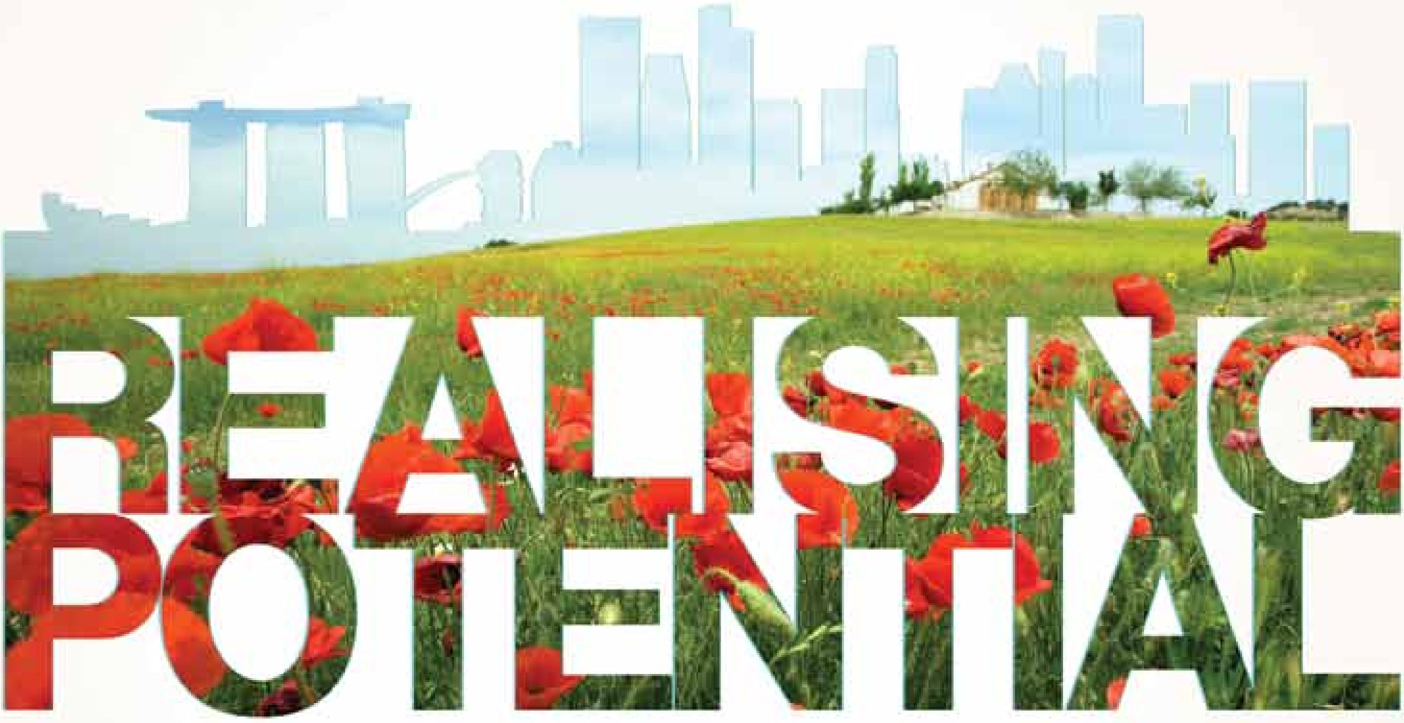
Mirach Energy



ANNUAL REPORT 2012

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CORPORATE INFORMATION

Board of Directors

Chan Shut Li, William
(Executive Chairman and Chief Executive Officer)
Wang Jiemin
(Non-Executive Director)
Liu Mei Ling, Rhoda
(Independent Director)
Xing Heping
(Independent Director)
Lim Jun Xiong, Steven
(Independent 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, #17-02 One Raffles Place,
Singapore 048616

Partner-in-charge

Tsang Siu For Thomas
(appointed since financial year ended 31 December 2007 to 2009 and 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 and South Sumatra of Indonesia. Complementary to its core exploration and production business, Mirach's group of companies also provides effective technical oilfield services and solutions, including enhanced oil recovery ("EOR") techniques and consultancy.

OUR BUSINESS

EXPLORATION AND PRODUCTION ("E&P")

The Group currently owns interests in one exploration oil block and one production oil block, and is looking to further acquire production interests. The management strategy is to balance the risks in its asset portfolio, 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, particularly in overseeing exploration and production planning programs in South Asian oil fields.

OILFIELD SERVICES

Mirach Energy recognises the demand in enhancing oil recovery 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 geoscientists and engineers who are experienced in managing oil and gas E&P projects. Our people have extensive study, design, and operation experience and have worked in complex projects that span a wide range of operating conditions.

OUR ASSET LOCATIONS

Cambodia

The Group owns a 48% interests in the 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 in 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.

MIRACH ENERGY INTERESTS AT A GLANCE

CRUDE OIL AND CONDENSATE:

Contingent Resources

Oil & Gas Contracts	Acreage (sq km)	Mirach interests	Property Gross Best Estimate (2c) (Mbbl)
Kampung Minyak KSO	45	92.6%	2,404

Prospective Resources

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

Competent Person's Report dated 31 December 2012 by McDaniel & Associates Consultants Ltd

CHAIRMAN'S STATEMENT

With a further drilling working plan of nine wells for the rest of this year, the targeted total production is up to several hundred barrels per day by end of the dry season of 2013.

DEAR FELLOW SHAREHOLDERS,

Another year has passed quickly and we completed the drilling of three wells in Kampung Minyak (KM) in the year, with another four wells being approved for drilling during the second quarter of 2013, bringing the total number of wells drilled to seven by the middle of this year. Currently, total production at Kampung Minyak averages 68 barrels per day. The team at Kampung Minyak will work to enhance total production volume by drilling new wells based on the knowledge from the first three wells drilled. Above all, as a result of committed work from our EOR team in Indonesia; a new stream of revenue is expected to be booked in 2013.

CORPORATE DEVELOPMENTS IN 2012

Kampung Minyak Oil Field

There are currently three wells drilled at Kampung Minyak Oil Field, named KM600, KM601, and KM606, and currently only KM601 was fully completed and operated with a stabilised production rate at 45 to 55 barrels per day. Although payzones were detected at KM601 and KM606, they are under protracted completion work as Daqing Enterprise International and our people (the KM Team) faced some delay in further perforation caused by low accessibility due to poor weather conditions.

The drilling of only three new wells at Kampung Minyak Oil Field in 2012 as compared to the planned twelve wells was due to many factors, including the slow progress in documentation approvals, weather conditions, and a shift in drilling strategy as we studied the results from the three wells drilled.

Barring unforeseen circumstances, we expect completion work for KM601 and KM606 to happen soon as the rainy season has cleared. The KM team will also begin drilling the fourth well in the second quarter of 2013.

Cambodia Offshore Block D

CPHL Cambodia, an associate of the Company embarked on the pre-drilling Environmental Impact Assessment in October 2012. The reporting and assessment work is currently in progress and the Environmental Impact Assessment Report by the Cambodian Ministry of Environment is expected to be completed by end of 2Q2013.

CORPORATE RESULTS REVIEW FOR FY2012

The Group recorded 36% lower revenue of USD1.05 million, due to the disposal of the coal production and sales business. The bulk of the revenue was due from oil field services provision. Regrettably, the Group registered a net loss attributable to shareholders of USD5.63 million last year, versus USD3.36 million in FY2011 largely as a result of increased operation expenses at Kampung Minyak Oil Field and other expenses incurred from business development activities. Total assets of the Group stood at USD42.30 million as at the 31 December 2012. We provide more details of our operations in the following operations review section.

STATUS REPORT FOR THE USE OF PROCEEDS FROM RIGHTS ISSUE IN 2009

The following table is the status report for the use of proceeds from the 2009 rights issues and the outstanding balance. The other funds that were raised were fully utilised.

	SGD'000
Net proceeds from rights issue on 20 April 2009	8,633
Less use of proceeds:	
Acquisition of Wiriagar concession	(400)
Exploration program on Cambodia block	(2,674)
Utilised as working capital	(1,769)
Balance as at 31 December 2012	**3,790**

PROSPECTS FOR FY2013

The Company will be focusing on its production activities at the Kampung Minyak Field, targeting to activate more production wells in order to achieve a higher production volume. With a further drilling working plan of nine wells for the rest of this year, the targeted total production is up to several hundred barrels per day by end of the dry season of 2013.

In Cambodia, we will complete the Environmental Impact Assessment for Block D and will accelerate its development barring governmental approvals and other operation factors.

ACKNOWLEDGEMENTS

We would like to thank all our fellow shareholders, stakeholders and our staff for their support in the past year. In addition, I would like to express my heartfelt appreciation to Mr Gordon Lui, who was with us for many years and left the Company in 2012 to pursue his personal issues. At the same time, we welcome Dr. Helen Hu to join the Company as our Chief Financial Officer.

