bond issue was utilised in relation to the acquisition and development of Kampung Minyak Oil Field. A further USD1.0 million was utilized as partial pledged fixed deposit for a bank guarantee issued in favour of PT Kampung Minyak Energy, a subsidiary of the Group.

Prospects for FY2012

Baring other unforeseen circumstances, the Company is expecting an eventful year for its assets operations this year in Kampung Minyak and Cambodia. Conditional upon the funding development, we plan to spud at the offshore Cambodia Block D this year.

Acknowledgements

Last year, a new non-executive director, Mr Wang Jiemin, joined the Board. We welcome his presence and additional governance he provides to the Company. I would also like to thank all management and staff in the Group for another year of hard work in a harsh economic environment, and hope that they can continue to contribute to the Company.

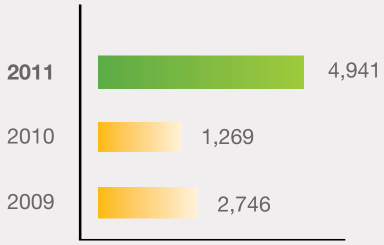
We sincerely thank all our stakeholders for their strong support all these years.

William Chan
Executive Chairman and Chief Executive Officer
28 March 2012

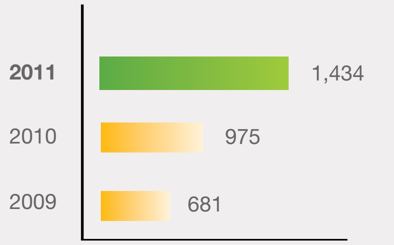
financial highlights

Group Income Statement (USD '000)	2009	2010	2011
Revenue	2,746	1,269	4,941
Gross Profit	681	975	1,434
Loss from Operations	(3,044)	(1,305)	(2,765)
Loss Before Tax	(3,759)	(1,645)	(3,636)
Loss After Tax	(3,759)	(1,552)	(3,729)
Group Balance Sheet (USD '000)	**2009**	**2010**	**2011**
Fixed Assets	2,649	235	273
Intangible Assets	-	-	10,082
Other Non-Current Assets	-	1,612	1,809
Deferred Tax Asset	-	93	-
Investments in Associates	6,437	6,376	5,740
Investment in a Joint Venture	282	382	-
Cash & Cash Equivalents	15,646	13,688	10,971
Other Current Assets	13,831	14,356	18,421
Total Assets	38,845	36,742	47,358
Shareholder's Equity	34,230	33,507	31,619
Minority Interests	-	(87)	(529)
Non-Current Liabilities	-	-	11,946
Current Liabilities	4,615	3,322	4,322
Total Liabilities	4,615	3,322	16,268
Total Equity & Liabilities	38,845	36,742	47,358
Per Share Data (USD cents)	**2009**	**2010**	**2011**
Loss Per Share	(0.61)	(0.19)	(0.43)
Net Asset Value	4.46	4.37	4.12
Net Cash Holding	2.04	1.79	1.43
Financial Ratio (%)	**2009**	**2010**	**2011**
Gross Profit Margin	24.8	76.8	29.0
Operating Margin	-	-	-
Return on Average Assets	-	-	-
Return on Average Shareholder's Equity	-	-	-

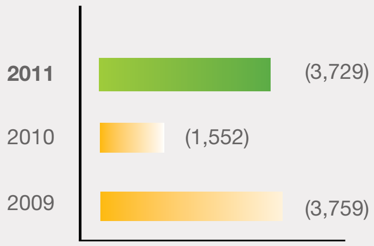
Revenue (USD '000)



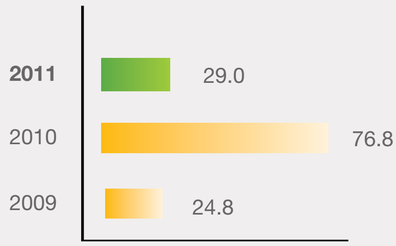
Gross Profit (USD '000)



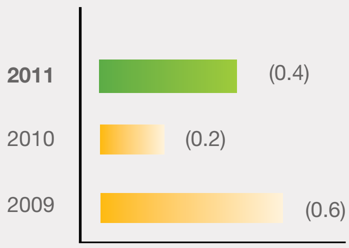
Net Loss (USD '000)



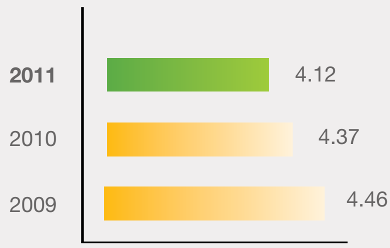
Gross Profit (%)



Loss Per Share (USD cents)



Net Asset Value (USD cents)



operations review

Operating Revenue

In FY2011, Group revenue rose to USD4.94 million, from USD1.27 million in FY2010, as result of full year revenue contribution from coal mining production and delivery. Oilfield services recorded revenue of USD1.63 million in FY2011, compared to USD0.92 million in FY2010, attributable to technical services provision in Cambodia and EOR in Omen. Coal segment recorded revenue of USD3.31 million in FY2011 compared to USD0.35 million in FY2010.

Cost and Earnings Analysis

In FY2011, the Group's gross profit increased 47% to USD1.43 million, versus USD0.98 million in FY2010. The increase was mainly due to higher sales from coal and contribution from EOR.

Other income recorded USD1.94 million in FY2011 due mainly to gains from the partial disposals of the equity interests in PT Kamundan Energy and PT Petroenergy Utama Wiriagar and a one-off income from the forfeited deposit for a proposed placing of shares that was not concluded.

Selling and distribution costs declined slightly from USD0.35 million in FY2010 to USD0.29 million in FY2011.

Administrative costs rose significantly from USD2.11 million in FY2010 to USD3.88 million in FY2011, arising from the commencement of the Kampung Minyak ("KM") Oil Field operation in FY2011, and coal mining activities.

Other operating expenses increased from USD0.01 million in FY2010 to USD1.97 million in FY2011. This was mainly attributable to an impairment expense of USD0.72 million related to deferred mining expenditures and exploration and evaluation expenditures in coal segment, expenses of USD0.47 million related to the proposed dual listing in London AIM and exploitation and production costs of USD0.63 million incurred in the newly acquired KM Oil Field in Indonesia during the year.

There was a finance cost of USD0.66 million mainly related to coupon interests for the Convertible Bonds issued by the Company in April 2011.

Losses incurred from operating activities increased 152% from USD1.10 million in FY2010 to USD2.77 million in FY2011.

Net loss for the financial year was USD3.73 million in FY2011, versus USD1.55 million in FY2010 which had included a loss of USD0.21 million from discontinued operation.

operations review

Financial Position and Liquidity

Group cash balance stood at USD10.97 million as at 31 December 2011, versus USD13.69 million as at 31 December 2010. Besides working capital utilisation, cash expenses were incurred in setting up the KM oil field operations.

The Pledged Fixed Deposit was a bank guarantee of USD2.5 million pledged in favour of PT Kampung Minyak Energy, a subsidiary of the Group, which would expire in July 2014.

Trade receivables increased from USD0.07 million at 31 December 2010 to USD0.59 million at 31 December 2011, mainly attributable to the receivables from coal sales. Other receivables increased from USD1.29 million at 31 December 2010 to USD1.42 million at 31 December 2011, mainly due to the cash advancements made for coal mine operations.

Amount due from associate company CPHLC increased from USD13.86 million at 31 December 2010 to USD15.12 million at 31 December 2011 and comprised largely of advancement to CPHLC and technical service fee charge for the period.

Inventory decreased from USD0.14 million at 31 December 2010 to USD0.06 million at 31 December 2011, caused by low inventory level of coal.

As noted in 3Q2011, the remaining balance amount of PT Petroenergy Utama Wiriagar was reclassified into available-for-sale item after its partial disposal. Decrease in Associates was also due to the partial disposal of PT Kamundan Energy, which had also been reclassified into available-for-sale item.

The provision for impairment loss of USD0.72 million had written down carrying value of deferred mining expenditure and exploration and evaluation expenditures to a nil value at 31 December 2011, thereby representing their fair values.

Trade payables increased from USD0.09 million at 31 December 2010 to USD0.78 million at 31 December 2011, attributable to the increase in payables related to the coal operations. Other payables increased by USD0.32 million from USD3.05 million at 31 December 2010 to USD3.36 million at 31 December 2011.

The non-current liabilities of USD11.95 million related to the Convertible Bonds and the accrued coupon interests at 31 December 2011.

Net assets were USD31.62 million as at 31 December 2011, down from USD33.51 million as at 31 December 2010 resulting from operating loss for the period and impairment of deferred mining expenditure and exploration and evaluation expenditures related to coal operations.

board of directors

Chan Shut Li, William

Executive Chairman and Chief Executive Officer

Mr. Chan is the Chairman and Chief Executive Officer of Mirach Energy and is responsible for setting the strategic direction and leading the Mirach Energy Group of Companies into an oil and gas exploration and production company in Asia. He is also responsible for the development of the Group's business operations both within and outside China, where he is engaged in business development activities and their implementation. Mr. Chan is also the Chairman of CPHL (Cambodia) Co. Ltd. He holds a Master's Degree in Business Administration from Murdoch University, Australia and is a fellow member of the UK Institute of Financial Accountants, as well as a full member of the Society of Registered Financial Planners of Hong Kong.

Lui Che Kin, Gordon

Executive Director and Chief Financial Officer

Mr. Lui has more than 16 years of experience in corporate finance, taxation and accounting in various industries. He joined Mirach Energy as Chief Financial Officer in 2007. He holds a Master's Degree in Business Administration from the University of Ballarat, Australia and is a member of Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants, UK, an associate member of the Institute of Chartered Secretaries and Administrators, UK and an associate member of The Hong Kong Institute of Company Secretaries.

Wang Jiemin

Non-Executive Director

Mr. Wang was appointed a Non-Executive Director of Mirach Energy in May 2011 following the subscription by Legend Luso Investment Company Limited for S$13.52 million of convertible bonds in April 2011. He has been the Managing Director of Macau Legend Luso Investment Company Limited and China Fairwind (Beijing) Investment Company Limited since 2010. He has also been the Managing Director of Hong Kong Fairwind Holdings Company Limited since 2000. Prior to these appointments, he was a director of Farenco Group and Managing Director of Yuen Fat Company and Mantong Company. He graduated from the Dalian marine university in China.

Xing Heping

Independent Director

Mr. Xing was appointed to the Board in 2009. He was director of the Cambodian Language Department at China Radio International and was a correspondent for China Xinhua News Agency for Singapore and Cambodia. He has conducted research on Southeast Asian issues, particularly on the Cambodian issues, and authored several books about Cambodia. He is a Council Member of the China Association of Southeast Asian Studies, Guest Research Fellow of the Southeast Asian Studies Center of Peking University, and a Guest Researcher of the Institute for Southeast Asian Studies of Guangxi Academy of Social Sciences. He is also a special correspondent for the Hong Kong weekly magazine Yazhou Zhoukan（亚洲周刊）and a contributor for the leading Singapore Chinese newspaper Lianhe Zaobao（联合早报）. He studied Cambodian Literature and History at the Royal University of Cambodia and the Royal University of Phnom Penh, with a Bachelor Degree with honors.

Liu Mei Ling, Rhoda

Independent Director

Ms. Liu has more than 20 years of experience in accounting, auditing and financial advisory services in Hong Kong and Canada. She was appointed to the Board in 2007. She is also an independent director and acts as chairman of audit committee and a member of remuneration committee and nomination committee of Modern Beauty Salon Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited. Currently, she serves as a Senior Partner at Liu and Wong, CPA, where she is involved in planning, supervision and business advisory services. She had worked for Coopers & Lybrand (HK) and Ernst & Young (Canada) for several years, then worked for two local CPA firms in HK since 1992, and was promoted to partner in 1996. She holds a Bachelor of Arts Degree in Commercial Study from University of Western Ontario, Canada, where she majors in Economic and Finance, and a Master's Degree in Business Administration from McMaster University, Canada. She also holds the Professional Degree in China Law Program with Tsing Hwa University in China in 2008. She is a member of the Canadian Institute of Chartered Accountants, a fellow practicing member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), a fellow member of the Hong Kong Taxation Institute, a fellow member of the Hong Kong Institute of Directors, and a council member of the Society of Chinese Accountants and Auditors. She was awarded the "Outstanding Accountant Ambassador 2003" by the HKICPA and Certificate of Commendation from Hong Kong Home Affair Bureau in 2008.

Lim Jun Xiong, Steven

Independent Director

Mr. Lim started his career as an accountant in PricewaterhouseCoopers and has more than 25 years experience in the wealth management industry. He joined the Board as an independent director in 2009. He holds a Bachelor Degree in Commerce from the University of Newcastle, Australia, majoring in Accounting and Finance. He is a fellow member of two renowned accounting bodies, namely the Institute of Certified Public Accountants of Singapore and CPA Australia ("CPAA") and was a Director of CPAA's Board as well as the President of its Singapore Division. In addition, he chaired CPA Australia's International Corporate Sector Advisory Committee and was a member of its Nominating Committee. He is also a member of Society of Trust and Estate Practitioners, Singapore Branch and was its Deputy President for a number of years.

senior management

Dr. Wang Jue

Head of E&P and CEO of CPHL Cambodia

Dr. Wang has more than 23 years of experience in the oil and gas industry and has won various awards for her outstanding contributions and achievements in both technical and managerial roles. She worked in various departments in Sinopec and was the head of the production division at the headquarters of Sinopec Group. Prior to this Dr. Wang was the Chief Geologist responsible for oilfield development at a subsidiary of China National Petroleum Corporation ("CNPC"). She was also engaged as a senior technical consultant at Core Laboratories, KJP. Dr. Wang graduated from Chengdu College of Geology in 1986 in Petroleum Geology, and obtained her Master's degree in Petroleum Exploration Engineering and Ph.D in Geology from the China University of Geosciences.

