

ENECO ENERGY LIMITED
(Co. Reg. No : 200301668R)
(Incorporated in Singapore)



Notice of Compliance: Requirement To Perform Quarterly Reporting Of Unaudited Financial Statements

- (1)** The Company is required to perform quarterly reporting ("QR") on an ongoing basis from 07 February 2020. This arises from the modified opinion issued by the Company's statutory auditor in the Company's latest 2019 annual report.
- (2)** QR announcement is mandatory, made pursuant to the Exchange's requirements, as required under Listing Rule 705(2C).

Quarterly Financial Statement for the Period Ended 30 June 2020

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENT OF 2nd QUARTER

The Board of Directors of Eneco Energy Limited wishes to announce the following unaudited operating results of the Group for the period ended 30 June 2020.

1(a) Consolidated Income Statement

	Group 2nd Quarter		Increase/ (decrease) %	Group for the period ended June		Increase/ (decrease) %
	2020 S\$'000	2019 S\$'000 (Restated)		2020 S\$'000	2019 S\$'000	
Revenue	8,899	10,419	(14.6)	18,498	21,295	(13.1)
Other income	4,204	4,125	1.9	4,508	4,480	0.6
Costs and operating expenses						
Service costs and related expenses	(2,919)	(4,200)	(30.5)	(6,337)	(8,952)	(29.2)
Royalties payment	(9)	(39)	(76.9)	(34)	(76)	(55.3)
Salaries and employee benefits	(4,958)	(5,708)	(13.1)	(9,920)	(11,944)	(16.9)
Depreciation and amortisation expenses	(1,515)	(907)	67.0	(3,095)	(3,102)	(0.2)
Finance costs	(443)	(860)	(48.5)	(1,414)	(1,372)	3.1
Other operating expenses	(478)	(396)	20.7	(1,735)	(124)	1299.2
Total costs and operating expenses	(10,322)	(12,110)	(14.8)	(22,535)	(25,570)	(11.9)
Profit before tax for the period	2,781	2,434	14.3	471	205	129.8
Income tax	34	(20)	NM	21	(73)	NM
Profit for the period	2,815	2,414	16.6	492	132	272.7
Profit/(loss) for the period attributable to:						
Owners of the Company	2,697	1,482	82.0	508	(508)	NM
Non-controlling interests	118	932	(87.3)	(16)	640	NM
	2,815	2,414	16.6	492	132	272.7
Earning/(loss) per share attributable to owners of the Company (cents per share)						
Basic	0.42	0.23		0.08	(0.08)	
Diluted	0.42	0.23		0.08	(0.08)	

NM: not meaningful

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Notes to Group Income Statement	Group 2nd Quarter		Group for the period ended June	
	2020 S\$'000	2019 S\$'000 (Restated)	2020 S\$'000	2019 S\$'000
Other income includes:				
Interest income from banks	4	6	6	19
Write-back of other payables and provision	2,517	217	2,517	255
Gain/(Loss) on farm out of participating interest	-	3,538	-	3,538
Government grants	1,353	-	1,353	-
Depreciation and amortisation expenses include:				
Property, plant and equipment and oil and gas properties	(289)	(907)	(607)	(3,102)
Right-of-use assets	(1,226)	- ⁽¹⁾	(2,488)	- ⁽¹⁾
Finance costs include:				
Finance charges on lease obligations	(163)	(152)	(405)	(312)
Interest on borrowings	(121)	(349)	(476)	(692)
Default charges on borrowings	(138)	(189)	(482)	(189)
Finance charges on Operator's cash calls	-	(161)	-	(161)
Accretion of interest on abandonment & site restoration liabilities	(22)	(9)	(52)	(18)
Other operating expenses include:				
Foreign exchange (loss)/gain, net	488	767	81	2,202
Legal and other professional fees	(244)	(113)	(330)	(143)
Allowance for doubtful trade receivables	-	(107)	(2)	(131)
Plant and equipment written-off	-	-	-	(2)
Gain on disposal of property, plant and equipment	63	7	248	11

⁽¹⁾ The Group adopted SFRS(I) 16 in 3rd Quarter 2019 Results Announcement. Accordingly, the effects of the adoption of SFRS(I) 16 is not captured in 2nd Quarter 2019 Results Announcement.

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1b(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheet as at	Group		Company	
	30 Jun 20 S\$'000	31-Dec-19 S\$'000 (Audited)	30 Jun 20 S\$'000	31-Dec-19 S\$'000 (Audited)
Non-current assets				
Oil and gas properties	6,748	6,473	-	-
Plant and equipment	1,868	2,110	18	18
Right-of-use assets	15,790	18,099	151	171
Intangible assets	83	86	-	-
Investment in exploration and evaluation assets	708	706	-	-
Investments in subsidiaries	-	-	9,228	9,228
Other receivables	5,783	5,592	-	-
Deferred tax assets	35	35	-	-
Fixed deposits	320	318	-	-
	31,335	33,419	9,397	9,417
Current assets				
Trade receivables	9,049	9,737	-	-
Other receivables	1,310	1,129	2,563	2,530
Prepaid operating expenses	753	620	116	59
Inventories	171	164	-	-
Cash and bank balances	5,280	4,593	106	222
	16,563	16,243	2,785	2,811
Current liabilities				
Trade payables	13,548	14,679	-	-
Other payables	11,781	12,283	5,885	1,684
Provisions	342	225	-	-
Abandonment and site restoration liabilities	103	501	-	-
Lease liabilities	5,615	5,638	26	25
Loans and borrowings	8,496	9,094	-	-
Income tax payable	152	197	51	85
	40,037	42,617	5,962	1,794
Net current (liabilities)/assets	(23,474)	(26,374)	(3,177)	1,017
Non-current liabilities				
Other payables	17,139	16,590	-	-
Provisions	995	906	18	18
Abandonment and site restoration liabilities	173	118	-	-
Lease liabilities	9,148	11,456	44	58
Loans and borrowings	3,000	-	-	-
	30,455	29,070	62	76
Net (liabilities)/assets	(22,594)	(22,025)	6,158	10,358
Equity attributable to the owners of the Company				
Share capital	148,367	148,367	148,367	148,367
Treasury shares	(935)	(935)	(935)	(935)
Other reserves	3,822	4,683	2,989	3,159
Accumulated losses	(165,116)	(165,794)	(144,263)	(140,233)
	(13,862)	(13,679)	6,158	10,358
Non-controlling Interests	(8,732)	(8,346)	-	-
Total Equity	(22,594)	(22,025)	6,158	10,358