William Chan
Executive Chairman and Chief Executive Officer
29 March 2013

FINANCIAL HIGHLIGHTS

Group Income Statement (USD '000)	2010	2011	2012
Revenue	1,269	4,941	1,048
Gross Profit	975	1,434	980
Loss from Operations	(1,305)	(2,765)	(4,103)
Loss Before Tax	(1,645)	(3,636)	(5,755)
Loss After Tax	(1,552)	(3,729)	(5,755)
Group Balance Sheet (USD '000)	**2010**	**2011**	**2012**
Fixed Assets	235	273	169
Intangible Assets	-	10,082	9,389
Other Non-Current Assets	1,612	1,809	915
Deferred Tax Asset	93	-	-
Investments in Associates	6,376	5,740	5,506
Investment in a Joint Venture	382	-	-
Cash & Cash Equivalents	13,688	10,971	5,550
Other Current Assets	14,356	18,421	20,439
Total Assets	36,742	47,358	42,302
Shareholder's Equity	33,507	31,619	26,228
Minority Interests	(87)	(529)	(161)
Non-Current Liabilities	-	11,946	12,498
Current Liabilities	3,322	4,322	3,737
Total Liabilities	3,322	16,268	16,235
Total Equity & Liabilities	36,742	47,358	42,302
Per Share Data (USD cents)	**2010**	**2011**	**2012**
Loss Per Share	(0.19)	(0.43)	(0.73)
Net Asset Value	4.37	4.12	3.40
Net Cash Holding	1.79	1.43	0.72
Financial Ratio (%)	**2010**	**2011**	**2012**
Gross Profit Margin	76.8	29.0	93.5
Operating Margin	-	-	-
Return on Average Assets	-	-	-
Return on Average Shareholder's Equity	-	-	-


REVENUE
(USD '000)
1,269
4,941
1,048
GROSS PROFIT
(USD '000)
975
1,434
980
NET LOSS
(USD '000)
(1,552)
(3,729)
(5,755)
GROSS PROFIT
(%)
76.8
29.0
93.5
LOSS PER SHARE
(USD cents)
(0.19)
(0.43)
(0.73)
NET ASSET VALUE
(USD cents)
4.37
4.12
3.40
2010
2011
2012

OPERATIONS REVIEW

OPERATING REVENUE

For the financial year ended 31 December 2012 ("FY2012"), approximately USD1.05 million of revenue was derived from the Group's continuing operations compared to approximately USD1.63 million of revenue in the financial year ended 31 December 2011 ("FY2011"). The main revenue of USD0.96 million in FY2012 was derived from technical oilfield services provided to associate company, CPHL (Cambodia) Company Limited ("CPHLC"), and USD0.09 million in FY2012 was derived from the sales of oilfield inventories.

COST AND EARNINGS ANALYSIS

There was gross profit of continuing operations of approximately USD0.98 million in FY2012 compared to gross profit of approximately USD1.08 million in FY2011.

The other income of USD0.09 million in FY2012 was mainly due to foreign currency exchange gain.

Selling and distribution costs decreased slightly from USD0.29 million in FY2011 to USD0.21 million in FY2012.

Administrative expenses increased by USD0.80 million or 32.2% from USD2.47 million in FY2011 to USD3.27 million in FY2012. The increase was mainly attributable to the development costs incurred at the Kampung Minyak oilfield ("KM") in Indonesia during FY2012.

Other operating expenses of USD1.70 million in FY2012 was compared to USD1.17 million in FY2011. During FY2012, other operating expenses of USD1.11 million was incurred in exploitation and production at KM and the remaining balance of USD0.59 million was due to the disposal of equity interests in PT Kamundan Energy and PT Petroenergy Utama Wiriagar and the subsidiary of Shaanxi Long Top Technology Co., Ltd.

The finance costs of USD0.96 million in FY2012 was due to the payment of coupon interests of the convertible bonds issued by the Company in April 2011.

Loss from operating activities increased by USD3.18 million from USD0.92 million in FY2011 to USD4.10 million in FY2012. The significant increase was mainly attributable to the decrease in other income and the significant increase in the cost of operations at KM in Indonesia during FY2012 due to new drilling activities.

Net loss of USD5.75 million included the loss of USD0.58 million from discontinued operations in FY2012 compared to net loss of USD 3.73 million which included the loss of USD1.94 million from discounted operations in FY2011.

FINANCIAL POSITION AND LIQUIDITY

Cash Flow And Liquidity

USD million	FY2012	FY2011
Cash flow used in operating activities	(4.23)	(2.90)
Cash flow used in investing activities	(0.92)	(10.00)
Cash flow (used in)/ generated from financing activities	(0.40)	9.80
Net increase/ (decrease) in cash and cash equivalents	(5.55)	(3.10)
Cash and cash equivalents at end of the year	**5.55**	**10.97**

Net cash and cash equivalents decreased from USD10.97 in FY2011 to USD5.55 million in FY2012. There was a significant decrease in cash flow used in investing, as there was no major investment by the Company in FY2012. As the Group did not get any financing in FY2012, cash flow from financing activities was negative, resulting in cash balance of USD5.55 million at the end of the year.

Amount due from associate company CPHLC increased by USD2.00 million from USD15.12 million in FY2011 to USD17.12 million in FY2012. The increase was due to the cash advancement of USD1.04 million to CPHLC and the technical service fee of USD0.96 million charged to CPHLC in FY2012.

The inventories of USD0.33 million in FY2012 mainly comprised of the materials and spare parts for oil drilling at KM.

Current trade and other receivables of USD0.82 million comprised trade receivables of USD0.10 million and other receivables and prepayment of USD0.72 million in FY2012.

Non-current other receivables and prepayments of USD1.21 million in FY2011 was divested along with the disposal of the subsidiary, PT Evermate Capital Resources Indonesia "ECRI", during FY2012.

Non-current available-for-sale financial assets of USD0.60 million in FY2011 was recognised as losses on the disposal of the remaining equity interests in PT Kamundan Energy and PT Petroenergy Utama Wiriagar during FY2012.

Current trade and other payables decreased by USD0.47 million from USD4.14 million in FY2011 to USD3.69 million FY2012. This was due to the increase of USD1.23 million of current year payables and the decrease of USD1.68 divested with the disposal of coal mining and coal trading business in Indonesia in FY2012.

Current liabilities of USD0.05 million in FY2012 were re-allocated from the "other payables" of disposed subsidiary, Xi'an Cenozoic Petro Tech Co.

Amount due to non-controlling interests of USD0.18 million in FY2011 was decreased to zero in FY2012. This was due to the disposal of subsidiaries, Evermate Capital Resources Limited and Unison Capital Resources Limited.

Non-current liabilities of USD12.5 million in FY2012 related to the convertible bonds and an accrued coupon interest as at 31 December 2012.

Net assets value stood at USD26.07 million of the Group in FY2012 compared to USD31.09 million in FY2011. The decreased net assets value was attributable to the operating loss incurred during FY2012.

BOARD OF DIRECTORS AND OFFICERS

Mr. Chan Shut Li, William

Executive Chairman and Chief Executive Officer

Mr. Chan is the Chairman and Chief Executive Officer of Mirach Energy. He is largely 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 largely responsible for the development of the Group's business operations, where he is engaged in business development activities and their subsequent implementation. Mr. Chan is also the Chairman of CPHL (Cambodia) Co. Ltd. He holds a Master's Degree in Business Administration from Murdoch University in Australia and is a member of the Society of Petroleum Engineers USA. Mr Chan is also a member of the UK Institute of Financial Accountants, as well as a full member of the Society of Registered Financial Planners of Hong Kong.

Mr. Wang Jieming

Non-Executive Director

Mr. Wang was appointed a Non-Executive Director of Mirach Energy in May 2011 following the subscription of convertible loans by Legend Luso Investment Company Limited. He has been appointed as the Managing Director of Macau Legend Luso Investment Company Limited and China Fairwind (Beijing) Investment Company Limited since 2010. Mr Wang is also 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.

Ms. 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.

Mr. 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.

Mr. 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.

Dr. Hu Xiaoying, Helen

Chief Financial Officer

Dr. Helen Hu is the Chief Financial Officer. She has experience in finance, administrative and accounting work in the energy, technology transformation and chemical engineering industries. Before joining Mirach Energy, Dr. Hu was engaged as the Finance Manager of Shine Technology UK Limited and a Project and Financial Manager of Beijing Ceres International Trading Limited. She also held positions as the Project Coordinator at the Business School of the University of Birmingham and as a Representative at the University of York in China. Prior to that, Ms Hu was the Accounting Manager of a start-up company Applied Spectroscopy Research, York. Dr. Hu holds Bachelor's degrees in Mechanical Engineering from Beijing University of Technology and Economics and Management from Nanjing University of Technology in China. Before she was sponsored by European research fund for her further education in UK, she was employed by the Chinese Academy Sciences. In UK, Dr.Hu completed a Master degreein Economics and Finance at the University of York and obtained her PhD in Economics.