Yu Guozhu, Frank

Director of Oil and Gas Planning

Mr. Yu is responsible for the appraisal, development and management of oil and gas investment opportunities. He has over 12 years of experience in the upstream exploration and production area working in various technical and business positions. Prior to joining Mirach Energy, Mr. Yu was the technical director at Core Laboratories and Geokinetics Inc. He has certificates in Financial Economics, Enterprise Management Consultancy, Senior Programmer, as well as a professional qualification in securities and futures. Mr. Yu has a Master's degree in Petroleum Exploration from the China University of Geosciences.

Xie Chenghua

Representative of Indonesia

Mr. Xie is the representative for the Group's Indonesian business. He has over 12 years of extensive programme management and operational experience in the upstream oil and gas business, including appraisals and negotiations for new acquisitions in petroleum assets, EOR business and E&P risks service contracts. Mr. Xie previously worked at the Research Institute of Petroleum Exploration and Development of PetroChina. Mr. Xie holds a Bachelor's degree in Petroleum Engineering from the China Petroleum University and a Master's Degree in Business Administration from ESC-Pau Business School in France.

Luo Jinquan

Production Manager, E&P

Mr. Luo has more than 20 years of experience in managing oil and gas field production. Prior to joining Mirach Energy, he worked for CNPC as senior production engineer and was also the Vice President, Northwest at a subsidiary of Anton Oilfield Services (Group) Limited. Mr. Luo has been awarded many professional qualifications in drilling services, completions, downhole interventions, downhole tools and OCTG (Oil Country Tubular Goods). He holds a degree in petroleum production engineering from Southwest Petroleum University and a Master's degree in Petroleum Engineering from the Yangtze University.

Dr. Li Youqing, Walker

General Manager, Kampung Minyak Field, Indonesia

Dr. Li is the General Manager for the Kampung Minyak project in Indonesia. He has over 16 years of technical and management experience in oilfield exploration and development projects. Dr. Li worked previously at Baker Hughes as a Technical Service Engineer and at CNOOC as a Technical Manager. Dr. Li has been awarded many professional certificates, including the Senior Engineer Certificate of Offshore Engineering, Occupational Health Certificate, B.O.S.S. & H.U.E.T. (Boat Operation Safety Survival, Helicopter Underwater Escape Training) Certificates, long-term Safety and Survival of Offshore Operations Certificates issued by Devon Energy Co., ConocoPhillips, JHN and Agip. Dr. Li has a Ph.D in Engineering from the Huazhong University of Science & Technology.

Balance is key.

With the goal towards success and excellence, the Group now seeks to even out its exploration-production portfolio, in line with its strategy of balancing aggressive business development with manageable risks.

Corporate Governance Report

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised throughout Mirach Energy Limited and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group. The Board is pleased to confirm that it has adhered to the principles and guidelines of the new Code of Corporate Governance 2005 (the "Code") where it is applicable and practical. The Board has also established various self-regulatory and monitoring mechanisms, where applicable, to ensure that effective corporate governance is practised.

Set out below are the policies and practices adopted and practised by the Group to comply with the principles and spirit of the Code. The Board confirmed that the Group has generally complied with the principles of the Code. Where there are deviations from the Code, appropriate explanations are provided.

THE CODE

The Code is divided into four main sections, namely:

(A) Board Matters
(B) Remuneration Matters
(C) Accountability and Audit
(D) Communication with Shareholders

(A) Board Matters

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

The principal functions of the Board are:

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

2. reviewing the adequacy and integrity of the company's internal controls, risk management systems, and financial information reporting systems;

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

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

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

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

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

Corporate Governance Report

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

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

The Board meets on a regular basis and as when necessary to address any specific significant matters that may arise. The Articles of Association allow a Board meeting to be conducted by way of a tele-conference and a video-conference. All Board members bring about an independent judgment and diversified knowledge and experiences to bear on the issues of strategy, performance, resources and standards of conduct. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings, is shown on page 23.

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

The Board comprises 6 members, 2 of whom are executive directors, 1 is non-executive director and 3 are independent directors. Independent directors are making up at least one-third of the Board in accordance with the Code. Together, the directors bring about wide-ranging business and financial experiences relevant to the direction of the Group. A brief description of the background of each director is presented on "Board of Directors" section.

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

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

Principle 3:
There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

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

Corporate Governance Report

The Executive Chairman ensures that the board meetings are held when necessary and sets the board meeting agenda. The Executive Chairman reviews the board papers prior to presenting them to the Board. The Executive Chairman ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. Major decisions made by the Executive Chairman and CEO are brought up by him for discussion and review at Board meetings. His performance and appointment to the Board are reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. Both the Nominating Committee and the Remuneration Committee comprise a majority of independent directors of the Company. As such, the Board believes that there are adequate safeguards against an uneven concentration of power and authority in a single individual.

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

NOMINATING COMMITTEE

The Nominating Committee comprises four members, a majority of whom are independent directors. The members of the Nominating Committee are:-

Mr Lim Jun Xiong, Steven	(Chairman and Independent Director)
Mr Chan Shut Li, William	(Executive Chairman and Chief Executive Officer)
Ms Liu Mei Ling, Rhoda	(Independent Director)
Mr Xing Heping	(Independent Director)

In 2011, the Nominating Committee had 1 meeting. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings is shown on page 23.

The terms of reference for the Nominating Committee are to:

- set a framework to identify and nominate to the Board, candidates for all directorships to be filled by shareholders or the Board; candidates for all executive management positions; and directors to fill the seats on Board committees;
- oversee the management development and succession planning of the Group, including appointing, training and mentoring senior management;
- determine the objective criteria on evaluating the Board's performance; and
- assess the effectiveness of the Board as a whole and the contribution by each director to the Board.

ELECTION AND RE-ELECTION

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

Corporate Governance Report

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

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

Principle 6:
In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

All directors review a Board report prior to the Board meeting. The Board report includes, among others, the following details:

- minutes of meetings of all Committees of the Board;
- performance report of the Group; and
- major operational and financial issues.

The directors have also been provided with the contact numbers and e-mail particulars of Group's executive management.

The directors, whether as a full Board or in their individual capacity, may take independent advice, where necessary, in the furtherance of their duties and at the Group's expense.

All directors have access to the advice and services of the Company Secretary. The Company Secretary attends the meetings of the Board, and ensures that board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends the meetings of the Audit Committee, Remuneration Committee and Nominating Committee.

(B) Remuneration Matters

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

REMUNERATION PROCEDURE

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

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

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, all of whom are independent directors. The members of the Remuneration Committee are:-

Mr Xing Heping	(Chairman and Independent Director)
Mr Lim Jun Xiong, Steven	(Independent Director)
Ms Liu Mei Ling, Rhoda	(Independent Director)

The principal responsibilities of Remuneration Committee are:

1. recommending a framework of executive remuneration for the Board and key executives;

2. determining specific remuneration packages for each executive director and key management personnel; and

3. administering the performance bonus scheme and the share option scheme for the employees of the Group.

In 2011, the Remuneration Committee had 1 meeting. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings is shown on page 23.

Principle 8:
The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive director's remuneration should be structured so as to link rewards to corporate and individual performance.

Principle 9:
Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

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

REMUNERATION PACKAGE

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

(a) Basic salary

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

Corporate Governance Report

(b) Fees

The fees paid/payable to non-executive and independent directors takes into account factors such as effort and time spent, and responsibilities of these directors. The remuneration of non-executive and independent directors are submitted for approval at the Annual General Meeting. Executive directors do not receive directors' fees.

(c) Bonus scheme

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

(d) Benefits in kind

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

(e) Service contract

The notice period for the termination of Executive Directors' service contracts by either party giving not less than 6 months' notice to the other.

(f) Mirach Energy Employee Share Option Scheme

The Mirach Energy Employee Share Option Scheme (the "Scheme") has been approved, the Group has granted options to senior executives and Independent Directors of the Group under the Scheme. Matters relating to the Scheme were administered by the Remuneration Committee. The information of the participants is shown on page 26.

REMUNERATION MATTERS

The remuneration of each individual director and key executive officer of the Group is however not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in. The Remuneration Committee has reviewed the practice of the Industry in this respect, weighing the advantages and disadvantages of such disclosure.

A breakdown showing the level and mix of each individual director's remuneration payable for FY2011 is as follows:

	2011	**2010**
$500,000 and above	–	–
$250,000 to below $500,000	–	–
Below $250,000	6	5
Total	**6**	**5**

Corporate Governance Report

Name	Remuneration Band S$	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Chan Shut Li, William	Below S$250,000	100	–	–	–	100
Lui Che Kin, Gordon	Below S$250,000	100	–	–	–	100
Liu Mei Ling, Rhoda	Below S$250,000	–	–	–	100	100
Xing Heping	Below S$250,000	–	–	–	100	100
Lim Jun Xiong, Steven	Below S$250,000	–	–	–	100	100
Wang Jiemin*	Below S$250,000	–	–	–	100	100

The directors' fees are subject to shareholders' approval at the Annual General Meeting for FY2011.

* Wang Jiemin was appointed to the Board as Non-executive director on 3 May 2011.

The breakdown of total remuneration of the top 5 key executives of the Group (who are not directors) for FY2011 is as follows:

Name	Remuneration Band	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Wang Jue	Below S$250,000	100	–	–	–	100
Yu Guozhu, Frank	Below S$250,000	100	–	–	–	100
Li Youging, Walker	Below S$250,000	100	–	–	–	100
Lam Mei Fong, Joanna	Below S$250,000	100	–	–	–	100
Low Chiew Leng, Maggie	Below S$250,000	100	–	–	–	100

The Company does not have any employee who is an immediate family member of a Director or CEO during the FY2011.

(C) ACCOUNTABILITY AND AUDIT

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

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

In preparing the financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;

Corporate Governance Report

- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on a going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Principle 11:
The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

AUDIT COMMITTEE

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

Ms Liu Mei Ling, Rhoda	(Chairman and Independent Director)
Mr Xing Heping	(Independent Director)
Mr Lim Jun Xiong, Steven	(Independent Director)

The Audit Committee has recommended the nomination of LTC LLP, for re-appointment as independent auditors of the Company at the forthcoming Annual General Meeting. The Audit Committee has conducted an annual review of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their recommendation.

The aggregate amount of fees paid/payable to the independent auditors for the audit of FY2011 amounted to USD148,000. Non-audit fees of USD3,000 relating to professional tax services rendered were paid/payable to an affiliated company of our Company's independent auditors, LTC LLP, during FY2011.

The Group has appointed different auditors for its overseas subsidiaries and/or significant associated companies. The Board and the Audit Committee have reviewed the appointment of different auditors for its subsidiaries and/or significant associated companies and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group.

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

In 2011, the Audit Committee had 4 meetings. The Executive Chairman and the Chief Financial Officer were invited to attend the meetings. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings is shown on page 23.

The functions of the Audit Committee include the following:

- review with the external auditors, the audit plan, the evaluation of the internal accounting controls, audit reports and any matters which the external auditors wish to discuss (in the absence of management, where necessary);
- make recommendations to the Board on the appointment of external auditors, the audit fee and any questions of their resignation or dismissal;
- monitor interested person transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity. The Committee is also required to ensure that directors report such transactions annually to shareholders via the annual report; and

Corporate Governance Report

- review quarterly reporting to SGX-ST and year end annual financial statements of the Group before submission to the Board, focusing on:
    - going concern assumption;
    - compliance with accounting standards and regulatory requirements;
    - any changes in accounting policies and practices;
    - significant issues arising from the audit;
    - major judgmental areas; and
    - any other functions which may be agreed by the Audit Committee and the Board.

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

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

Principle 12:
The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

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

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

The Board, with the concurrence of the Audit Committee, is satisfied that there are adequate internal control, including financial, operational and compliance control, and risk management system in the Company.

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

In view of the Company's scale of operations and in order to be more cost effective, the Board believes that the existing system of internal controls is adequate and the Group has no separate internal audit function during the financial year ended 31 December 2011. The Company's finance department and the independent auditor review the Group's internal controls risk management and compliance systems and report findings and makes recommendations to the Board and Audit Committee.

To ensure adequacy of the internal audit function, the Management together with the Board and Audit Committee will review the Audit Memorandum to the Audit Committee for the financial year ended 31 December prepared by the independent auditor. The Board and the Audit Committee are satisfied with the adequacy of the current internal audit function and will continue to assess its effectiveness regularly. The Company is consistently improving and adopts recommendations which are highlighted by the independent auditor to safeguard the Company's internal controls.

Corporate Governance Report

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14:
Companies should engage in regular, effective and fair communication with shareholders.