EXPLORATION AND PRODUCTION TEAM (E&P TEAM)

Dr. Wang Jue

Head of E&P and CEO of CPHL Cambodia

Dr. Wang has more than 25 years of experience in the oil and gas industry and has won various awards for her 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.

Mr. Luo Jinquan

Production Manager, E&P

Mr. Luo has more than 23 years of experience in managing oil and gas field production. Prior to joining Mirach, 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.

Mr. Yu Guozhu, Frank

Director, Oil and Gas Planning

Mr. Yu is responsible for the appraisal, development and management of oil and gas concessions 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, 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.

Mr. Xie Chenghua

Representative of Indonesian Office

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 ("RIPED") of PetroChina. Mr. Xie holds a Bachelor's degree in Petroleum Engineering from the China Petroleum University and a Master of Business Administration (MBA) from ESC-Pau Business School in France.

Dr. Li Youqing

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.

Mr. Yin Fenglong

Vice President, Kampung Minyak Field, Indonesia

Mr. Yin is the Vice President of PT. Kampung Minyak Energy. His experience in the oil industry stretches over 20 years, covering all aspects of project management for production operations, engineering technology, security supervisions, EOR applications, field process and facilities construction, etc. He mainly worked in Daqing Field in China in various technical and managerial positions. He took charge of and participated in many EOR projects, including water flooding, chemical flooding, and the pilot of CO2 flooding. Mr. Yin holds a Bachelor's degree in Petroleum Geology and a Master's degree in Petroleum Engineering from Northeast Petroleum University.

Dr. Wang Wenming

Chief Geologist, Kampung Minyak Field, Indonesia

Dr. Wang is the Chief Geologist for the Kampung Minyak field. Dr. Wang is an accomplished geologist with approximately 18 years of experience and was engaged at the largest oilfield in China, the Daqing Oilfield. At the Daqing oilfield, he took charge of well pattern design and drilling operations of over 1,200 appraisal and development wells and achieved a 98 per cent. success rate. He was also awarded the Technical Innovation and Outstanding Contribution award by PetroChina. Dr. Wang holds a Bachelor's degree in Petroleum Geology from the Northeast Petroleum University, a Master's degree in Structural Geology from Peking University and a Ph.D in Palaeontology and Stratigraphy from Jilin University.

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 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 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.

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.

Matters which are specifically reserved to the full Board for decision making 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.

CORPORATE GOVERNANCE REPORT

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 matter that may arise. The Articles of Association allow a Board meeting to be conducted by way of a tele-conference or a video-conference. All Board members bring about an independent judgement 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 22.

Principle 2:
There should be a strong and independent element on the Board, which is able to exercise objective judgement 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 5 members, 1 of whom is an executive director, 1 is a non-executive and 3 are independent directors, making up more than one-half 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 more than half of the Board 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.

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.

CORPORATE GOVERNANCE REPORT

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. 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 2012 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 22.

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 and recommendation from the 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.

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 are 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 that 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;

CORPORATE GOVERNANCE REPORT

- 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 or her representative 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 or her representative 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 director. 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.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, all of whom are independent. 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 2012 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 22.

CORPORATE GOVERNANCE REPORT

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 that 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.

(b) **Fees**

The fees paid/payable to independent directors take into account factors such as effort and time spent, and responsibilities of these directors. The remuneration of independent directors is 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.

CORPORATE GOVERNANCE REPORT

(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 25.

REMUNERATION MATTERS

A breakdown showing the level and mix of each individual director's remuneration payable for FY 2012 is as follows:

	2011	2012
$500,000 and above	–	
$250,000 to below $500,000	–	
Below $250,000	6	6
Total	6	6

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
Lim Jun Xiong, Steven	Below S$250,000	–	–	–	100	100
Xing Heping	Below S$250,000	–	–	–	100	100
Wang Jiemin	Below S$250,000	–	–	–	100	100

* Mr Lui Che Kin, Gordon, resigned as Director and Chief Financial Officer with effect from 15 September 2012.

Remuneration of the top 4 key executives (who are not directors)

Name	Remuneration Band	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Helen Hu Xiaoying**	Below S$250,000	100	–	–	–	100
Wang Jue	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
Li Youqing	Below S$250,000	100	–	–	–	100

** Dr Helen Hu Xiaoying was appointed as Chief Financial Officer with effect from 15 September 2012.
*** Ms. Lam Mei Fong, Joanna, resigned as the financial controller with effect from 24 November 2012.

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

CORPORATE GOVERNANCE REPORT

(C) ACCOUNTABILITY AN 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 judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on an 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 ("AC") 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. 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 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 FY2012 amounted to USD161,000. Non-audit fees of USD2,500 relating to professional tax services rendered were paid/payable to an affiliated company of our Company's independent auditors, LTC LLP, during FY2012.

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 the independent auditors.

In 2012 the Audit Committee had 4 meetings. The Executive Chairman and the Chief Financial Officer were invited to attend the meetings.

CORPORATE GOVERNANCE REPORT

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;
- 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 judgemental 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.

CORPORATE GOVERNANCE REPORT

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 2012. The Company's finance department and the independent auditors review the Group's internal controls, risk management and compliance systems and report findings and make 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 2012 prepared by the independent auditors. 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 auditors to safeguard the Company's internal controls.

(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 sessions. 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 addressed 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(19) 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 COMMITTEES MEETINGS HELD IN 2012

	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 ('ED')												
Chan Shut Li, William	C	6	6	–	–	–	M	1	1	–	–	–
Lui Che Kin, Gordon**	M	6	5	–	–	–	–	–	–	–	–	–
Non-Executive Director												
Wang Jiemin		6	5		–	–	–	–	–	–	–	–
Independent Directors												
Liu Mei Ling, Rhoda	M	6	6	C	4	4	M	1	1	M	1	1
Xing Heping	M	6	6	M	4	4	M	1	1	C	1	1
Lim Jun Xiong, Steven	M	6	5	M	4	4	C	1	1	M	1	1

Denotes:

C – Chairman,
M – Member

* Number of Meetings held /attended during the financial year from 1 January 2012 to 31 December 2012 or during the period the person was a director

** Mr Lui Che Kin Gordon resigned as Director and Chief Financial Officer on 15 September 2012

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 AC and Board. The risk issues are highlighted on pages 66 to 73 under note 31 to 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 AC 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 2012.

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 2012 and the statement of financial position of the Company as at 31 December 2012.

Directors

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

Chan Shut Li, William
Liu Mei Ling, Rhoda
Xing Heping
Lim Jun Xiong, Steven
Wang Jiemin

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 (Resigned on 15 September 2012)	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 2013.

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' contractual benefits

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 30 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.

DIRECTORS' REPORT

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.

(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 20 percent) 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.

DIRECTORS' REPORT

(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 2012, there are 3.5 million outstanding options under the Mirach Energy Scheme. Details of options granted to directors up to 31 December 2012, have been disclosed in the Directors' interests section.

Call Option

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 SGD0.12 for each option share. This Call Option will have a life span of five years. As at 31 December 2012, 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.

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

Liu Mei Ling, Rhoda
Director

Singapore, 3 April 2013

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 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 2012 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

Liu Mei Ling, Rhoda
Director

Singapore, 3 April 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of Mirach Energy Limited
For the financial year ended 31 December 2012

Report on the Financial Statements

We have audited the accompanying financial statements of Mirach Energy Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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; and 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 judgement, 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 of 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.