The Company does not practice selective disclosure. Results and annual reports are announced or issued to the public through SGXNET within the mandatory period. The Group values dialogue with investors. The Chairman and executive directors intend to hold discussions with analysts and shareholders to explain the Group's strategy, performance and major developments whenever appropriate. However, any information that may be regarded as undisclosed material information about the Group will not be given.

Principle 15:
Companies should encourage greater shareholder participation at Annual General Meetings and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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

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

DEALINGS IN SECURITIES

The Group has adopted internal codes pursuant to the Listing Rule 1207(18) of the Listing Manual applicable to all its officers in relation to dealing in the Company securities. Its officers are not allowed to deal in the Mirach Energy Limited's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the full year results announcement, as the case may be, and ending on the date of announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

Corporate Governance Report

SUMMARY OF BOARD AND COMMITTEES MEETINGS HELD IN FY2011

	Board of Directors			Audit Committee			Nominating Committee			Remuneration Committee		
	Number of Meetings*			Number of Meetings*			Number of Meetings*			Number of Meetings*		
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Directors												
Chan Shut Li, William	C	5	5	–	4	4	M	1	1	–	1	1
Lui Che Kin, Gordon	M	5	5	–	4	4	–	1	1	–	1	1
Non-Executive Director												
Wang Jiemin	M	5	2									
Independent Directors												
Liu Mei Ling, Rhoda	M	5	5	C	4	4	M	1	1	M	1	1
Xing Heping	M	5	5	M	4	4	M	1	1	C	1	1
Lim Jun Xiong, Steven	M	5	5	M	4	4	C	1	1	M	1	1

Wang Jiemin was appointed to the Board as Non-executive director on 3 May 2011.

Denotes:
C – Chairman,
M – Member
* Number of Meetings held /attended during the financial year from 1 January 2011 to 31 December 2011 or during the period the person was a director

RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and the Board. The risk issues are highlighted on pages 75 to 83 under notes 30 to 31 the financial statements.

MATERIAL CONTRACTS

There were no materials contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director, or controlling shareholder.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and those transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. There were no interested person transactions for the financial year ended 31 December 2011.

Financial Contents

Directors' Report

The directors present their report to the members of the Company, together with the audited financial statements of the Group for the financial year ended 31 December 2011 and the statement of financial position of the Company as at 31 December 2011.

Directors

The directors of the Company in office at the date of this report are as follows:

Chan Shut Li, William
Lui Che Kin, Gordon
Liu Mei Ling, Rhoda
Xing Heping
Lim Jun Xiong, Steven
Wang Jiemin (appointed on 3 May 2011)

Directors' interests

According to the register of directors shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares, debentures, warrants and share options of the Company or its related corporation, except as follows:

	Direct	
Name of director and corporation in which interests are held	**Holdings at beginning of the year**	**Holdings at end of the year**
The Company		
Ordinary shares fully paid		
Chan Shut Li, William	185,696,732	185,696,732
Share Options		
Lui Che Kin, Gordon	2,900,000	2,900,000
Liu Mei Ling, Rhoda	500,000	500,000

There were no changes of the above–mentioned interests in the Company between the end of the financial year and 21 January 2012.

Arrangements to enable directors to acquire shares and debentures

Except as disclosed under the "Share options" section of this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects was 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.

Directors' Report

Directors' contractual benefits

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 29 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share options

Mirach Energy Employee Share Option Scheme

The Mirach Energy Employee Share Option Scheme (the "Mirach Energy Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 27 April 2004. The Mirach Energy Scheme is administered by the Company's Remuneration Committee comprising three directors, namely, Xing Heping, Liu Mei Ling, Rhoda and Lim Jun Xiong, Steven.

Other information regarding the Mirach Energy Scheme is as follows:

(i) *Participants*

Under the rules of the Mirach Energy Scheme, executive and non–executive directors and employees of the Group, who are not controlling shareholders or their associates (as defined in the SGX Listing Manual), are eligible to participate in the Mirach Energy Scheme.

(ii) *Scheme Administration*

The Mirach Energy Scheme shall be administered by a committee comprising Directors (the "Scheme Committee"), with the powers to determine, inter alia, the following:

(a) persons to be granted options;

(b) number of options to be offered; and

(c) recommendations for modifications to the Mirach Energy Scheme.

(iii) *Scheme Size*

The aggregate number of shares over which the Scheme Committee may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under the Mirach Energy Scheme and any other share option schemes of the Company, shall not exceed 15 percent of the issued shares of the Company on the day preceding the date of the relevant grant.

The number of shares comprised in any options to be offered to a participant in the Mirach Energy Scheme shall be determined at the absolute discretion of the Scheme Committee, who shall take into account criteria such as rank, past performance, years of service and potential for future developments of that participant.

Directors' Report

(iv) *Options, Exercise Period and Exercise Price*

The options that are granted under the Mirach Energy Scheme may have exercise prices that are at the Scheme Committee's discretion:

(a) Set at a discount to a price (the "Market Price") equal to the average of the last dealt prices for the shares on the SGX–ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option of a Share (subject to a maximum discount of twenty per cent) in which event, such options may be exercised after the second anniversary from the date of grant of the option; or

(b) Fixed at the Market Price ("Market Price Option"). Market Price Options may be exercised after the first anniversary of the date of grant of that option. Options granted under the Mirach Energy Scheme will have a life span of five years.

(v) *Duration of the Mirach Energy Scheme*

The Mirach Energy Scheme shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at 31 December 2011, there are 8.8 million outstanding options under the Mirach Energy Scheme. Details of options granted to directors up to 31 December 2011, have been disclosed in the Directors' interests section.

<u>Call Option</u>

On 24 March 2011, the Company entered into a Call Option Agreement with Sino Capital Holdings Limited ("SCHL"), whereby the Company granted the Call Option to SCHL to acquire 10,000,000 option shares at an issue price of S$0.12 for each option share. This Call Option will have a life span of five years. As at 31 December 2011, none of Call Option was exercised by SCHL.

Except as disclosed above, at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Directors' Report

Independent Auditor

The independent auditor, LTC LLP, has expressed its willingness to accept re–appointment.

On behalf of the directors

Chan Shut Li, William
Director

Lui Che Kin, Gordon
Director

Singapore, 28 March 2012

Statement by Directors

In the opinion of the directors,

(a) The statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 32 to 90 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Chan Shut Li, William
Director

Lui Che Kin, Gordon
Director

Singapore, 28 March 2012

Independent Auditor's Report

To the Members of Mirach Energy Limited

For the financial year ended 31 December 2011

Report on the Financial Statements

We have audited the accompanying financial statements of Mirach Energy Limited (the "Company") and its subsidiaries (the "Group") set out on pages 32 to 90, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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, that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

To the Members of Mirach Energy Limited

For the financial year ended 31 December 2011 (cont'd)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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 have been properly kept in accordance with the provisions of the Act.

LTC LLP
Public Accountants and
Certified Public Accountants

Singapore, 28 March 2012

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2011

		Group	
	Note	2011 USD'000	2010 USD'000 (Represented)
Continuing Operations			
Revenue	3	4,941	1,269
Cost of sales		(3,507)	(294)
Gross profit		1,434	975
Other income	4a	1,942	396
Selling and distribution expenses		(293)	(348)
Administrative expenses		(3,878)	(2,112)
Other operating expenses		(1,970)	(10)
Loss from operating activities		(2,765)	(1,099)
Finance income	4d	49	30
Finance costs	4d	(663)	–
Net finance (cost)/income		(614)	30
Share of losses of associates (net of tax)	5	(236)	(334)
Share of loss of a joint venture (net of tax)	6	(21)	(36)
Loss before income tax	4	(3,636)	(1,439)
Income tax (expense)/benefit	7	(93)	93
Loss from continuing operations		(3,729)	(1,346)
Discontinued Operation			
Loss from discontinued operation (net of tax)	8	–	(206)
Total loss for the financial year		(3,729)	(1,552)
Other comprehensive income:			
Reclassification of currency translation reserves on partial disposal of a subsidiary		–	14
Reclassification of currency translation reserves on partial disposals of an associate and a joint venture		87	–
Currency translation differences arising from consolidation		287	(284)
Other comprehensive income/(loss), net of tax		374	(270)
Total comprehensive loss for the year		(3,355)	(1,822)

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

Consolidated Statement of Comprehensive Income (cont'd)

For the financial year ended 31 December 2011

	Note	Group 2011 USD'000	Group 2010 USD'000 (Represented)
Loss attributable to:			
Equity holders of the Company		(3,281)	(1,465)
Non-controlling interests		(448)	(87)
		(3,729)	(1,552)
Total comprehensive loss attributable to:			
Equity holders of the Company		(2,913)	(1,737)
Non-controlling interests		(442)	(85)
		(3,355)	(1,822)
Loss per share:	9		
From discontinued operation (USD cents):			
-Basic		–	(0.03)
From continuing operations (USD cents):			
-Basic		(0.43)	(0.16)

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

Statements of Financial Position

As at 31 December 2011

	Note	Group 2011 USD'000	Group 2010 USD'000 (Represented)	Group 2009 USD'000 (Represented)	Company 2011 USD'000	Company 2010 USD'000 (Represented)	Company 2009 USD'000 (Represented)
Current assets							
Cash and cash equivalents	10a	10,971	13,688	15,646	4,954	4,768	6,532
Pledged fixed deposit	10b	2,501	–	663	–	–	663
Trade and other receivables	11	800	357	590	353	122	50
Amount due from an associate	12	15,120	13,861	12,531	1,808	1,558	1,282
Amounts due from subsidiaries (non-trade)	13	–	–	–	15,747	1,860	2,239
Inventories	14	62	138	47	–	–	–
		29,454	28,044	29,477	22,862	8,308	10,766
Non–current assets							
Property, plant and equipment	15	273	235	2,649	38	45	17
Intangible assets	16	10,082	–	–	–	–	–
Deferred mining expenditure	17	–	533	–	–	–	–
Exploration and evaluation expenditure	17	–	71	–	–	–	–
Other receivables and prepayments	18	1,210	1,008	–	–	1,358	–
Deferred tax	19	–	93	–	–	–	–
Available-for-sale financial assets	20	599	–	–	319	–	–
Subsidiaries	21	–	–	–	16,890	16,890	16,381
Associates	5	5,740	6,376	6,437	7,486	8,715	8,452
Joint venture	6	–	382	282	–	–	–
		17,904	8,698	9,368	24,733	27,008	24,850
Total assets		47,358	36,742	38,845	47,595	35,316	35,616
Equity attributable to equity holders of the Company							
Share capital	22	40,855	40,855	39,627	40,855	40,855	39,627
Reserves	23	(9,236)	(7,348)	(5,397)	(17,675)	(14,883)	(13,667)
		31,619	33,507	34,230	23,180	25,972	25,960
Non-controlling interests		(529)	(87)	–	–	–	–
Total equity		31,090	33,420	34,230	23,180	25,972	25,960

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

Statements of Financial Position (cont'd)

As at 31 December 2011

	Note	Group 2011 USD'000	Group 2010 USD'000 (Represented)	Group 2009 USD'000 (Represented)	Company 2011 USD'000	Company 2010 USD'000 (Represented)	Company 2009 USD'000 (Represented)
Current liabilities							
Trade and other payables	24	4,143	3,143	4,615	2,444	2,434	2,826
Amounts due to subsidiaries (non-trade)	13	–	–	–	10,025	6,910	6,830
Amount due to non-controlling interests of a subsidiary	25	179	179	–	–	–	–
		4,322	3,322	4,615	12,469	9,344	9,656
Non-current liabilities							
Convertible bonds	26	11,946	–	–	11,946	–	–
		11,946	–	–	11,946	–	–
Total liabilities		16,268	3,322	4,615	24,415	9,344	9,656
Total equity and liabilities		47,358	36,742	38,845	47,595	35,316	35,616

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2011

	Share capital USD'000	Merger reserve USD'000	Statutory /equity reserves USD'000	Foreign exchange reserve USD'000	Accumulated losses USD'000	Total attributable to equity holders of the Company USD'000	Non-controlling interests USD'000	Total equity USD'000
Group								
At 1 January 2010 (Represented)	35,913	611	1,105	(1,039)	(7,496)	29,094	–	29,094
Foreign exchange differences (Represented)	–	–	–	–	–	–	2	2
Total comprehensive income for the year (Represented)	–	–	–	(270)	(1,465)	(1,735)	(87)	(1,822)
At 31 December 2010 (Represented)	35,913	611	1,105	(1,309)	(8,961)	27,359	(85)	27,274
Effect of change of presentation currency of the Group	4,942	152	236	(121)	939	6,148	(2)	6,146
At 31 December 2010 (Represented)	40,855	763	1,341	(1,430)	(8,022)	33,507	(87)	33,420
At 1 January 2011	40,855	763	1,341	(1,430)	(8,022)	33,507	(87)	33,420
Issue of convertible bonds (note 26)	–	–	969	–	–	969	–	969
Option expense recognised	–	–	50	–	–	50	–	50
Total comprehensive income for the year	–	–	–	374	(3,281)	(2,907)	(442)	(3,349)
At 31 December 2011	40,855	763	2,360	(1,056)	(11,303)	31,619	(529)	31,090