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 2012, 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, 3 April 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	Note	Group 2012	Group 2011
		USD'000	USD'000 (Represented)
Continuing Operations			
Revenue	3	1,048	1,631
Cost of sales		(68)	(554)
Gross profit		**980**	**1,077**
Other income	4a	89	1,941
Selling and distribution expenses		(205)	(293)
Administrative expenses		(3,271)	(2,474)
Other operating expenses		(1,696)	(1,169)
Loss from operating activities		**(4,103)**	**(918)**
Finance income		128	48
Finance costs		(962)	(663)
Net finance cost	4d	**(834)**	**(615)**
Share of loss of associate	5	(234)	(236)
Share of loss of a joint venture	6	–	(21)
Loss before income tax	4	**(5,171)**	**(1,790)**
Income tax	7	–	–
Loss from continuing operations for the year		**(5,171)**	**(1,790)**
Discontinued operation			
Loss from discontinued operations, net of tax	8	(584)	(1,939)
Total loss for the financial year		**(5,755)**	**(3,729)**
Other comprehensive income:			
Reclassification of currency translation reserves on disposal of subsidiaries		68	–
Reclassification of currency translation reserves on partial disposals of an associate and a joint venture		–	87
Currency translation differences arising from consolidation		61	287
Other comprehensive income, net of tax		**129**	**374**
Total comprehensive loss for the year		**(5,626)**	**(3,355)**
Loss attributable to:			
Equity holders of the Company		(5,593)	(3,281)
Non–controlling interests		(162)	(448)
		(5,755)	(3,729)
Total comprehensive loss attributable to:			
Equity holders of the Company		(5,464)	(2,913)
Non–controlling interests		(162)	(442)
		(5,626)	(3,355)
Loss per share:			
From continuing operations (USD cents):			
- Basic and diluted	9	(0.65)	(0.18)
From discontinued operations (USD cents):			
- Basic and diluted	9	(0.08)	(0.25)

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

	Note	Group 2012 USD'000	Group 2011 USD'000	Company 2012 USD'000	Company 2011 USD'000
Current assets					
Cash and cash equivalents	10a	5,550	10,971	592	4,954
Pledged fixed deposit	10b	2,501	2,501	–	–
Trade and other receivables	11	818	800	467	353
Amounts due from an associate	12	17,120	15,120	5,786	1,808
Amounts due from subsidiaries (non–trade)	13	–	–	17,058	15,747
Inventories	14	334	62	–	–
		26,323	29,454	23,903	22,862
Assets of disposal group classified as held for sale	15	–	–	11,034	–
		26,323	**29,454**	**34,937**	**22,862**
Non–current assets					
Property, plant and equipment	16	169	273	26	38
Intangible assets	17	9,389	10,082	–	–
Deferred mining expenditure/Exploration and evaluation expenditure	18	915	–	–	–
Other receivables and prepayments	19	–	1,210	–	–
Available–for–sale financial assets	21	–	599	–	319
Subsidiaries	22	–	–	5,748	16,890
Associate	5	5,506	5,740	7,486	7,486
		15,979	**17,904**	**13,260**	**24,733**
Total assets		**42,302**	**47,358**	**48,197**	**47,595**
Equity attributable to equity holders of the Company					
Share capital	23	40,855	40,855	40,855	40,855
Reserves	24	(14,627)	(9,236)	(19,936)	(17,675)
		26,228	31,619	20,919	23,180
Non–controlling interests		(161)	(529)	–	–
Total equity		**26,067**	**31,090**	**20,919**	**23,180**
Current liabilities					
Trade and other payables	25	3,691	4,143	2,673	2,444
Amounts due to subsidiaries (non–trade)	13	–	–	30	10,025
Amount due to non–controlling interests of a subsidiary	26	–	179	–	–
		3,691	4,322	2,703	12,469
Liabilities of disposal group classified as held for sale	15	46	–	12,077	–
		3,737	**4,322**	**14,780**	**12,469**
Non–current liabilities					
Convertible bonds	27	12,498	11,946	12,498	11,946
		12,498	11,946	12,498	11,946
Total liabilities		**16,235**	**16,268**	**27,278**	**24,415**
Total equity and liabilities		**42,302**	**47,358**	**48,197**	**47,595**

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 2012

	Share capital	Merger reserve	Statutory /equity reserves	Foreign exchange reserve	Accumulated losses	Total attributable to equity holders of the Company	Non–controlling interests	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Group								
At 1 January 2011	**40,855**	**763**	**1,341**	**(1,430)**	**(8,022)**	**33,507**	**(87)**	**33,420**
Issue of convertible bonds (note 27)	–	–	969	–	–	969	–	969
Option expense recognised	–	–	50	–	–	50	–	50
Total comprehensive (loss)/ 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**
At 1 January 2012	**40,855**	**763**	**2,360**	**(1,056)**	**(11,303)**	**31,619**	**(529)**	**31,090**
Option expense recognised	–	–	73	–	–	73	–	73
Disposal of subsidiaries	–	–	–	–	–	–	530	530
Total comprehensive (loss)/ income for the year	–	–	–	129	(5,593)	(5,464)	(162)	(5,626)
At 31 December 2012	**40,855**	**763**	**2,433**	**(927)**	**(16,896)**	**26,228**	**(161)**	**26,067**

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 2012

	2012 USD'000	2011 USD'000 (Represented)
Cash flows from operating activities		
Loss before income tax from continuing operations	(5,171)	(1,790)
Loss before income tax from discontinued operations	(584)	(1,846)
	(5,755)	(3,636)
Adjustments for:		
Interest expenses	962	663
Interest income	(128)	(49)
Depreciation of property, plant and equipment	95	98
Option expense recognised	73	50
Loss on disposal of subsidiaries	275	–
Loss on disposal of available–for–sale financial assets	589	–
Impairment loss on deferred mining expenditure/ Exploration and evaluation expenditure	–	717
Gain on partial disposal of an associate	–	(1,117)
Gain on partial disposal of a joint venture	–	(327)
Amortisation of deferred mining expenditure/ Exploration and evaluation expenditure	–	948
Amortisation of intangible assets	693	318
Share of loss of an associate	234	236
Share of loss of a joint venture	–	21
Operating cash flows before working capital changes	**(2,962)**	**(2,078)**
Changes in operating assets and liabilities:		
Inventories	(332)	76
Trade and other receivables and prepayments	128	(710)
Amount due from an associate	(2,001)	(1,259)
Trade and other payables	817	1,065
Cash used in operations	(4,350)	(2,906)
Interest received	128	49
Interest paid	(5)	(45)
Cash flows used in operating activities	**(4,227)**	**(2,902)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(7)	(130)
Purchase of intangible assets	–	(10,400)
Net proceeds from disposal of subsidiaries	4	–
Net proceeds from partial disposal of an associate	–	1,198
Net proceeds from partial disposal of a joint venture	–	397
Payment for mining expenditure	–	(1,060)
Payment for exploration and evaluation expenditure	(915)	–
Cash flows used in investing activities	**(918)**	**(9,995)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2012

	2012	2011
	USD'000	USD'000 (Represented)
Cash flows from financing activities		
Issue of convertible bonds	–	13,694
Transaction cost for issue of convertible bonds	–	(1,196)
Payment of convertible bonds interests	(405)	(201)
Pledged fixed deposit	–	(2,501)
Cash flows (used in)/generated from financing activities	**(405)**	**9,796**
Net decrease in cash and cash equivalents	(5,550)	(3,101)
Cash and cash equivalents at beginning of the year	10,971	13,688
Effects of exchange rate changes on balances held in foreign currencies	129	384
Cash and cash equivalents at end of the year	**5,550**	**10,971**

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

	2012
	USD'000
Net identifiable assets disposed:	
Cash and cash equivalents	22
Property, plant and equipment	16
Inventories	88
Trade receivables	186
Other receivables and prepayments	1,225
Trade payable	(525)
Other payables	(1,220)
Net identifiable liabilities disposed	(208)
Non–controlling interests	530
Release of exchange translation reserve	54
	376
Loss on disposal of subsidiaries	(275)
Total consideration	101
Total cash proceeds from disposals	101
Less: Consideration receivable	(75)
Cash and cash equivalents in subsidiary disposed	(22)
Net cash inflow on disposal	4

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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 2012 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 36.

(b) 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 2012, the Group has recorded a net cash outflow from operating activities of approximately USD4,227,000 (2011: USD2,902,000) and a loss attributable to equity holders of the Company of approximately USD5,593,000 (2011:USD3,281,000). Whilst the Group has continued recording net losses for six 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 2012, the Group has net current assets of approximately USD22,586,000 including cash and cash equivalents of approximately USD5,550,000; and

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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

2.1 Basis of preparation (cont'd)

(b) Going concern assumptionv (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 2012, the Group's cash and cash equivalents is more than 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.

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

On 1 January 2012, 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) Crude oil production income

Revenue associated with the sale of crude oil is recognized when the significant risks and rewards of ownership have been transferred, which is when title passes from the operator to the purchaser. However, under KSO contract, the share of Company of oil production is directly purchased by its Indonesia partner, Pertamina. Therefore, the risk of revenue of sale is mitigated for any consideration. Under KSO Contracts, the group is entitled to share of the crude oil above a baseline production defined in the contract and revenue is derived from cost recovery and profit of sale of oil and gas. Generally, cost of recovery oil and gas allows the Company to recover its capital and production costs which is up to 80% of the incremental oil production. Profit oil is distributed between the host government and contract parties in accordance with their respective equity interests.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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 2012

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 2012

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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)

(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
Oil production equipment	4 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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)

(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.

(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 evaluation 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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)

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.

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.

Loans and receivables

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 longer 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.

Financial assets, available–for–sale

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 2012

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–sale 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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 (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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

2.2 Summary of significant accounting policies (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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

2.2 Summary of significant accounting policies (cont'd)

(s) Currency translation (cont'd)

(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.

(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 excluding any pledged deposits.

(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) Disposal groups classified as held for sales and discontinued operations

Disposal groups are classified as assets held–for–sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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

2.2 Summary of significant accounting policies (cont'd)

(v) Disposal groups classified as held for sales and discontinued operations (cont'd)

The assets are not depreciated or amortised while they are classified as held–for–sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

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 is as follows:

	Group	
	2012	2011
	USD'000	USD'000 (Represented)
Continuing operations		
Oilfield services	1,048	1,631
	1,048	1,631

4 Loss before income tax

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

	Group	
	2012	2011
	USD'000	USD'000 (Represented)
(a) Other income		
Net foreign exchange gains	(88)	–
Gain on partial disposal of an associate	–	(1,117)
Gain on partial disposal of subsidiary	(1)	–
Gain on partial disposal of a joint venture	–	(327)
Forfeited deposit income	–	(486)
Sundry income	–	(11)
	(89)	(1,941)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

4 Loss before income tax (Cont'd)

	Group	
	2012	2011
	USD'000	USD'000 (Represented)
(b) Staff costs		
Wages and salaries (including directors' remunerations)	1,299	1,126
Contributions to defined contribution plans	16	33
	1,315	1,159
(c) Other items		
Cost of inventories sold	68	554
Auditors' remuneration	161	146
Depreciation of property, plant and equipment	93	91
Amortisation of intangible assets	693	318
Impairment loss on deferred mining expenditure and exploration and evaluation expenditure	–	717
Operating lease charges in respect of office premises	416	350
Loss on disposal of available–for–sale financial assets	589	–
Loss on disposal of subsidiaries	276	–
Net foreign exchange losses	–	72
(d) Net finance cost		
Finance income:	(128)	(48)
Finance costs:		
(i) Interest charges	5	45
(ii) Interest expense on convertible bonds (note 27)	957	618
Net finance cost	834	615

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 Associate

	Group		Company	
	2012	2011	2012	2011
	USD'000	USD'000	USD'000	USD'000
Investment in associate, at cost	7,486	8,715	7,486	8,715
Share of post–acquisition reserves	(1,980)	(2,575)	–	–
Reclassified to available-for-sale financial assets (note 21)	–	(319)	–	(319)
Disposal	–	(81)	–	(910)
Unquoted equity share, net	5,506	5,740	7,486	7,486

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

5 Associate (Cont'd)

Details of the associate are as follows:

Name of associate	Principal activities	Country of incorporation/ business	Effective equity held by the Group	
			2012	2011
			%	%
CPHL (Cambodia) Co., Ltd[1]	Oil and gas exploration and production	Kingdom of Cambodia	48	48

[1] Audited by KPMG Cambodia Ltd., Cambodia.

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 associate is set out below:

	Group	
	2012	2011
	USD'000	USD'000
Total assets	18,125	15,227
Total liabilities	(20,611)	(17,226)
Net liabilities	(2,486)	(1,999)
Group's share of associate's net liabilities	(1,193)	(960)
Unproved concessionary rights	8,261	8,261
Deferred tax liabilities on unproved concessionary rights	(2,478)	(2,478)
Loss for the year	(478)	(512)
Group's share of associate's loss for the year	(234)	(236)

6 Joint venture

	Group	
	2012	2011
	USD'000	USD'000
Investment in a joint venture, at cost	–	425
Disposal	–	(70)
Share of post–acquisition reserves	–	(75)
	–	280
Reclassified to available–for–sale financial assets (note 21)		(280)
Unquoted equity share, net	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

6 Joint venture (Cont'd)

Details of a joint venture is as follows:

Name of joint venture	Principal activities	Country of incorporation/ business	Effective equity held by the Group	
			2012	2011
			%	%
PT Petroenergy Utama Wiriagar[1]	Oil and gas exploration and production	Indonesia	–	40

[1] As at 31 December 2011, the joint venture has been reclassified as available–for–sale financial assets (note 21).

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

	2011
	USD'000
Non–current assets	–
Current assets	–
Total assets	–
Current liabilities	–
Total liabilities	–
Revenue	–
Expense	(21)
Net loss for the year	(21)

7 Income tax expense

	Group	
	2012	2011
	USD'000	USD'000 (Represented)
Deferred tax expense		
Deferred income tax expense (notes 8 and 20)	–	(93)
Reconciliation of effective tax rate		
Loss before income tax		
Loss from continuing operation	(5,171)	(1,790)
Loss from discontinued operations	(584)	(1,846)
Notional tax on loss before income tax, calculated at the rates applicable to profits in the countries concerned	(1,115)	(867)
Non–deductible expenses	718	995
Non–taxable revenue	(125)	(899)
Deferred tax assets not recognised	522	864
	–	93

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

8 Discontinued operations

On 30 June 2012, the Company entered into a conditional sale and purchase agreement ("Agreement") with PT Gerbang Tumbuh Mandiri ("Purchaser") to dispose of its 80% equity interest in Evermate Capital Resources Limited ("Evermate") and Unison Capital Resources Limited ("Unison") for a cash consideration of USD100,000. Pursuant to the Agreement, the disposal was deemed to take place on 30 April 2012 when the Company passed the control of Evermate and Unison to the Purchaser.

Upon signing the Agreement, the Company's effective equity interests in PT Evermate Capital Resources Indonesia ("ECRI") has been disposed of through the disposal of Evermate and Unison, of which Evermate and Unison are holding 80% and 20% equity shares in ECRI respectively. The principal activities of ECRI are coal mining and trading. Accordingly, these operations were presented as discontinued operations since 30 April 2012.

Analysis of loss for the year from discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative results from the discontinued operations have been re–presented to include those operation classified as discontinued in current year.

	Group	
	2012	**2011**
	USD'000	**USD'000**
The results of the discontinued operations for the year is as follows:		
Revenue	–	3,310
Other income	–	2
Expenses	(308)	(5,158)
	(308)	(1,846)
Loss on disposal of subsidiaries	(276)	–
Loss for the year from discontinued operations	(584)	(1,846)
Income tax expense (Notes 7 and 20)	–	(93)
Loss for the year from discontinued operations, net of tax	(584)	(1,939)
The impact of the discontinued operation on the cash flows of the Group is as follows:		
Net cash inflows generated from operating activities	(128)	267
Net cash outflows used from investing activities	(6)	(1,065)
Net cash inflows used from financing activities	–	84
Net cash inflow	(134)	(714)

9 Loss per share

The calculation of the basic per share from continuing operations and discontinued operations 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

9 Loss per share (Cont'd)

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
		(Represented)		(Represented)		(Represented)
Loss attributable to equity holders of the Company (USD'000)	5,009	1,342	584	1,939	5,593	3,281
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)	0.65	0.18	0.08	0.25	0.73	0.43

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	
	2012	2011	2012	2011
	USD'000	USD'000	USD'000	USD'000
Cash at bank and in hand	5,550	10,971	592	4,954

(b) Pledged fixed deposit

The Group's bank deposit at 31 December 2012 has an average maturity of 1 month (2011: 1 month) with the weighted average effective interest rate of 2.37% (2011: 2.37%) per annum. This deposit was 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 Group, 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.

11 Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	USD'000	USD'000	USD'000	USD'000
Trade receivables	100	1,775	–	–
Allowance for doubtful trade receivables	–	(1,181)	–	–
Net trade receivables	100	594	–	–
Other receivables	683	8	455	284
Net receivables	783	602	455	284
Prepayments	35	198	12	69
	818	800	467	353

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

11 Trade and other receivables (Cont'd)

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

	Group	
	2012	2011
	USD'000	USD'000
Balance at beginning of year	1,181	1,181
Current year charge	–	5
Amount written off	(1,181)	(5)
Balance at end of year	–	1,181

12 Amount due from an associate

	Group		Company	
	2012	2011	2012	2011
	USD'000	USD'000	USD'000	USD'000
Non–trade	9,982	8,926	5,786	1,808
Trade	7,138	6,194	–	–
	17,120	15,120	5,786	1,808

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

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

	Company	
	2012	2011
	USD'000	USD'000
Amounts due from subsidiaries		
– non–trade	17,058	15,747
Amounts due to subsidiaries		
– non–trade	(30)	(10,025)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

14 Inventories

	Group		Company	
	2012	2011	2012	2011
	USD'000	USD'000	USD'000	USD'000
Spare parts	334	2	–	–
Coal	–	60	–	–
	334	62	–	–
Carrying amount of inventories	604	330	249	234
Allowance for impairment loss on inventories	(270)	(268)	(249)	(234)
	334	62	–	–

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

	Group 2012	Group 2011	Company 2012	Company 2011
Balance at beginning of year	268	268	234	234
Exchange difference	2	–	15	–
Balance at end of year	270	268	249	234

15 Assets and liabilities of disposal group classified as held for sale

During the financial year, the Company initiated the disposal of Xi'an Cenozoic Petro Tech Co. Ltd (the "Disposal Subsidiary"). On 21 January 2013, the Company entered into a conditional sale and purchase agreement with Xi'an Changyou Information Technology Company Limited relating to the sale of 100% equity interest in the Disposal Subsidiary for a consideration of RMB6,000. The consideration will be satisfied in cash. The Disposal Subsidiary was principally engaged in provision of data management information systems, information technology solutions, design, development and sale of standardised business software solutions. The disposal is detailed in the Company's announcement dated 29 January 2013.