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2011

	2011 USD'000	2010 USD'000 (Represented)
Cash flows from operating activities		
Loss before income tax from continuing operations	(3,636)	(1,439)
Loss before income tax from discontinued operation	–	(206)
	(3,636)	(1,645)
Adjustments for:		
Interest expenses	663	–
Interest income	(49)	(30)
Depreciation of property, plant and equipment	98	68
Option expense recognised	50	–
Other receivables – written off	–	10
Impairment loss on deferred mining expenditures and exploration and evaluation expenditures	717	–
Loss on disposal of a subsidiary	–	206
Gain on partial disposal of an associate	(1,117)	–
Gain on partial disposal of a joint venture	(327)	–
Amortisation of deferred mining expenditures and exploration and evaluation expenditures	948	153
Amortisation of intangible assets	318	–
Share of losses of associates	236	334
Share of loss of a joint venture	21	36
Operating cash flows before working capital changes	(2,078)	(868)
Changes in operating assets and liabilities:		
Inventories	76	(136)
Trade and other receivables and prepayments	(710)	(944)
Amount due from an associate	(1,259)	(906)
Trade and other payables	1,065	(796)
Cash used in operations	(2,906)	(3,650)
Interest received	49	30
Interest paid	(45)	–
Cash flows used in operating activities	(2,902)	(3,620)
Cash flows from investing activities		
Purchase of property, plant and equipment	(130)	(65)
Purchase of intangible assets	(10,400)	–
Net proceeds from disposal of a subsidiary	–	1,697
Net proceeds from partial disposal of an associate	1,198	–
Net proceeds from partial disposal of a joint venture	397	–
Deferred mining expenditures	(1,060)	(679)
Exploration and evaluation expenditures	–	(80)
Capital advancement to a joint venture	–	(125)
Cash flows (used in)/generated from investing activities	(9,995)	748

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

Consolidated Statement of Cash Flows (cont'd)

For the financial year ended 31 December 2011

	2011 USD'000	2010 USD'000 (Represented)
Cash flows from financing activities		
Issue of convertible bonds	13,694	–
Transaction cost for issue of convertible bonds	(1,196)	–
Amount due to non-controlling interests of a subsidiary	–	179
Payment of convertible bonds interests	(201)	–
Pledged fixed deposit	(2,501)	663
Cash flows generated from financing activities	9,796	842
Net decrease in cash and cash equivalents	(3,101)	(2,030)
Cash and cash equivalents at beginning of the year	13,688	15,646
Effects of exchange rate changes on balances held in foreign currencies	384	72
Cash and cash equivalents at end of the year	10,971	13,688

The aggregate cash inflows arising from disposal of a subsidiary are as follows:

	2010 USD'000 (Represented)
Net identifiable assets disposed:	
Cash and cash equivalents	23
Property, plant and equipment	2,491
Inventories	47
Trade receivables	124
Other receivables	54
Trade payable	(732)
Other payables	(89)
Net identifiable assets disposed	1,918
Release of exchange translation reserve	14
	1,932
Loss on disposals of a subsidiary	(206)
Exchange difference	(6)
Total consideration	1,720
Total cash proceeds from disposal	1,720
Less: cash and cash equivalents in subsidiary disposed	(23)
Net cash inflow on disposal	1,697

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

Notes to the Financial Statements

For the financial year ended 31 December 2011

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

1 General Information

Mirach Energy Limited (the "Company") is incorporated and domiciled in Singapore and is a public limited company listed on the Singapore Exchange Securities Trading Limited. Its registered office is at #17-01 SIF Building, 96 Robinson Road, Singapore 068899.

The principal activities of the Company are those relating to investment holding. The principal activities of its subsidiaries are those relating to provision of software and related services, provision of oilfield services, oil and gas exploration and production, and coal sales.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group").

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2 Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

(a) Basis of accounting

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements are expressed in United States Dollars ("USD"), which is the Company's functional currency, and rounded to the nearest thousand unless otherwise stated. They have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The area involving a higher degree of adjustments or complexity or areas where assumption and estimates are significant to the financial statements, are disclosed in note 35.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (cont'd)

(b) Change in reporting currency

Effective 1 January 2011, the Company changed its presentation and functional currency from Chinese Renminbi ("RMB") to United Stated dollars ("USD"), as the Company sustained a shift in conducting a majority of its business activities in Indonesia and Cambodia. Accordingly, the significant portions of the Group's revenue, expenses and cash flows are denominated in USD. The change in presentation currency is to better reflect the Company's and Group's business activities and to improve investors' ability to compare the Company's and Group's financial results with other publicly traded business in the international oil and gas industry. Prior to 1 January 2011, the Company reported its annual consolidated statements of financial position and the consolidated financial statements of the Group in RMB. In accordance with FRS 21 (The Effects of Change in Foreign Exchange Rates), the financial statements for all years presented have been translated into the new presentation currency using the current rate method. Under this method, the statements of comprehensive income items for each year have been translated into the presentation currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using exchange rate prevailing at the end of the reporting periods. Shareholder's equity transactions have been translated using the rates of exchange in effect as of the dates of the various capital transactions, while shareholder's equity balance from the translation are included as a separate component of other comprehensive income. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income.

All comparative figures for income and expense in the statement of comprehensive income have been translated at the average exchange rate for the financial year ended 31 December 2010 and assets and liabilities in the statements of financial position have been translated at the closing rate as at 31 December 2010 respectively.

(c) Going concern assumption

The financial statements of the Group are prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

During the financial year ended 31 December 2011, the Group has recorded a net cash outflow from operating activities of approximately USD2,902,000 (2010: USD3,620,000) and a loss attributable to equity holders of the Company of approximately USD3,281,000 (2010: USD1,465,000). Whilst the Group has continued recording net losses for five consecutive financial years, the continuation of the Group as a going concern is dependent upon its ability to generate sufficient cash from operating activities. Notwithstanding the net cash outflow and continuation of recorded net losses, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern assumptions in preparing the financial statements on the followings basis:

(i) As at 31 December 2011, the Group has net current assets of approximately USD25,132,000 including cash and cash equivalents of approximately USD10,971,000; and

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (cont'd)

(c) Going concern assumption (cont'd)

(ii) The Group holds sufficient cash and cash equivalents to meet the expected cash flow needs for its operating activities for the next twelve months after the end of the reporting period. At 31 December 2011, the Group's cash and cash equivalents is more than four times of the net cash outflow from operating activities for the financial year ended on that date.

The directors are of the opinion that the going concern assumptions in the preparation of the financial statements of the Group are appropriate.

(d) Adoption of new and revised Singapore Financial Reporting Standards

On 1 January 2011, the Group adopted the new or revised or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial change to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Summary of significant accounting policies

(a) Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(i) Sales of coal

Revenue from sales of coal is recognised when the title of coal passes to the customer and selling prices are known or can be reliably estimated.

(ii) Rendering of service – Oilfield services

Revenue from fixed-price consulting arrangement is recognised over the contract period based upon output basis.

(iii) Oil production income

Revenue is recognised upon the transfer of risks and rewards of ownership of the oil output to the customer, which generally coincides with delivery and acceptance of the oil.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Revenue recognition (cont'd)

(iv) Interest income

Interest income on bank deposits is recognised in profit or loss as it accrues using the effective interest method.

(b) Finance expense

Finance expense comprises interest expense on borrowings which is recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

(c) Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when 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 affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Group accounting

(i) Subsidiaries

(a) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gain on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

(b) Disposals of subsidiaries or business

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 are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is revalued at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

(c) Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Group accounting (cont'd)

(ii) Associates

Associates are entities, over which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associates are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associates are adjusted against the carrying amount of the investment. When the Group's share of losses in associates equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Dilution gains and losses arising from investments in associates are recognised in profit or loss.

Investments in associates are derecognised when the Group losses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between carrying amount of the retained investment at that date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilution in investments in associates in which significant influence is retained are recognised in profit or loss.

(iii) Joint venture

The Group's joint venture is an entity over which the Group has contractual arrangements to jointly share the control over the economic activity of the entity with one or more parties. The Group's interest in joint venture is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Group accounting (cont'd)

(iii) Joint venture (cont'd)

Investment in joint venture is initially recognised at cost. In applying the equity method, the Group's share of its joint venture's post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in joint venture equals or exceeds its interest in the joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or had made payment on behalf of the joint venture.

Unrealised gains resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless transaction provides evidence of an impairment of the asset transferred.

The accounting policies of joint venture have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(e) Property, plant and equipment

(i) Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Depreciation

Depreciation on property, plant and equipment is recognised in profit or loss on a straight-line basis over their estimated useful lives as follows:

	Useful lives
Computer equipment	5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 to 10 years

The residual values, estimated useful lives and depreciation method in respect 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.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

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

(iii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

(f) Intangible assets

(i) Goodwill on acquisitions

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained earnings in the year of acquisition and not recognised in profit or loss on disposal.

(ii) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense when it is incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as an expense when it is incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss using the straight–line method over the estimated useful lives.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Intangible assets (cont'd)

(iii) Exploration and evaluation expenditure

Exploration and evaluation expenditure comprise costs that are directly attributable to: research and analyzing historical exploration data, gathering exploration data through topographical, geochemical and geophysical studies, exploratory drilling, trenching and sampling, determining and examining the volume and grade of the resource and examining and testing extraction and treatment methods.

Exploration and evaluation expenditure are capitalized when expected to be recouped through successful development and exploration of the area of interest or exploration and evaluation activities in the area of interest have not reach a stage which permits a reasonable assessment of the existence or otherwise economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation expenditure are assessed for impairment when facts and circumstances suggest that the net carrying value of exploration and evaluation expenditure may exceed its recoverable amount. Where potential impairment is indicated, assessment is performed for each area of interest.

(iv) Deferred mining expenditure

Stripping cost on top soil is divided into (i) initial stripping of the top soil to open up the mining area before production commences and (ii) additional stripping that is performed during the production activity.

The initial stripping costs are part of deferred development costs, while the additional stripping costs are charged to production cost as long as the stripping ratio is close to or less than the average estimated stripping ratio. However, when the actual ratio is higher than the estimated average ratio, the excess stripping costs are to be deferred and recorded as deferred stripping costs. These deferred stripping costs are expensed as production costs in periods where the actual ratio is lower than the estimated average ratio.

(v) Unproved concessionary rights

Unproved concessionary rights are stated at cost less accumulated amortisation and impairment losses, if any.

Costs of unproved concessionary rights, including the concession rights and costs related to entering into operations cooperation agreement ("KSO") for an oilfield in Indonesia, which have 15 years useful live from the date of signing of the KSO.

The unproved concessionary rights are amortised in profit or loss on a straight-line basis over their estimated useful lives of 15 years, from the date they are available for use.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Intangible assets (cont'd)

(v) Unproved concessionary rights (cont'd)

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

(vi) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. These intangible assets are amortised in profit or loss on a straight-line basis over their estimated useful lives of 3 to 6 years, from the date they are available for use.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

(g) Investment in subsidiaries and associates

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

(h) Impairment of non-financial assets

Intangible assets other than goodwill on acquisitions, property, plant and equipment and investments in subsidiaries, associates and joint venture are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at a revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

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

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment is also recognised in profit or loss.

(i) Financial assets

Financial assets 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.

(i) Classification

The Group classifies its financial assets in the following categories: (i) loans and receivables and (ii) available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluate this designation at every reporting date. The designation of financial assets at fair value through profit or loss is irrevocable.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the statement of financial position.

<u>Financial assets, available-for-sales</u>

Available-for-sale financial assets are non-derivatives that are either designated in the category or not classified in any of the other financial assets categories. They are included in non-current assets unless the investment mature or management intends to dispose of it within 12 months after the reporting date. The group's available-for-sale financial assets include the equity investments in PT Kamundan Energy and PT Petroenergy Utama Wiriagar.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised and derecognised on trade-dates – the dates on which the Group commits to purchase or sell the assets.

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. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(iii) Initial measurement

Loans and receivables and available-for-sales financial assets are initially recognised at fair value plus transaction costs.

(iv) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at cost as there is no active market.

Gains or losses arising from change in the fair value of the financial assets at fair value through profit or loss are presented in the income statement within other loss/gains –net in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payment is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustment recognised in equity are included in the income statement as gain and loss from investment securities.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payment is established.

(j) Impairment of financial assets

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(j) Impairment of financial assets (cont'd)

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Financial assets, available-for-sales

If available-for-sales financial investments are impaired, an amount comprising the difference between its cost and it current fair value, less any impairment loss previously recognised in profit or loss, is reclassified from other comprehensive income to profit or loss.

In the case of equity investment reclassified as available-for-sale, the objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is significant or prolonged requires judgement. Significant is evaluated against the original cost of the investment and prolonged against the period in which the fair value has been below its original cost. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

(k) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of business, if longer. If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

(l) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with change in their fair value.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(l) Compound financial instruments (cont'd)

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component, which are separately presented on the statement of financial position.

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 option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability components. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of the derivative financial instruments.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

(m) Fair value estimation of current financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(n) Leases

Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight–line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(o) Inventories

Inventories represent the coal, hardwares, spare parts and consumables of the Group and are stated at lower of cost and net realisable value. Cost is determined using the weighted average method. Costs comprise purchase costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

(r) Employee benefits

The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

(ii) Short-term benefits

Short–term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short–term cash bonus or profit–sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable 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 option reserve over the remaining vesting period.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(r) Employee benefits (cont'd)

(iii) Share-based compensation (cont'd)

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account when new ordinary shares are issued, or to the "treasury shares" account when treasury shares are re-issued to the employees.

(s) Currency translation

(i) 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 the entity operates ("functional currency"). The financial statements are presented in USD, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss 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.

(iii) 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:

1. Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;

2. 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

3. All resulting currency translation differences are recognised in the currency translation reserve.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2 Basis of preparation and summary of significant accounting policies (Cont'd)

2.2 Summary of significant accounting policies (cont'd)

(t) Cash and cash equivalent

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and cash at banks.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(v) Discontinued operation

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and:

(i) represents a separate major line of business or geographical area of operations: or

(ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

3 Revenue

An analysis of the Group's revenue for the year from continuing operations is as follows:

	Group	
	2011	2010
	USD'000	USD'000
		(Represented)
Oilfield services	1,631	916
Coal sales	3,310	353
	4,941	1,269

Notes to the Financial Statements

For the financial year ended 31 December 2011

4 Loss before income tax

Loss before income tax from continuing operations is arrived at after charging /(crediting) :

		Group	
		2011 USD'000	2010 USD'000 (Represented)
(a)	**Other income**		
	Net foreign exchange gains	–	(208)
	Gain on partial disposal of an associate	(1,117)	–
	Gain on partial disposal of a joint venture	(327)	–
	Forfeited deposit income	(486)	(187)
	Sundry income	(12)	(1)
		(1,942)	(396)

Forfeited deposit income relates to the termination of private placement.

		Group	
		2011 USD'000	2010 USD'000 (Represented)
(b)	**Staff costs**		
	Wages and salaries (including directors' remunerations)	1,134	825
	Contributions to defined contribution plans	33	27
		1,167	852
(c)	**Other items**		
	Cost of inventories sold	2,559	141
	Auditors' remuneration	148	128
	Amortisation of deferred mining expenditure and exploration and evaluation expenditure	948	153
	Depreciation of property, plant and equipment	98	68
	Impairment loss on deferred mining expenditure and exploration and evaluation expenditure	717	–
	Amortisation of intangible assets	318	–
	Operating lease charges in respect of office premises	375	290
	Operating lease charges in respect of motor vehicles	105	84
	Net foreign exchange losses	156	–
	Other receivables – written off	–	10

Notes to the Financial Statements

For the financial year ended 31 December 2011

4 Loss before income tax (Cont'd)

	Group 2011 USD'000	Group 2010 USD'000 (Represented)
(d) Net finance income		
Finance income:	(49)	(30)
Finance costs :		
(i) Interest charges	45	–
(ii) Interest expense on convertible bonds (note 26)	618	–
Net finance cost/(income)	614	(30)

Finance income comprises mainly interest income recognised from bank deposits and finance costs comprise mainly interest charges from bank and interest expense on convertible bonds.

5 Associates

	Group 2011 USD'000	Group 2010 USD'000 (Represented)	Company 2011 USD'000	Company 2010 USD'000 (Represented)
Investment in associates, at cost	8,715	8,715	8,715	8,715
Share of post-acquisition reserves	(2,575)	(2,339)	–	–
Disposal	(81)	–	(910)	–
Reclassified to available-for-sale financial assets (note 20)	(319)	–	(319)	–
Unquoted equity share, net	5,740	6,376	7,486	8,715

Details of the associates are as follows:

Name of associate	Principal activities	Country of incorporation/ business	Effective equity held by the Group 2011 %	Effective equity held by the Group 2010 %
*CPHL (Cambodia) Co., Ltd	Oil and gas exploration and production	Kingdom of Cambodia	48	48
#PT Kamundan Energy	Oil and gas exploration and production	Indonesia	33.6	42

* Audited by KPMG Cambodia Ltd., Cambodia.

As at 31 Decemeber 2011, PT Kamundan Energy has been reclassified as available-for-sale financial assets (note 20) (2010: audited by DRS. Thomas, Blasius Widartoyo & Rekan, Registered Public Accountants, Indonesia.).

Notes to the Financial Statements

For the financial year ended 31 December 2011

5 Associates (Cont'd)

In accordance with the requirements of Rule 716, the Audit Committee and the Board of Directors of the Company confirmed that they were satisfied that the appointment of different auditors for its associate would not compromise the standard and effectiveness of the audit of the Company.

Summarised financial information in respect of the Group's associates is set out below:

	Group	
	2011	2010
	USD'000	USD'000
		(Represented)
Total assets	15,227	15,416
Total liabilities	(17,226)	(15,953)
Net liabilities	(1,999)	(537)
Group's share of associates' net liabilities	(960)	(324)
Unproved concessionary rights	8,261	8,261
Deferred tax liabilities on unproved concessionary rights	(2,478)	(2,478)
Loss for the year	(512)	(730)
Group's share of associates' losses for the year	(236)	(334)
Foreign exchange adjustments	–	273

6 Joint venture

	Group	
	2011	2010
	USD'000	USD'000
		(Represented)
Investment in a joint venture, at cost	425	300
Capital advance for the year	–	125
Disposal	(70)	–
Share of post-acquisition reserves	(75)	(54)
	280	371
Reclassified to available-for-sale financial assets (note 20)	(280)	–
Net exchange difference	–	11
Unquoted equity share, net	–	382

Notes to the Financial Statements

For the financial year ended 31 December 2011

6 Joint venture (Cont'd)

Details of the joint venture is as follows:

Name of joint venture	Principal activities	Country of incorporation/ business	Effective equity held by the Group 2011	Effective equity held by the Group 2010
			%	%
PT Petroenergy Utama Wiriagar#	Oil and gas exploration and production	Indonesia	40	50

As at 31 December 2011, the joint venture has been reclassified as available-for-sale financial assets (note 20). (2010 : audited by DRS. Thomas, Blasius Widartoyo & Rekan, Registered Public Accountants, Indonesia. The equity holding in the joint venture is held by CPHL (HK) Limited, a wholly-owned subsidiary of the Group.)

Summarised financial information in respect of the Group's share of joint venture is set out below:

	2011 USD'000	2010 USD'000 (Represented)
Non-current assets	–	252
Current assets	–	122
Total assets	–	374
Current liabilities	–	4
Total liabilities	–	4
Revenue	–	–
Expense	(21)	(36)
Net loss for the year	(21)	(36)

Notes to the Financial Statements

For the financial year ended 31 December 2011

7 Income tax expense

	Group 2011 USD'000	Group 2010 USD'000 (Represented)
Deferred tax expense		
Deferred income tax (expense)/benefit (note 19)	(93)	93
Reconciliation of effective tax rate		
Loss before income tax		
From continuing operations	(3,636)	(1,439)
From discontinued operation (note 8)	–	(206)
Notional tax on loss before income tax, calculated at the rates applicable to profits in the countries concerned	(867)	(359)
Non–deductible expenses	995	218
Non-taxable revenue	(899)	(78)
Deferred tax assets not recognised	864	126
	93	(93)

8 Discontinued operation

On 15 January 2010, the Company signed a sales and purchase agreement with Manfit Limited, an independent third party of the sale of its wholly-owned subsidiary of Xi'an Quanbin Oilfield Technology Co. Ltd ("XQB') for a cash consideration of USD2,423,000 (equivalent to RMB16,500,000). The disposal was completed and consideration fully settled in April 2010 for a final consideration of USD1,673,000 (equivalent to RMB11,394,000).

Analysis of loss for the year from discontinued operation

The results of the discontinued operation included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

	Group 2010 USD'000 (Represented)
The results of the discontinued operation for the year is as follows:	
Revenue	–
Other income	–
Expenses	206
Net loss for income tax	206
Income tax	–
Loss for the year from discontinued operation	206
The impact of the discontinued operation on the cash flows of the Group is as follows:	
Net cash inflows from investing activities	1,673
Net cash inflows	1,673

Notes to the Financial Statements

For the financial year ended 31 December 2011

9 Loss per share

The calculation of the basic loss per share from continuing operations and discontinued operation attributable to owners of the Company is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Continuing operations		Discontinued operation		Total	
	2011	2010	2011	2010	2011	2010
		(Represented)		(Represented)		(Represented)
Loss attributable to equity holders of the Company (USD'000)	3,281	1,259	–	206	3,281	1,465
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	766,668	766,668	766,668	766,668	766,668	766,668
Basic loss per share (USD cents)	0.43	0.16	–	0.03	0.43	0.19

No diluted loss per share has been presented as the exercise of share options and conversion of outstanding convertible bonds would result in anti-dilutive effect.

10 (a) Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	USD'000	USD'000	USD'000	USD'000
		(Represented)		(Represented)
Cash at banks and in hand	10,971	13,688	4,954	4,768

(b) Pledged fixed deposit

The Group's bank deposit at 31 December 2011 has an average maturity of 1 month with the weighted average effective interest rate of 2.37% per annum. This deposit is pledged for a bank guarantee of approximately USD2,501,000 to PT Pertamina EP in favour of PT Kampung Minyak Energy, a subsidiary of the Company, for the oil exploitation rights acquired during the year, according to the requirement of KSO signed in July 2011. The bank guarantee will be expired in July 2014.

Notes to the Financial Statements

For the financial year ended 31 December 2011

11 Trade and other receivables

	Group		Company	
	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)
Trade receivables	1,775	1,254	–	–
Allowance for doubtful trade receivables	(1,181)	(1,181)	–	–
Net trade receivables	594	73	–	–
Other receivables	8	89	284	55
Net receivables	602	162	284	55
Prepayments	198	195	69	67
	800	357	353	122

The movement in the allowance for doubtful trade receivables is as follows:

	Group	
	2011 USD'000	2010 USD'000 (Represented)
Balance at beginning of year	1,181	1,181
Current year charge	5	–
Amount written off	(5)	–
Balance at end of year	1,181	1,181

The movement in the allowance for doubtful other receivables account is as follows:

	Group	
	2011 USD'000	2010 USD'000 (Represented)
Balance at beginning of year	–	91
Amount written off	–	(91)
Balance at end of year	–	–

12 Amount due from an associate

	Group		Company	
	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)
Non-trade	8,926	8,574	1,808	1,558
Trade	6,194	5,287	–	–
	15,120	13,861	1,808	1,558

The amount due from an associate is unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

For the financial year ended 31 December 2011

13 Amounts due from/(to) subsidiaries (non–trade)

	Company	
	2011	2010
	USD'000	USD'000
		(Represented)
Amounts due from subsidiaries		
– non-trade	15,747	1,860
Amounts due to subsidiaries		
– non-trade	(10,025)	(6,910)

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

14 Inventories

	Group		Company	
	2011	2010	2011	2010
	USD'000	USD'000	USD'000	USD'000
		(Represented)		(Represented)
Spare parts	2	2	–	–
Coal	60	136	–	–
	62	138	–	–
Carrying amount of inventories	330	406	234	234
Allowance for impairment loss on inventories	(268)	(268)	(234)	(234)
	62	138	–	–

The movement in the allowance for impairment loss on inventories account is as follows:

	Group		Company	
	2011	2010	2011	2010
	USD'000	USD'000	USD'000	USD'000
		(Represented)		(Represented)
Balance at beginning of year	268	260	234	227
Exchange difference	–	8	–	7
Balance at end of year	268	268	234	234

Notes to the Financial Statements

For the financial year ended 31 December 2011

15 Property, plant and equipment

	Computer equipment USD'000	Furniture, fixtures and office equipment USD'000	Motor vehicles USD'000	Production oil well on lease term USD'000	Total USD'000
Group					
Cost					
At 1 January 2010 (Represented)	294	164	233	10,850	11,541
Additions	8	57	–	–	65
Disposals	(61)	(3)	(114)	(11,187)	(11,365)
Exchange difference	9	5	7	337	358
At 31 December 2010 (Represented)	250	223	126	–	599
Additions	7	100	23	–	130
Exchange difference	6	5	4	–	15
At 31 December 2011	263	328	153	–	744
Accumulated depreciation and impairment loss					
At 1 January 2010 (Represented)	219	92	106	8,475	8,892
Depreciation charge for the year	23	28	17	–	68
Disposals	(61)	(1)	(74)	(8,738)	(8,874)
Exchange difference	8	3	4	263	278
At 31 December 2010 (Represented)	189	122	53	–	364
Depreciation charge for the year	24	55	19	–	98
Exchange difference	4	4	1	–	9
At 31 December 2011	217	181	73	–	471
Carrying amount					
At 31 December 2011	46	147	80	–	273
At 31 December 2010 (Represented)	61	101	73	–	235

Notes to the Financial Statements

For the financial year ended 31 December 2011

15 Property, plant and equipment (Cont'd)

	Computer equipment USD'000	Furniture, fixtures and office equipment USD'000	Total USD'000
Company			
Cost			
At 1 January 2010 (Represented)	15	53	68
Additions	2	34	36
Exchange difference	1	2	3
At 31 December 2010 (Represented)	18	89	107
Additions	6	–	6
At 31 December 2011	24	89	113
Accumulated depreciation			
At 1 January 2010 (Represented)	10	41	51
Depreciation charge for the year	2	6	8
Exchange difference	1	2	3
At 31 December 2010 (Represented)	13	49	62
Depreciation charge for the year	3	10	13
At 31 December 2011	16	59	75
Carrying amount			
At 31 December 2011	8	30	38
At 31 December 2010 (Represented)	5	40	45

Notes to the Financial Statements

For the financial year ended 31 December 2011

16 Intangible assets

	Acquired software USD'000	Development costs USD'000	Goodwill USD'000	Unproved concessionary rights USD'000	Total USD'000
Group					
Cost					
At 1 January 2010 and 31 December 2010 (Represented)	1,459	282	1,315	–	3,056
Additions	–	–	–	10,400	10,400
At 31 December 2011	1,459	282	1,315	10,400	13,456
Accumulated amortisation and impairment loss					
At 1 January 2010 and 31 December 2010 (Represented)	1,459	282	1,315	–	3,056
Amortisation charge for the year	–	–	–	318	318
At 31 December 2011	1,459	282	1,315	318	3,374
Carrying amount					
At 31 December 2011	–	–	–	10,082	10,082
At 31 December 2010	–	–	–	–	–

In July 2011, the Group acquired the concession rights of Kampung Minyak oilfield at the cost of USD10,400,000 for a contract period of 15 years.