In accordance with SFRS 5, as the Company has met the criteria of "highly probable" for the sales of equity interest of the Disposal Subsidiary at the end of the reporting period. The investment in the Disposal Subsidiary will be classified as held for sale and those assets (except for cash at bank) and liabilities of the Disposal Subsidiary shall be presented separately in the statements of financial position of the Company and the Group.

The major class of assets and liabilities classified as held for sale for the Group and Company were as follows:

	USD'000
Group	
Liabilities of disposal group classified as held for sale	
Trade and other payables	46
Company	
Assets of disposal group classified as held for sale	
Investment in a subsidiary (note 22)	11,034
Liabilities of disposal group classified as held for sale	
Amount due to a subsidiary	12,077

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

16 Property, plant and equipment

	Computer equipment	Furniture, fixture, sand office equipment	Motor vehicles	Oil production equipment	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Group					
Cost					
At 1 January 2011	250	223	126	–	599
Additions	7	100	23	–	130
Exchange difference	6	5	4	–	15
At 31 December 2011	263	328	153	–	744
Additions	1	2	3	1	7
Disposal of subsidiaries	(4)	(24)	–	–	(28)
Exchange difference	1	1	1	–	3
At 31 December 2012	261	307	157	1	726
Accumulated depreciation and impairment loss					
At 1 January 2011	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
Depreciation charge for the year	24	52	19	–	95
Disposal of subsidiaries	(1)	(11)	–	–	(12)
Exchange difference	1	1	1	–	3
At 31 December 2012	241	223	93	–	557
Carrying amount					
At 31 December 2012	20	84	64	1	169
At 31 December 2011	46	147	80	–	273

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

16 Property, plant and equipment (Cont'd)

	Computer equipment	Furniture, fixtures and office equipment	Total
	USD'000	USD'000	USD'000
Company			
Cost			
At 1 January 2011	18	89	107
Additions	6	–	6
At 31 December 2011	24	89	113
Additions	1	–	1
At 31 December 2012	25	89	114
Accumulated depreciation and impairment loss			
At 1 January 2011	13	49	62
Depreciation charge for the year	3	10	13
At 31 December 2011	16	59	75
Depreciation charge for the year	2	11	13
At 31 December 2012	18	70	88
Carrying amount			
At 31 December 2012	7	19	26
At 31 December 2011	8	30	38

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

17 Intangible assets

	Acquired software	Development costs	Goodwill	Unproved concessionary rights	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Group					
Cost					
At 1 January 2011	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
Additions	–	–	–	–	–
Disposal of subsidiaries	–	–	(1,315)	–	(1,315)
At 31 December 2012	1,459	282	–	10,400	12,141
Accumulated depreciation and impairment loss					
At 1 January 2011	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
Amortisation charge for the year	–	–	–	693	693
Disposal of subsidiaries	–	–	(1,315)	–	(1,315)
At 31 December 2012	1,459	282	–	1,011	2,752
Carrying amount					
At 31 December 2012	–	–	–	9,389	9,389
At 31 December 2011	–	–	–	10,082	10,082

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

18 Deferred mining expenditure/ Exploration and evaluation expenditure

	Deferred mining expenditure	Exploration and evaluation expenditure	Total
	USD'000	USD'000	USD'000
Group			
Cost			
At 1 January 2011	679	80	759
Additions	1,060	–	1,060
At 31 December 2011	1,739	80	1,819
Additions		915	915
Disposal of subsidiaries	(1,717)	(79)	(1,796)
Exchange difference	(22)	(1)	(23)
At 31 December 2012	–	915	915
Accumulated depreciation and impairment loss			
At 1 January 2011	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
Disposal of subsidiaries	(1,717)	(79)	(1,796)
Exchange difference	(22)	(1)	(23)
At 31 December 2012	–	–	–
Carrying amount			
At 31 December 2012	–	915	915
At 31 December 2011	–	–	–

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 exploration and evaluation expenditure, no impairment loss of exploration and evaluation expenditure is recognised in the consolidated statement of comprehensive income (2011: USD51,000).

19 Other receivables and prepayments

		Group		Company	
		2012	2011	2012	2011
		USD'000	USD'000	USD'000	USD'000
Deposit	(i)	–	110	–	–
Prepayments	(ii)	–	1,100	–	–
		–	1,210	–	–

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

20 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	
	2012	2011
	USD'000	USD'000
Tax Losses		
At beginning of the year	–	93
Deferred tax debited to profit or loss (notes 7 & 8)	–	(93)
Foreign exchange difference	–	–
At end of the year	–	–

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 unrecognised tax losses of approximately USD2,108,000 (2011: USD2,630,000) 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.

21 Available–for–sale financial assets

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

	Group		Company	
	2012	2011	2012	2011
	USD'000	USD'000	USD'000	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 signed in July 2011, 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. 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 were 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

21 Available–for–sale financial assets (Cont'd)

However, on or before 1 September 2012, Permanent failed to complete the three years operational obligations, the Company re–acquired the shares interest in PTKE and PTW from Permanent.

On 18 November 2012, the Company entered into conditional sales and purchase agreements with PT Remaja Bangun Kencana to dispose of its entire share interest in PTKE and PTW at aggregate considerations of USD2. The Group recognised the carrying amount of available-for-sale financial assets of consideration received as a loss on disposal in the comprehensive income statement.

22 Subsidiaries

	Company	
	2012	2011
	USD'000	USD'000
Unquoted equity shares, at cost	16,782	18,779
Reclassified to asset of disposal group classified as held for sale (note 15)	(11,034)	–
Impairment loss, net	–	(1,889)
	5,748	16,890

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

Balance at beginning of year	(1,889)	(1,889)
Reversal of impairment loss	1,889	–
Balance at end of year	–	(1,889)

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ business	Effective equity held by the Group	
			2012	2011
			%	%
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	100
East Energy Inc. Limited	Investment holding	Hong Kong	100	100
Prisma Kemuning Mandiri Limited	Investment holding	BVI	95	95
Prisma Kampung Minyak Limited	Investment holding	BVI	97.5	97.5
PT Kampung Minyak Energy	Provision of oil exploration and production	Indonesia	92.6	92.6

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

22 Subsidiaries (Cont'd)

Name of subsidiary	Principal activities	Country of incorporation/ business	Effective equity held by the Group	
			2012	2011
			%	%
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
CPHL (HK) Limited	Investment holding	Hong Kong	100	100
Evermate Capital Resources Limited and its subsidiary:	Investment holding	Hong Kong	–	80
PT Evermate Capital Resources Indonesia ("ECRI")	Coal mining and trading	Indonesia	–	80
Unison Capital Resources Limited	Investment holding	Hong Kong	–	80

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

PT Kampung Minyak Energy is audited by Tjahjadi & Tamara, 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 were satisfied that the appointment of different auditors for its subsidiaries, would not compromise the standard and effectiveness of the audit of the Group.

* Xi'an Cenozoic Petro Tech Co. Ltd. has been reclassified to assets of disposal group classified as held for sale (note 15)

23 Share capital

Issued and fully paid

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

	Company					
		2012			2011	
	No of shares	SGD'000	USD'000	No of shares	SGD$'000	USD'000
Issued and fully paid:						
At 1 January and 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 receiving 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

24 Reserves

		Group		Company	
		2012	2011	2012	2011
	Note	USD'000	USD'000	USD'000	USD'000
Statutory/equity reserves	(i)	2,433	2,360	1,559	1,486
Merger reserve	(ii)	763	763	–	–
Foreign exchange reserve	(iii)	(927)	(1,056)	–	–
Accumulated losses		(16,896)	(11,303)	(21,495)	(19,161)
		(14,627)	(9,236)	(19,936)	(17,675)

(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 27).

(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 2012

25 Trade and other payables

		Group		Company	
		2012	2011	2012	2011
		USD'000	USD'000	USD'000	USD'000
Trade payables		664	777	–	–
Other taxes payable		8	155	–	–
Other payables	(i)	2,550	2,757	2,311	2,311
Deposit received	(ii)	163	–	163	–
Accruals		306	454	199	133
		3,691	4,143	2,673	2,444

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

(ii) Deposit received represents the first tranche upfront payment made by Bon International Group Limited (the "Subscriber") for subscription to an aggregate of 38,333,418 of Company's new ordinary shares (the "New Shares") at an issue price of SGD0.12 for each share. Pursuant to the subscription agreement dated 25 October 2012, the deposit was subsequently forfeited after the end of the reporting period as the Subscriber did not execute the subscription of New Shares on expiry date.

26 Amount due to non–controlling interests of a disposed 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 disposed subsidiary is unsecured, non–interest bearing and no fixed terms of repayment.

27 Convertible bonds

The Company issued SGD16,900,000 3% convertible bonds on 27 April 2011. The bonds mature three years from the issue date at their nominal value of SGD16,900,000 (equivalent to USD13,694,000 due in year 2014) or can be converted into shares at the holder's option at maturity date at an issue price of SGD0.12 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	
	2012	2011
	USD'000	USD'000
Face value of convertible bonds issued on 27 April 2011	13,694	13,694
Transaction costs	(1,196)	(1,196)
Equity component [note 24(i)(c)]	(969)	(969)
Liability components on initial recognition as at 27 April 2011	11,529	11,529
Interest expense	1,575	618
Interest paid	(606)	(201)
Liability components as at 31 December	12,498	11,946

The carrying amount of convertible bonds is denominated in SGD15,436,000 (2011: SGD14,753,000)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

28 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 SGD0.12 on 27 April 2011, amounting to an aggregate purchase price of SGD1,200,000 and which expires on 27 April 2016. The Group recognised a call option expense of approximately USD73,000 (2011: USD50,000) during the year ended 31 December 2012. No call option was being exercised as at 31 December 2012.

29 Commitments

Operating lease commitments

The total minimum lease payments under non–cancellable operating leases in respect of properties are payable as follows:

	Group	
	2012	**2011**
	USD'000	**USD'000**
Within one year	436	342
After one year but within five years	688	906
	1,124	1,248

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:

Capital commitments in relation to the work program project	2,000	–

Note:

Work program project represents the required technical assessment and operational costs associated with the drilling process in oilfield of Indonesia to be carried out by PT Kampung Minyak Energy, a subsidiary of the Group, during the three–year–commitment in accordance with the clauses under the KSO.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

30 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	
	2012	2011
	USD'000	USD'000
Short–term employee benefits	633	621

The above total compensation for the Group for the executive directors of the Company amounted to approximately USD299,000 (2011: USD314,000).

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	
	2012	2011
Number of directors in remuneration band below SGD250,000	5	6

31 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 2012

31 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 2012, no trade receivables that were past due and impaired had been provided for (2011: USD1,181,000). Trade receivables that were neither past due nor impaired amounted to USD100,000 (2011: USD594,000) related to credit–worthy customers. The aging of these customers falls within two months (2011: nine 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.

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 timely manner.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

31 Financial risks management (Cont'd)

Liquidity risk (cont'd)

The Group has sufficient cash and cash equivalents to ensure necessary liquidity. As at 31 December 2012, the financial liabilities maturities within 6 months are as follows:

	Group		Company	
	2012	2011	2012	2011
	USD'000	USD'000	USD'000	USD'000
Trade and other payables	3,691	4,143	2,673	2,444

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 2012

31 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	IDR	USD	SGD	GBP	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Group						
As at 31 December 2012						
Financial assets						
Cash and bank balances	–	17	73	369	12	471
Trade and other receivables	1	222	–	37	–	260
Intercompany balances	562	–	–	–	–	562
	563	239	73	406	12	1,293
Financial liabilities						
Trade and other payables	–	(219)	–	(154)	(70)	(443)
Net currency exposure	563	20	73	252	(58)	850
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)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

31 Financial risks management (Cont'd)

Foreign currency risk (cont'd)

If the RMB, IDR and SGD change against the USD by +/–4% (2011: +/–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:

	2012 Increase/(decrease)		2011 Increase/(decrease)	
	Net profit	Equity	Net profit	Equity
	USD'000	USD '000	USD'000	USD '000
Group				
RMB against USD				
- strengthened	22	22	(371)	(388)
- weakened	(22)	(22)	371	388
IDR against USD				
- strengthened	1	1	23	23
- weakened	(1)	(1)	(23)	(23)
SGD against USD				
- strengthened	7	7	89	87
- weakened	(7)	(7)	(89)	(87)

	RMB	SGD	GBP	Total
	USD'000	USD'000	USD'000	USD'000
Company				
As at 31 December 2012				
Financial assets				
Cash and bank balances	–	338	12	350
Trade and other receivables	1	37	–	38
Amount due from subsidiaries	292	–	–	292
	293	375	12	680
Financial liabilities				
Trade and other payables	–	(128)	(70)	(198)
currency exposure	293	247	(58)	482

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

31 Financial risks management (Cont'd)

Foreign currency risk (cont'd)

	RMB	SGD	GBP	Total
	USD'000	USD'000	USD'000	USD'000
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)

	2012 Increase/(decrease)		2011 Increase/(decrease)	
	Net profit	Equity	Net profit	Equity
	USD '000	USD '000	USD '000	USD '000
Company				
RMB against USD				
- strengthened	12	12	(412)	(430)
- weakened	(12)	(12)	412	412
SGD against USD				
- strengthened	7	7	90	148
- weakened	(7)	(7)	(90)	(148)

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 2012

31 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.

	2012		2011	
	Effective interest rate	**Within 1 year**	**Effective interest rate**	**Within 1 year**
	%	**USD'000**	**%**	**USD'000**
Group				
Financial assets				
Cash and cash equivalents	0.29	5,550	0.18	10,971
Pledged fixed deposit	2.37	2,501	2.37	2,501
		8,051		13,472
		Within 5 years		**Within 5 years**
Financial liability				
Convertible bonds	7.6	12,498	7.9	11,946
Company				
Financial assets				
Cash and cash equivalents	0.01	592	0.01	4,954
		Within 5 years		**Within 5 years**
Financial liability				
Convertible bonds	7.6	12,498	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 2012

31 Financial risks management (Cont'd)

Commodity price risk

Market price of crude oil is affected primarily by macro–economic factors, environment, of the country in which the Group operates, the crude oil trading business, changes in the domestic and international supply and demand forces of crude oil. The Group's general policy is not to engage in commodity price hedging. Crude oil price is managed through contractual arrangements negotiated directly with customers, in this case with Pertamina, usually at market price. The Group also constantly monitor the fluctuation of the crude oil price in the market to ensure contractual arrangement with customers reflect the market conditions of crude oil.

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.

32 Other significant risks management

Operations risk

The Group holds a crude oil concession in Cambodia and a KSO to produce crude oil in Indonesia. The KSO contract is between Pertamina and the Group's subsidiary ("Partner") that is tasked with operating the field. The contract terms in the Indonesian KSO contracts are for a period of fifteen years with a minimum work program over the first three years. KSO contracts for mature fields stipulate a baseline production level above which the Partner is entitled to receive revenue on the incremental production. Eligible costs are recoverable up to 80 percent of gross incremental revenue. Mirach has a service contract with Daqing Enterprise International ("DQE") to manage and carry out the field operations.

In the event that total production is below the baseline as stated in the KSO, the Partner may not be able to book in any revenue or recover its costs of operations. The Partner performance is also dependent on the third parties' performance as long as the contract between the Partner and DQE existed.

To mitigate the risk identified, the Group maintains good working relationship with all the contracted parties and concession owners and complied with the requirements stated in the agreement to ensure continuity of agreement and benefit. The Group also constantly work on improving operations to grow the total production output in order to achieve a certain target revenue.

Legal and regulation risk

The Group crude oil 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 crude oil business.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

33 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.

Movement in the number of unissued ordinary shares and their exercise prices are as follows:

	No. of ordinary shares under option				
	Beginning of financial year	Forfeited during financial year	Outstanding/ exercisable at the end of financial year	Exercise price	Exercise period
Group and Company					
2012					
2007 options	2,800,000	2,800,000	–	SGD0.47	5 January 2008 – 4 January 2012
2008 options	6,000,000	2,500,000	3,500,000	SGD0.14	8 September 2008 – 7 September 2013
	8,800,000	5,300,000	3,500,000		
2011					
2007 options	2,800,000	–	2,800,000	SGD0.47	5 January 2008 – 4 January 2012
2008 options	6,000,000	–	6,000,000	SGD0.14	8 September 2008 – 7 September 2013
	8,800,000	–	8,800,000		

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:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

33 Equity compensation benefits (Cont'd)

	Group and Company	
	2008 options	**2007 options**
Share price	SGD0.13	SGD0.45
Exercise price	SGD0.14	SGD0.47
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 2012, no share options expense (2011: Nil) was recognised in the financial statements.