Notes to the Financial Statements

For the financial year ended 31 December 2011

17 Deferred mining expenditure and exploration and evaluation expenditure

Group	Deferred mining expenditure USD'000	Exploration and evaluation expenditure USD'000	Total USD'000
Cost			
At 1 January 2010	–	–	–
Additions	679	80	759
At 31 December 2010 (Represented)	679	80	759
Additions	1,060	–	1,060
At 31 December 2011	1,739	80	1,819
Accumulated amortisation and impairment loss			
At 1 January 2010	–	–	–
Amortisation charge for the year	144	9	153
Exchange difference	2	–	2
At 31 December 2010 (Represented)	146	9	155
Amortisation charge for the year	928	20	948
Impairment loss recognised	666	51	717
Exchange difference	(1)	–	(1)
At 31 December 2011	1,739	80	1,819
Carrying amount			
At 31 December 2011	–	–	–
At 31 December 2010 (Represented)	533	71	604

The amortisation charge is recognised in the cost of sales in the consolidated statement of comprehensive income.

The Group has evaluated and performed test of impairment value of deferred mining expenditure, exploration and evaluation expenditure and recognised the impairment loss of USD666,000 and USD51,000 respectively in the consolidated statement of comprehensive income for the year.

Notes to the Financial Statements

For the financial year ended 31 December 2011

18 Other receivables and prepayments

		Group		Company	
		2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)
Deposit	(i)	110	110	–	–
Loan to a related party	(ii)	–	–	–	200
Loan to a subsidiary	(iii)	–	–	–	1,158
Prepayments	(iv)	1,100	898	–	–
		1,210	1,008	–	1,358

(i) This represents refundable deposit paid to contractors or land reclamation and replantation of coal mining area.

(ii) The loan to a related party is unsecured and bore interest at rate of LIBOR plus 3% per annum and repayable in full in June 2012. The Company has formally agreed to waive all interest chargeable on the loan during the year ended 31 December 2011. This loan was reclassified from non-current asset to current asset at end of this year.

(iii) The loans to a subsidary is unsecured and bore interest at rate of LIBOR plus 3% per annum and repayable in full in July 2012. The Company has formally agreed to waive all interest chargeable on the loan during the financial year ended 31 December 2011. This loan was reclassified from non-current asset to current asset at end of this year (note 11).

(iv) These represent advance payments for royalty fee, land compensation and coal getting to contractors.

19 Deferred tax

The components of deferred tax assets recognised in the consolidated statements of financial position and movements in deferred tax assets during the year are as follows:

	Group	
	2011 USD'000	2010 USD'000 (Represented)
Tax losses		
At beginning of the year	93	–
Deferred tax (debited)/credited to profit or loss (note 7)	(93)	93
Foreign exchange difference	–	–
At end of the year	–	93

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

At the end of reporting period, the Group has unrecognized tax losses of USD$2,630,000 (2010: USD1,765,000) which can be carried forward and used to offset against future taxable income subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operates.

Notes to the Financial Statements

For the financial year ended 31 December 2011

20 Available-for-sale financial assets

The carrying amounts of available-for-sale financial assets are as follows:

	Group		Company	
	2011 USD'000	2010 USD'000	2011 USD'000	2010 USD'000
Investment in PT Kamundan Energy (note 5)	319	–	319	–
Investment in PT Petroenergy Utama Wiriagar (note 6)	280	–	–	–
	599	–	319	–

In July 2011, the Company signed Conditional Sales and Purchase agreements with Permanent Rich Energy Limited ("Permanent") to dispose of 8.4% and 10% equity interest of PT Kamundan Energy ("PTKE") and PT Petroenergy Utama Wiriagar ("PTW") respectively. After these disposals, the Company held 33.6% and 40% equity interest of PTKE and PTW, respectively.

Further to the Conditional Sales and Purchase agreements, Permanent has issued two convertible loan agreements to PTKE and PTW whereby, the Permanent agreed to finance the full amount required for the fulfilment of the three years operational obligations at both Kamundan and Wiriagar oil and gas blocks. The loan provided by Permanent would be subsequently converted into a further equity interest of 55% in PTKE and PTW, respectively. Upon the full conversion of the loan, the Company's interest in PTKE and PTW would be reduced to 10.5% and 12.5%, respectively.

The directors of the Company are of the view that the economic benefits derived from these investments would not have material impact on the result of the Group and the Company. Accordingly, these investments have been reclassified as available-for-sale financial assets.

These investments have been stated at cost less impairment losses. None of these financial assets is either past due or impaired.

21 Subsidiaries

	Company	
	2011 USD'000	2010 USD'000 (Represented)
Unquoted equity shares, at cost	18,779	18,779
Impairment loss, net	(1,889)	(1,889)
	16,890	16,890

The movement in allowance for impairment loss in subsidiaries is as follows:

	Company	
	2011 USD'000	2010 USD'000 (Represented)
Balance at beginning of year	(1,889)	(3,842)
Reversal of impairment loss	–	1,953
Balance at end of year	(1,889)	(1,889)

Notes to the Financial Statements

For the financial year ended 31 December 2011

21 Subsidiaries (Cont'd)

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ business	Effective equity held by the Group 2011 %	Effective equity held by the Group 2010 %
Petroservice Engineering Inc. and its subsidiaries:	Provision of technical oilfield and advisory services	British Virgin, Islands ("BVI")	100	100
Beijing Petroservice Engineering Inc.	Provision of technical oilfield and enhanced oil recovery services	PRC	100	100
East Energy Group Inc.	Investment holding	BVI	100	–
East Energy Inc. Limited	Investment holding	Hong Kong	100	–
Prisma Kemuning Mandiri Limited	Investment holding	BVI	95	–
Prisma Kampung Minyak Limited	Investment holding	BVI	97.5	–
PT Kampung Minyak Energy	Provision of oil exploration and production	Indonesia	92.6	–
Xi'an Cenozoic Petro Tech Co. Ltd.	Provision of software relating to oilfield services	PRC	100	100
Shaanxi Long Top Technology Co., Ltd.	Provision of ERP software to the oil and gas industries	PRC	100	100
CPHL (HK) Limited	Investment holding	Hong Kong	100	100
Evermate Capital Resources Limited and its subsidiary:	Investment holding	Hong Kong	80	80
PT Evermate Capital Resources Indonesia ("ECRI")	Coal mining and trading	Indonesia	80	80
Unison Capital Resources Limited	Investment holding	Hong Kong	80	80

All of the above subsidiaries, other than ECRI and PT Kampung Minyak Energy, are audited by KLC Kennic Lui & Co. Ltd., Certified Public Accountants (Practising), Hong Kong, for group consolidation purpose.

Notes to the Financial Statements

For the financial year ended 31 December 2011

21 Subsidiaries (Cont'd)

ECRI and PT Kampung Minyak Energy are audited by Tjahjadi & Tamara (formerly known as Tjahjadi, Pradhono and Teramihardja), Registered Public Accountant, Indonesia.

In accordance with the requirements of Rule 716 of The Singapore Exchange Securities Trading Limited Listing Rules, the Audit Committee and the Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries, would not compromise the standard and effectiveness of the audit of the Group.

22 Share capital

Issued and fully paid

Movement of the issued and fully paid share capital of the Company is as follows:

	Company					
		2011			2010	
	No of shares	S$'000	USD'000	No of shares	S$'000	USD'000 (Represented)
Issued and fully paid:						
At 1 January	766,668,356	55,668	40,855	766,668,356	55,668	35,913
Effect of the change of the functional and presentation currency of the Company	–	–	–	–	–	4,942
At 31 December	766,668,356	55,668	40,855	766,668,356	55,668	40,855

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets and with no par value.

23 Reserves

		Group		Company	
		2011	2010	2011	2010
	Note	USD'000	USD'000 (Represented)	USD'000	USD'000 (Represented)
Statutory/equity reserves	(i)	2,360	1,341	1,486	467
Merger reserve	(ii)	763	763	–	–
Foreign exchange reserve	(iii)	(1,056)	(1,430)	–	–
Accumulated losses		(11,303)	(8,022)	(19,161)	(15,350)
		(9,236)	(7,348)	(17,675)	(14,883)

Notes to the Financial Statements

For the financial year ended 31 December 2011

23 Reserves (Cont'd)

(i) Statutory/equity reserves

(a) Statutory surplus reserve

According to the relevant PRC regulations and the Articles of Association of the Group's subsidiaries established in the People's Republic of China ("PRC"), there is a requirement to transfer 10% of its profit after taxation, as determined under the accounting principles and relevant financial regulations applicable in the PRC ("PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted to paid–in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

(b) Share options reserve

The share options reserve includes (i) the fair value of share options measured at grant date and spread over the period during which the employees become unconditionally entitled to the options and (ii) the fair value of call option measured at grant date and spread over the period which the counterparties become unconditional entitled to the options; and

(c) Capital reserve

The capital reserve represents the equity component of convertible bonds which is assigned residual amount after deducting the liability component and derivative component from the proceeds, net of transaction costs (note 26).

(ii) Merger reserve

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

(iii) Foreign exchange reserve

The foreign exchange reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of the foreign operations whose functional currencies are different from that of the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2011

24 Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	USD'000	USD'000	USD'000	USD'000
		(Represented)		(Represented)
Trade payables	777	93	–	–
Other taxes payable	155	59	–	–
Other payables	2,757	2,550	2,311	2,311
Accruals	454	441	133	123
	4,143	3,143	2,444	2,434

Other payables represent amount owing to third parties which is unsecured, non-interest bearing and no fixed terms of repayment.

25 Amount due to non-controlling interests of a subsidiary

Amount due to non-controlling interests of a subsidiary is a shareholder of Evermate Capital Resources Limited and Unison Capital Resources Limited.

The amount due to non-controlling interests of a subsidiary is unsecured, non-interest bearing and no fixed terms of repayment.

26 Convertible bonds

The Company issued S$16,900,000 3% convertible bonds on 27 April 2011. The bonds mature five years from the issue date at their nominal value of S$16,900,000 (equivalent to US$13,694,000 due in 2016) or can be converted into shares at the holder's option at maturity date at an issue price of S$0.12 for each share. The values of the liability component, derivative component and equity component at issuance of the bond were determined based on the valuations performed by GC Appraisal Services Company Limited.

The convertible bonds recognised in the statements of financial position is calculated as follows

	Group and Company
	2011
	USD'000
Face value of convertible bonds issued on 27 April	13,694
Transaction costs	(1,196)
Equity component [note 23(i)(c)]	(969)
Liability components on initial recognition as at 27 April	11,529
Interest expense [note 4(d)]	618
Interest paid	(201)
Liability components as at 31 December	11,946

Notes to the Financial Statements

For the financial year ended 31 December 2011

26 Convertible bonds (Cont'd)

The carrying amount of convertible bonds is dominated in S$14,753,000.

The bonds are secured on legal charge over the shares of the subsidiaries.

27 Call option

The Company granted a call option to Sino Capital Holdings Limited ("SCHL") to acquire 10 million new ordinary shares in the capital of the Company with a par value of S$0.12 on 27 April 2011, amounting to an aggregate purchase price of S$1,200,000 which expires on 27 April 2016. The Group recognised a call option expense of approximately USD50,000 during the year ended 31 December 2011. No call option was being exercised as at 31 December 2011.

28 Commitments

Operating lease commitments

The total minimum lease payments under non-cancellable operating leases in respect of office premises are payable as follows:

	Group	
	2011	**2010**
	USD'000	**USD'000**
		(Represented)
Within one year	342	408
After one year but within five years	906	723
After five years	–	82
	1,248	1,213

The Group leases a number of office premises under operating leases. The leases run for two to six years, with options to renew upon expiry. None of the leases include contingent rentals.