34 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

34 Segmental information (Cont'd)

	Software and related services		Oilfield services		Oil exploration and oilfield development		Total continuing operations		Total discontinued operations	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenue from external customers	**–**	**–**	**1,048**	**1,631**	**–**	**–**	**1,048**	**1,631**	**–**	**3,310**
Segment results	**(23)**	**(30)**	**(246)**	**(190)**	**(2,071)**	**(1,255)**	**(2,340)**	**(1,475)**	**(308)**	**(1,843)**
Unallocated operating expense							(1,409)	(1,144)	–	(4)
Results from operating activities							(3,749)	(2,619)	(308)	(1,847)
Finance income							128	48	–	1
Finance costs							(962)	(663)	–	–
Deferred tax expense							–	–	–	(93)
Loss disposal of available–for–sale financial assets							(589)	–	–	–
Gain/(loss) on disposal of a subsidiary							1	–	(276)	–
Gains on partial disposal of an associate and a joint venture							–	1,444	–	–
Net loss for the year							**(5,171)**	**(1,790)**	**(584)**	**(1,939)**
Assets and liabilities										
Segment assets	3,765	6,649	300	11,077	11,943	20,438	16,008	38,164	–	1,806
Unallocated assets							26,294	7,388	–	–
Total assets							**42,302**	**45,552**	**–**	**1,806**
Segment liabilities	46	46	411	392	605	17	1,062	455	–	1,240
Unallocated liabilities							15,173	14,573	–	–
Total liabilities							**16,235**	**15,028**	**–**	**1,240**
Depreciation	6	11	49	47	26	20	81	78	–	7
Unallocated depreciation							12	13	–	–
							93	**91**	**–**	**7**
Amortisation	–	–	–	–	693	318	**693**	**318**	**–**	**948**
Impairment loss on deferred expenditures	–	–	–	–	–	–	–	–	–	717
Capital expenditure	–	–	–	–	2,127	122	2,127	122	–	2
Unallocated expenditure							–	6	–	–
							2,127	**128**	**–**	**2**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

35 Subsequent events

On 21 January 2013, the Company entered into conditional sales and purchases agreement (the "Agreement") with Xi'an Changyou Information Technology Company Limited (the "Purchaser") to dispose its 100% equity interest in Xi'an Cenozoic Petro Tech Co. Ltd at a consideration of RMB6,000. The consideration will be satisfied in cash. Pursuant to the Agreement, the disposal took place on the 21 January 2013 on which date the Company passed the control of Xi'an Cenozoic Petro Tech Co. Ltd. to the Purchaser. Prior to the disposal, a cash of USD3,734,628 kept in the bank account of Xi'an Cenozoic Petro Tech Co. Ltd. was deposited to the Company's bank account on 25 January 2013, this fund will be mainly used for the cost incurred in relation to the new operational project engaged by the Group. Please refer to the Company's announcement dated 29 January 2013 for details.

On 5 February 2013, the board of director announced that the subscription agreement with Bon International Group Limited (the "Subscriber") for the proposed placement and the proposed call option grant for aggregate of 38,333,418 of Company's new ordinary shares (the "New Shares") at an issue price of SGD0.12 for each share was terminated due to the market conditions. Since the Subscriber did not execute the subscription of New Shares on expiry date, the deposit received amounting to SGD200,000 was forfeited. The Group decided to use this fund to finance the working capital incurred in relation to the production and exploration activities in oilfields of Indonesia and Cambodia. Please refer to the Company's announcements dated 29 October 2012, 16 November 2012 and 5 February 2013 for details.

36 Accounting estimates and judgement

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 (2011: Nil) during the year based on management's assessment. Significant judgement 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 on 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 2012 was approximately USD100,000 and USD718,000 respectively (2011: USD594,000 and USD1,416,000 respectively).

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.

Deferred mining expenditure

Deferred mining expenditure relates to the stripping of waste and which relates to future economically recoverable coal to be mined, is 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.

As at 31 December 2012, there was no impairment loss on deferred mining expenditure (2011: USD666,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

36 Accounting estimates and judgement (Cont'd)

Exploration and evaluation expenditure

Exploration and evaluation expenditure is capitalized 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 KSO agreement.

The carrying value of exploration and evaluation expenditure are 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 2012, there was no impairment loss on exploration and evaluation expenditure (2011: USD51,000).

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 the 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 judgement 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 a 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 charges in future periods.

37 New or revised accounting standards and interpretations

Certain New, revised and amendment to FRS and new INT FRS have been issued that are effective for accounting periods beginning on or after 1 January 2013 that are applicable to the Group.

- FRS 110: *Consolidated Financial Statement* (effective for annual periods beginning or after 1 January 2014)
- FRS 112: *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014)
- FRS 11*3: Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013)
- FRS 27 (Revised 2012): *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014)
- FRS 28 (Revised 2011): *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2014)

The Management anticipates that the adoption of the above new, revised and FRSs and amendments to FRS and INT FRS in the future periods will not have material impact on the financial statements of the Group and Company in the period of their initial adoption.

STATISTICS OF SHAREHOLDINGS

As at 13 March 2013

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 SHAREHOLDERS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	7	0.29	1,468	–
1,000 - 10,000	1,082	44.60	7,478,404	0.97
10,001 - 1,000,000	1,308	53.92	83,943,401	10.95
1,000,001 and above	29	1.19	675,245,083	88.08
Total	2,426	100.00	766,668,356	100.00

TWENTY LARGEST SHAREHOLDERS

No.	SHAREHOLDER'S NAME	NO OF SHARES	%
1	MAYBANK KIM ENG SECURITIES PTE LTD	271,618,732	35.43
2	SEE HOY CHAN INVESTMENT LIMITED	180,800,000	23.58
3	PHILLIP SECURITIES PTE LTD	39,548,000	5.16
4	ZHANG DEDA	31,500,000	4.11
5	CAO HAIXIA	30,000,000	3.91
6	CITIBANK NOMINEES SINGAPORE PTE LTD	29,671,000	3.87
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	21,168,000	2.76
8	QIN FENG	12,000,000	1.57
9	XIA YANG	6,288,000	0.82
10	RAFFLES NOMINEES (PTE) LTD	5,693,000	0.74
11	OCBC SECURITIES PRIVATE LTD	5,198,018	0.68
12	LIM & TAN SECURITIES PTE LTD	3,669,000	0.48
13	2G CAPITAL PTE LTD	3,663,003	0.48
14	DBS NOMINEES PTE LTD	3,475,000	0.45
15	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,231,000	0.42
16	NEO KIM KUEK	3,045,000	0.40
17	UOB KAY HIAN PTE LTD	2,890,330	0.38
18	BANK OF SINGAPORE NOMINEES PTE LTD	2,617,000	0.34
19	HSBC (SINGAPORE) NOMINEES PTE LTD	2,505,000	0.33
20	HO HIN DONG	2,050,000	0.27
	Total	660,630,083	86.18

STATISTICS OF SHAREHOLDINGS

As at 13 March 2013

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 13 March 2013, 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 Tenth Annual General Meeting of the Company will be held at Canning Room Level 2, Grand Park City Hall Hotel, 10 Coleman Street, Singapore 179809 on 29 April 2013 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 2012 and the Directors' Report and the Auditors Report thereon. **(Resolution 1)**

2. To approve the Directors' fees of S$175,000 for the financial year ended 31 December 2012 (2011: S$161,667). **(Resolution 2)**

3. To re-elect Mr Chan Shut Li, William retiring pursuant to Article 91 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Mr Lim Jun Xiong, Steven retiring pursuant to Article 91 of the Company's Articles of Association. **(Resolution 4)**

   Mr Lim will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee respectively and will be considered independent for the purpose of Rule 704(8) of the Singapore Exchange Securities Trading Limited Listing Manual.

5. To re-appoint Messrs LTC LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

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

6. **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 6)**

7. **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." **(Resolution 7)**
(See Explanatory Note 2)

8. 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

12 April 2013

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. 6 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. 7 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

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

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Tenth Annual General Meeting of the Company to be held at Canning Room Level 2, Grand Park City Hall Hotel, 10 Coleman Street, Singapore 179809 on 29 April 2013 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 2012 and the Reports of Directors and Auditors thereon.		
2.	To approve the Directors’ fees of S$175,000 for the financial year ended 31 December 2012.		
3.	To re-elect Mr William Chan Shut Li pursuant to Article 91 of the Company’s Articles of Association.		
4.	To re-elect Mr Steven Lim Jun Xiong pursuant to Article 91 of the Company’s Articles of Association.		
5.	To re-appoint Messrs LTC LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
7.	To authorise Directors to grant options and to issue shares under Mirach Energy Employee Share Option Scheme.		

Dated this ______ day of ____________________ 2013

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

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