Capital commitments

Capital commitments outstanding at end of the reporting period not provided for in the financial statements were as follows:

	Group	
	2011	**2010**
	USD'000	**USD'000**
		(Represented)
Capital commitments in relation to the Group's interest in a joint venture	–	200

Notes to the Financial Statements

For the financial year ended 31 December 2011

29 Significant related party transactions

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Compensation of key management personnel

Directors of the Company and the subsidiaries are considered to be key management personnel in accordance with FRS 24 – Related Parties. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group	
	2011	2010
	USD'000	USD'000
		(Represented)
Short-term employee benefits	621	508

The above total compensation for the Group for the executive directors of the Company amounted to USD314,000 (2010: USD279,000).

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses.

In addition to the above, the Company provides medical benefits to all employees, which include key management personnel.

Company's directors receiving remuneration and fee from the Group:

	Group	
	2011	2010
Number of directors in remuneration band below S$250,000	6	5

30 Financial risks management

Financial risk management objectives and policies

Exposure to credit, interest rate and foreign currency risks arises in the normal course of the Group's business. Management determines the Group's overall business strategies, tolerance of risk, and general risk management philosophy in accordance with the prevailing economic and operating conditions. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Notes to the Financial Statements

For the financial year ended 31 December 2011

30 Financial risks management (Cont'd)

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group has a high concentration of its trade receivables with Indonesia coal trading, typical credit terms granted to customer ranges to 30 days.

In view of the high concentration of credit risk, the directors implemented certain credit control policies to mitigate the credit risks. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit evaluation procedures. The Group monitors its exposure to credit risks arising from trade receivables on an on–going basis. Debtors who have overdue trade balances (in terms of credit limits and credit terms) are required to settle outstanding balances to below the credit limit amounts before further sales transactions are carried out with such customers. In addition, the Group reviews the recoverable amount of each individual debtor regularly to ensure that adequate impairment losses are made for irrecoverable amounts.

Most of the Group's cash and cash equivalents are deposited with banks in the PRC and Hong Kong. The carrying amounts of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets.

No other financial assets carry a significant exposure to credit risk except for trade receivables. As at 31 December 2011, trade receivables that were past due and impaired amounted to USD1,181,000. (2010: USD1,181,000) had been provided for. Trade receivables that were neither past due nor impaired amounted to USD594,000. (2010: USD73,000.) related to credit-worthy customers. The aging of these customers falls within nine months (2010: one month).

Working capital management

The Group's objectives where managing the capital is:

(a) to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(b) to provide an adequate return to shareholders by pricing its products and services commensurate with the level of risk

The Group sets the amount of capital in production to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the Financial Statements

For the financial year ended 31 December 2011

30 Financial risks management (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet financial obligations. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The risk management policy of the Group is to monitor and maintain a level of cash and cash equivalents deems adequate by its management to finance its operations and meets its financial obligations on timey manner.

The Group has sufficient cash and cash equivalents to ensure necessary liquidity. As at 31 December 2011, the financial liabilities maturities within 6 months are as follows:

	Group		Company	
	2011	2010	2011	2010
	USD'000	USD'000	USD'000	USD'000
		(Represented)		(Represented)
Trade and other payables	4,143	3,143	2,444	2,434

Foreign currency risk

Currency risk arises from a change in foreign currency exchange rate, which is expected to have adverse effect on the Group in the current reporting period and in future years.

The Group's main foreign currency risk arises from foreign currency denominated due to expenses in Singapore dollars ("SGD"), Hong Kong dollars ("HKD"), Renminbi ("RMB"), British Pounds ("GBP") and Indonesia Rupiah ("IDR").

As the exchange rate of the HKD to the USD has pegged at an official rate of HKD7.8 to USD1.0 by Hong Kong Government with a minimal float. The Company, therefore, is of the view that the Group's exposure to foreign exchange currency risk for changes in exchange rate of HKD against USD is limited and which is not included in the foreign exchange risk analysis.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency of PRC is not freely convertible. Enterprise operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorized financial institutions.

Companies within the Group, including the Company's associates, maintain their books in their respective functional currencies. Profits and net assets of overseas companies are translated into USD, the Company's reporting currency, for consolidation purposes. Fluctuations in the exchange rate between the functional currencies and USD will have an impact on the respective entities.

The Group also maintains foreign currency bank accounts for operating purposes.

Notes to the Financial Statements

For the financial year ended 31 December 2011

30 Financial risks management (Cont'd)

Foreign currency risk (cont'd)

The Group's and the Company's currency exposure based on the information provided to key management is as follows:

	RMB USD'000	IDR USD'000	USD USD'000	SGD USD'000	GBP USD'000	Total USD'000
Group						
As at 31 December 2011						
Financial assets						
Cash and bank balances	–	103	477	2,268	5	2,853
Trade and other receivables	–	864	185	31	–	1,080
	–	967	662	2,299	5	3,933
Financial liabilities						
Trade and other payables	–	(410)	–	(131)	(9)	(550)
Intercompany balances	(9,697)	–	–	–	–	(9,697)
	(9,697)	(410)	–	(131)	(9)	(10,247)
Net currency exposure	(9,697)	557	662	2,168	(4)	(6,314)
As at 31 December 2010						
Financial assets						
Cash and bank balances	–	7	317	3,750	–	4,074
Trade and other receivables	–	47	6	30	–	83
	–	54	323	3,780	–	4,157
Financial liabilities						
Trade and other payables	(10)	(71)	(96)	(68)	–	(245)
Intercompany balances	(3,956)	–	–	–	–	(3,956)
	(3,966)	(71)	(96)	(68)	–	(4,201)
Net currency exposure	(3,966)	(17)	227	3,712	–	(44)

Notes to the Financial Statements

For the financial year ended 31 December 2011

30 Financial risks management (Cont'd)

Foreign currency risk (cont'd)

If the RMB, IDR and SGD change against the USD by +/-4% (2010:+/-4 % RMB, IDR and SGD) respectively with all other variables including tax rate being held constants, the effects arising from the net financial assets/liabilities position will be as follows:

	2011 Increase/(decrease)		2010 Increase/(decrease)	
	Net profit USD'000	Equity USD '000	Net profit USD'000	Equity USD '000
Group				
RMB against USD				
-strengthened	(371)	(388)	(154)	(159)
-weakened	371	388	154	159
IDR against USD				
-strengthened	23	23	–	–
-weakened	(23)	(23)	–	–
SGD against USD				
-strengthened	89	87	138	149
-weakened	(89)	(87)	(138)	(149)

Notes to the Financial Statements

For the financial year ended 31 December 2011

30 Financial risks management (Cont'd)

Foreign currency risk (cont'd)

	RMB USD'000	SGD USD'000	GBP USD'000	Total USD'000
Company				
As at 31 December 2011				
Financial assets				
Cash and bank balances	–	2,269	5	2,274
Trade and other receivables	–	31	–	31
	–	2,300	5	2,305
Financial liabilities				
Trade and other payables	–	(105)	(9)	(114)
Amount due to subsidiaries	(10,761)	–	–	(10,761)
	(10,761)	(105)	(9)	(10,875)
Net currency exposure	(10,761)	2,195	(4)	(8,570)
As at 31 December 2010				
Financial assets				
Cash and bank balances	–	3,751	–	3,751
Trade and other receivables	–	30	–	30
	–	3,781	–	3,781
Financial liabilities				
Amount due to subsidiaries	(4,969)	–	–	(4,969)
Trade and other payables	–	(50)	–	(50)
	(4,969)	(50)	–	(5,019)
Net currency exposure	(4,969)	3,731	–	(1,238)

Notes to the Financial Statements

For the financial year ended 31 December 2011

30 Financial risks management (Cont'd)

Foreign currency risk (cont'd)

	2011 Increase/(decrease)		2010 Increase/(decrease)	
	Net profit USD '000	Equity USD '000	Net profit USD '000	Equity USD '000
Company				
RMB against USD				
-strengthened	(412)	(430)	(193)	(199)
-weakened	412	412	193	199
SGD against USD				
-strengthened	90	148	139	149
-weakened	(90)	(148)	(139)	(149)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash and cash equivalents and debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations.

Notes to the Financial Statements

For the financial year ended 31 December 2011

30 Financial risks management (Cont'd)

Effective interest rates and repricing analysis

In respect of interest–earning financial assets and interest–bearing financial liabilities, the following table indicates their effective interest rates at report date and the periods in which they are repriced.

	2011		2010	
	Effective interest rate %	Within 1 year USD'000	Effective interest rate %	Within 1 year USD'000
				(Represented)
Group				
Financial assets				
Cash and cash equivalents	0.18	10,971	0.21	13,688
Pledged fixed deposit	2.37	2,501	–	–
		13,472		13,688
		Within 5 years		**Within 5 years**
Financial liability				
Convertible bonds	7.9	11,946	–	–
Company				
Financial assets				
Cash and cash equivalents	0.01	4,954	0.01	4,768
Other receivables and prepayments	–	–	3.45	1,358
		4,954		6,126
		Within 5 years		**Within 5 years**
Financial liability				
Convertible bonds	7.9	11,946	–	–

Estimating the fair values

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values.

All other financial assets and liabilities are discounted using effective interest rates for similar instruments at the end of the reporting period to arrive at their amortised costs.

Notes to the Financial Statements

For the financial year ended 31 December 2011

30 Financial risks management (Cont'd)

Commodity price risk

Market price of coal is affected primarily by macro-economic factors, environment, of the country in which the Group operates, the coal mine trading business, changes in the domestic and international supply and demand forces of coal. The Group's general policy is not to engage in commodity price hedging. Coal price is managed through contractual arrangements negotiated directly with customers, usually a fixed price for the period of 12 months. The Group also constantly monitor the fluctuation of the coal price in the market to ensure contractual arrangement with customers reflect the market conditions of coal.

The capital structure of the Company consists primarily of equity, comprising issued share capital and reserves.

The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions. It may maintain or adjust its capital structure through the payment of dividend return capital or issue of new shares.

31 Other significant risks management

Operations risk

The Group does not own the coal concession and obtained the rights to produce and sell the coal, through an agreement entered with an independent operator ("Operator") who is the Group's coal individual business partner. The concession owner has outsourced the coal mining related activities to main contractor who in turn, subcontracted the coal mining related activities to this aforesaid Operator. As the Group did not enter into the coal mine agreement directly with the concession owner and is currently dependent on one source of coal supply, if the main contractor and/or the concession owner terminate the agreement, this may create a viability risk of threat to the Group coal trading business.

To mitigate the risk identified, the Group maintains good working relationship with all the contracted parties and concession owner and complied with the requirements stated in the agreement to ensure continuity of agreement and benefit.

Legal and regulation risk

The Group coal mine trading business may be affected by regulatory changes and developments in the countries and jurisdiction in which the Group operates, including any other regulatory changes which may result in existing agreements being made null and void. This threat may adversely affect the Group's operations or the results of those operations. The Group has no control over the regulatory developments which may not allow the Group to continue to derive economic benefits from the coal mine trading business. The Group is at risk since the coal mine service agreement was not contracted directly with the concession owner.

In 2009, a New Law on Mineral and Coal Mining ("New Law") was issued in the country and jurisdiction in which the Group operates, that disallows the coal mine concession owner from outsourcing the coal mining related activities. The Group's coal mine business and income may be affected by this regulatory development.

To mitigate this risk, the Group actively monitors the regulatory developments and the implementation of this New Law on a continuous basis. The Company is of the view that the New Law has not been enforced.

Notes to the Financial Statements

For the financial year ended 31 December 2011

32 Equity compensation benefits

Share options

Share options were granted to executive and non-executive directors and employees of the Group who are non-controlling shareholders or their associates under the Mirach Energy Employee Share Option Scheme (the "Mirach Energy Scheme") which became operative on 27 April 2004.

The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares on the Singapore Exchange Securities Trading Limited for five market days immediately preceding the date of the grant. Options term granted under the Mirach Energy Scheme is five years with vesting period of one year from the grant date. Options are terminated under such circumstances which include the termination of the employment, the bankruptcy and the death of the participant to the Mirach Energy Scheme, a take-over and the winding-up of the Company during the vesting period of the options.

There had no movement in the number of unissued ordinary shares under option during the current and previous year. The number of unissued ordinary shares and their exercise prices are as follows:

	No. of ordinary shares under option			
	Beginning of financial year	Outstanding/ exercisable at end of financial year	Exercise price	Exercise period
Group and Company				
2010 and 2011				
2007 options	2,800,000	2,800,000	S$0.47	5 January 2008 - 4 January 2012
2008 options	6,000,000	6,000,000	S$0.14	8 September 2008 - 7 September 2013
	8,800,000	8,800,000		

Notes to the Financial Statements

For the financial year ended 31 December 2011

32 Equity compensation benefits (Cont'd)

The fair value of the 2008 options granted were calculated using the Binomial Option pricing model and 2007 options granted were calculated using the Black-Scholes pricing model. The input components into the model were as follows:

	Group and Company	
	2008 options	2007 options
Share price	S$0.13	S$0.45
Exercise price	S$0.14	S$0.47
Expected volatility	48.46%	58.56%
Expected life	60 months	14 months
Risk free rate	2.338%	2.951%
Expected dividend yield	–	–

The volatility measured as standard deviation of expected share price returns was estimated based on the statistical analysis of share prices over the period of one year before the grant date.

During the financial year ended 31 December 2011, no share options expense (2010: Nil) was recognised in the financial statements.

33 Segmental information

Segment information is presented in respect of the Group's operating segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, corporate assets and head office expenses, and income tax liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets.

Operating segments

The Group comprises the following main operating segments:

Software and related services: Provision of data management information systems, information technology solutions, design, development and sale of standardised business software solutions.

Oilfield services: Provision of oilfield services and sale of hardware products and equipments.

Oil exploration and oilfield development: Petroleum operations in an offshore area of Cambodia, and Indonesia.

Coal sale: Provision of mining and sale of coal in Indonesia.

Notes to the Financial Statements

For the financial year ended 31 December 2011

33 Segmental information (Cont'd)

Operating segments

	Software and related services		Coal sales		Oilfield services		Oil exploration and oilfield development		Total continuing operations		Total discontinued operation	
	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)
Revenue from external customers	–	–	3,310	353	1,631	916	–	–	4,941	1,269	–	–
Segment results	(30)	(31)	(1,843)	(425)	(190)	(172)	(1,255)	(369)	(3,318)	(997)	–	–
Unallocated operating expense									(1,148)	(472)	–	–
Results from operating activities									(4,466)	(1,469)	–	–
Finance income									49	30	–	–
Finance costs									(663)	–	–	–
Deferred tax (expense) /benefit									(93)	93	–	–
Loss on disposal of a subsidiary									–	–	–	(206)
Gains on partial disposals of an associate and a joint venture									1,444	–	–	–
Net loss for the year									(3,729)	(1,346)	–	(206)

Notes to the Financial Statements

For the financial year ended 31 December 2011

33 Segmental information (Cont'd)

Operating segments (cont'd)

	Software and related services		Coal sales		Oilfield services		Oil exploration and oilfield development		Total continuing operations		Total discontinued operation	
	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)	2011 USD'000	2010 USD'000 (Represented)
Assets and liabilities												
Segment assets	6,649	10,408	1,806	2,101	11,077	10,738	20,438	6,757	39,970	30,004	–	–
Unallocated assets									7,388	6,738	–	–
Total assets									47,358	36,742	–	–
Segment liabilities	46	44	1,240	367	392	197	17	–	1,695	608	–	–
Unallocated liabilities									14,573	2,714	–	–
Total liabilities									16,268	3,322	–	–
Depreciation	11	11	7	3	47	45	20	–	85	59	–	–
Unallocated depreciation									13	9	–	–
									98	68	–	–
Amortisation	–	–	948	153	–	–	318	–	1,266	153	–	–
Impairment loss on deferred assets	717	–	–	–	–	–	–	–	717	–	–	–
Capital expenditure	–	–	2	26	–	2	122	–	124	28	–	–
Unallocated expenditure									6	37	–	–
									130	65	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2011

34 Subsequent events

On 9 December 2011, the Proposed Dual Listing of the Company's Shares on the AIM of the London Stock Exchange and the Placing to be held in conjunction with the Proposed Dual Listing was approved at the Extraordinary General Meeting by the Shareholders of the Company. On 7 February 2012, the Company has assessed the prevailing general economic and capital market conditions and has determined that the Placing cannot be concluded at that time on acceptable terms and it was not in the best interests of the Group to proceed with the Proposed AIM Admission and the Placing at this juncture. The Company has therefore decided to postpone the Placing and the Proposed Dual Listing until a later date. The details please refer to the Company's announcements dated 18 October 2011, 14 and 18 November 2011, 1 and 9 December 2011 and 7 February 2012.

35 Accounting estimates and judgment

Impairment of trade and other receivables

The Group performs regular evaluation of the recoverability of its trade and other receivables balances to ascertain if such balances are impaired. This requires an evaluation of the financial standing, historical repayment patterns and historical trends of bad debts occurrences for the individual debtors and related balances.

No impairment loss on trade and other receivables (2010: Nil) during the year based on management's assessment. Significant judgment is required in determining the appropriate impairment loss to be recognised on trade and other receivables balances. The ultimate recoverability of trade and other receivables is uncertain and any differences between the impairment losses initially recognised and eventual amounts recovered from the debtors will impact the net loss and carrying value of trade and other receivables in the period for which such impairment losses were recognised. The carrying amount of the Group's net trade and other receivables as at 31 December 2011 was approximately USD594,000 and USD1,416,000 respectively (2010: USD73,000 and USD1,292,000 respectively).

Impairment of available-for-sale financial assets

The Group reclassifies certain assets as available-for-sale financial assets and recognises the movements of their fair values. The Group estimates the fair value of the available-for-sale financial assets based on either financial modelling or their relevant market prices as reference. As at 31 December 2011, the carrying amount of the available-for-sale financial assets was approximately USD599,000. No impairment loss on available-for-sale financial assets was charged during the year.

Income and deferred taxes

The Group is subject to income taxes in certain jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. In particular, the Group had disposed of certain oil wells in PRC in prior years and the related tax matter is still yet to be settled. The management is of the opinion that no provision for tax liability is considered necessary at this stage, after seeking advice from an external PRC tax consultant, as the outcome is uncertain and the provision could not be estimated reliably. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Financial Statements

For the financial year ended 31 December 2011

35 Accounting estimates and judgment (Cont'd)

Deferred mining expenditure

Deferred mining expenditure relates to the stripping of waste and which relates to future economically recoverable coal to be mined, are capitalised as deferred mining expenditure. These costs are deferred or taken to the costs of production. The wastes to coal ratio are regularly assessed by the management to ensure the carrying value and rate of deferred is appropriate taking into consideration the available facts and circumstances from time to time.

An impairment loss of approximately USD666,000 (2010: Nil) on deferred mining expenditure during the year based on management's assessment.

Exploration and evaluation expenditure

Exploration and evaluation expenditure are capitalised in the statements of financial position, in respect of areas of interest prior to the commencement of operations. Exploration and evaluation expenditure is amortised on a straight line basis from the date of commercial production of the respective area of interest, over the remaining term of the coal agreement.

The carrying value of exploration and evaluation expenditure is reviewed regularly taking into consideration the available facts and circumstances and to the extent this value exceeds the recoverable value, the excess is expensed or written off in the period the decision is determined.

As at 31 December 2011, there was an impairment loss of USD51,000 (2010: Nil) on exploration and evaluation expenditure.

Impairment of intangible assets

In considering the impairment losses that may be required for the Group's intangible assets, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available.

In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

Changes in these estimates could have a significant impact on the carrying value of the assets and could result in impairment charge in future periods.

Notes to the Financial Statements

For the financial year ended 31 December 2011

36 New or revised accounting standards and interpretations

Following are the mandatory FRSs and amendments to FRS that have been published by the Accounting Standards Council as at the date of authorization of these financial statements by the Directors, and are relevant for the Group's financial year beginning on or after 1 January 2012 and later financial years and which the Group has not early adopted:

- FRS 110 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013)
- FRS 111 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013)
- FRS 112 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013)
- FRS 113 *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013)
- FRS 27 (Revised 2011) *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2013)
- FRS 28 (Revised 2011) *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2013)
- Amendments to FRS 12 *Deferred tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2012)

Management anticipates that the adoption of the above FRSs and amendments to FRS 12 in the future financial years will not have a material impact on the financial statements of the Group in the year of their initial adoption.

Statistics of Shareholdings

As at 12 March 2012

Issued and fully paid-up capital	:	USD40,855,000
Class of shares	:	Ordinary shares
Number of Shares	:	766,668,356
Voting rights	:	One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	7	0.29	1,968	–
1,000 – 10,000	1,132	45.83	7,835,404	1.02
10,001 – 1,000,000	1,303	52.75	81,820,901	10.67
1,000,001 and above	28	1.13	677,010,083	88.31
Total	2,470	100.00	766,668,356	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Maybank Kim Eng Securities Pte. Ltd.	265,947,732	34.69
2	See Hoy Chan Investment Limited	180,800,000	23.58
3	Zhang Deda	31,500,000	4.11
4	Cao Haixia	30,000,000	3.91
5	Phillip Securities Pte. Ltd	29,945,000	3.91
6	Citibank Nominees Singapore Pte. Ltd	29,832,000	3.89
7	DBS Vickers Securities (Singapore) Pte Ltd	21,168,000	2.76
8	HSBC (Singapore) Nominees Pte Ltd	15,189,000	1.98
9	Qin Feng	12,000,000	1.57
10	Raffles Nominees (Pte) Ltd	7,081,000	0.92
11	Xia Yang	6,290,000	0.82
12	Oversea Chinese Bank nominees Pte Ltd	6,000,000	0.78
13	OCBC Securities Private Ltd	5,899,018	0.77
14	Neo Kim Kuek	3,866,000	0.50
15	Lim & Tan Securities Pte Ltd	3,752,000	0.49
16	2G Capital Pte Ltd	3,663,003	0.48
17	United Overseas Bank Nominees Pte Ltd	3,209,000	0.42
18	DBS Nominees Pte Ltd	3,044,000	0.40
19	Bank of Singapore Nominees Pte Ltd	2,517,000	0.33
20	UOB Kay Hian Pte Ltd	2,390,330	0.31
	Total	**664,093,083**	**86.62**

Statistics of Shareholdings

As at 12 March 2012

Substantial Shareholders

Name	Number of Shares	Direct Interests (%)	Number of Shares	Deemed Interests (%)
Chan Shut Li, William	185,696,732	24.22		
See Hoy Chan Investment Limited	180,800,000	23.58		
Li Ming	47,417,000	6.18		
See Hoy Chan Equities Pte Ltd (1)			180,800,000	23.58

Note:

(1) See Hoy Chan Equities Pte Ltd is the holding company of See Hoy Chan Investment Limited. See Hoy Chan Equities Pte Ltd is deemed to be interested in the shares held by See Hoy Chan Investment Limited.

Free Float

Based on information available to the Company, as at 12 March 2012, approximately 46.02% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of the Company will be held at Connection 3, Level 3, Amara Singapore, 165 Tanjong Pagar Road, Singapore 088539 on 24 April 2012 at 10:00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2011 and the Directors' Report and the Auditors Report thereon. **(Resolution 1)**

2. To approve the Directors' fees of S$161,667 for the financial year ended 31 December 2011 (2010: S$135,000). **(Resolution 2)**

3. To re-elect Ms Rhoda Liu Mei Ling retiring pursuant to Article 91 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Mr Xing Heping retiring pursuant to Article 91 of the Company's Articles of Association. **(Resolution 4)**

5. To re-elect Mr Wang Jiemin retiring pursuant to Article 97 of the Company's Articles of Association. **(Resolution 5)**

6. To re-appoint Messrs LTC LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

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

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

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

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

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

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

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

Notice of Annual General Meeting

provided always that

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

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

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

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

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
(See Explanatory Note 1) **(Resolution 7)**

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

"That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Mirach Energy Employee Share Option Scheme (the "Scheme"), and, pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen (15) per cent of the issued share capital of the Company from time to time, as determined in accordance with the provisions of the Scheme."
(See Explanatory Note 2) **(Resolution 8)**

9. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary

9 April 2012

Notice of Annual General Meeting

Notes:

1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.

2) A proxy need not be a member of the Company.

3) If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4) The instrument appointing a proxy must be deposited at the registered office of the Company at 96 Robinson Road #17-01 SIF Building Singapore 068899 not later than 48 hours before the time appointed for the Meeting.

Explanatory Notes:-

1. The ordinary resolution in item no. 7 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

2. The ordinary resolution proposed in item no. 8 above, if passed, will empower the Directors of the Company to offer and grant options under the Mirach Energy Employee Share Option Scheme and to allot and issue shares pursuant to the exercise of such options under the Mirach Energy Employee Share Option Scheme not exceeding fifteen (15) per cent of the issued share capital of the Company from time to time.

MIRACH ENERGY LIMITED

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

IMPORTANT

1. For investors who have used their CPF monies to buy Mirach Energy Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

*I/We_______________________________(Name) NRIC/Passport No.*_______________________

of____(Address)

being *a member/members of Mirach Energy Limited (the "Company"), hereby appoint

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

*and/or

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Ninth Annual General Meeting of the Company to be held at Connection 3, Level 3, Amara Singapore, 165 Tanjong Pagar Road, Singapore 088539on 24 April 2012 at 10:00 a.m. and at any adjournment thereof.

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

No.	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements for the financial year ended 31 December 2011 and the Reports of Directors and Auditors thereon.		
2.	To approve the Directors' fees of S$161,667 for the financial year ended 31 December 2011.		
3.	To re-elect Ms Rhoda Liu Mei Ling pursuant to Article 91 of the Company's Articles of Association.		
4.	To re-elect Mr Xing Heping pursuant to Article 91 of the Company's Articles of Association.		
5.	To re-elect Mr Wang Jiemin pursuant to Article 97 of the Company's Articles of Association.		
6.	To re-appoint Messrs LTC LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
8.	To authorise Directors to grant options and to issue shares under Mirach Energy Employee Share Option Scheme.		

Dated this____________day of______________________2012

Total Number of Shares Held

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

** Delete accordingly*

IMPORTANT. Please read notes overleaf

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 96 Robinson Road #17-01 SIF Building Singapore 068899 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

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AFFIX
STAMP

The Company Secretary
MIRACH ENERGY LIMITED
96 Robinson Road
#17-01 SIF Building
Singapore 068899

Second fold

Third fold

Apply glue here

www.mirachenergy.com

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