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1(b)(ii) Aggregate amount of Group's borrowings and debt securities

	30 Jun 20 S\$'000	31 Dec 19 S\$'000
1 Amount repayable in one year or less, or on demand (secured)		
Loans and borrowings	8,496	9,094
Obligation under leases (Include Right-of-use assets)	5,615	5,638
2 Amount repayable after one year (secured)		
Loans and borrowings	3,000	-
Obligation under leases (Include Right-of-use assets)	9,148	11,456
Total	26,259	26,188

Obligation under leases

Some subsidiaries of the Company pledged their transport equipment as security for lease facilities granted by financial institutions.

Loans and borrowings (Amount repayable in one year or less)

The loans and borrowings are secured by way of a fixed charge over the subsidiary's operating accounts, a share charge over the Group's equity share in the subsidiary, a corporate guarantee by the Company and personal guarantee provided by a controlling shareholder of the Company Edward Seky Soeryadjaya.

On 12 May 2020, the Group entered into a Standstill and Settlement Deed (the "Settlement Deed") with Mercuria Asset Holdings (Hong Kong) Limited and Mercuria Energy Trading Pte Ltd (collectively known as the "Mercuria Entities"), wherein the Mercuria Entities agreed to a settlement sum of S\$3 million. In addition to the payment of the Settlement Sum, the Group agreed to use their best efforts to procure the consummation of the disposal of West Jambi KSO as soon as practicable.

On 22 June 2020, the Board announced the Group had completed the payment of S\$3 million to Mercuria Entities, pursuant to the terms of the Settlement Deed and would proceed to obtain the release and discharge of the security granted previously in favour of Mercuria entities. The release and discharge of security is currently being processed.

Loans and borrowings (Amount repayable after one year)

A wholly-owned subsidiary of the Company has obtained a \$3 million working capital loan from a local bank during the quarter. The loan is secured by way of a corporate guarantee by the Company.

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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	For the quarter ended 30 Jun 20 S\$'000	30 Jun 19 S\$'000 (Restated)	For the year ended 30 Jun 20 S\$'000	30 Jun 19 S\$'000
Operating activities :				
Profit before income tax for the period	2,781	2,434	471	205
Adjustments for:				
Depreciation and amortisation expenses	1,515	907	3,095	3,102
Gain on disposal of property, plant and equipment	(63)	(7)	(248)	(11)
Finance costs	443	860	1,414	1,372
Interest income from banks	(4)	(6)	(6)	(19)
Write-back of other payables and provision	(2,517)	(217)	(2,517)	(255)
Plant and equipment written-off	-	2	-	2
Gain/(Loss) on farm out of participating interest	-	(3,538)	-	(3,538)
Allowance for doubtful trade receivables	-	107	2	131
Foreign exchange translation adjustments	(235)	(694)	(486)	(1,857)
Operating cash flows before working capital changes	1,920	(152)	1,725	(868)
Change in inventories	3	3	(7)	7
Change in trade receivables	394	(297)	686	1,438
Change in other receivables	(8)	(4,945)	(182)	(4,975)
Change in prepaid operating expenses	76	143	(133)	(142)
Change in trade payables	37	195	(37)	(225)
Change in other payables and provisions	1,087	5,006	1,695	3,575
Cash generated from/(used in) operations	3,509	(47)	3,747	(1,190)
Interest income received	4	6	6	19
Income tax paid	26	(6)	(6)	(23)
Finance costs paid	(164)	(57)	(404)	(429)
Net cash flows generated from/(used in) operating activities	3,375	(104)	3,343	(1,623)
Investing activities :				
Proceeds from disposal of property, plant and equipment	92	7	285	11
Purchase of plant and equipment and oil and gas properties	(206)	(188)	(380)	(748)
Acquisition of intangible assets	(27)	(2)	(47)	(2)
Net cash flows used in investing activities	(141)	(183)	(142)	(739)
Financing activities :				
Proceeds from loan and borrowings	3,000	-	3,000	-
Repayment of loans and borrowings	(3,000)	-	(3,000)	-
Repayment of lease liabilities	(1,126)	(479)	(2,515)	(934)
Net cash flows used in financing activities	(1,126)	(479)	(2,515)	(934)
Net increase/(decrease) in cash and cash equivalents	2,108	(766)	686	(3,296)
Effect of exchange rate changes on cash and cash equivalents	(30)	3	1	8
Cash and cash equivalents at beginning of period	3,202	5,706	4,593	8,231
Cash and cash equivalents at end of period	5,280	4,943	5,280	4,943
Note A				
Cash on hand and at bank	5,280	4,943	5,280	4,943
Fixed deposits	320	314	320	314
Cash and deposits	5,600	5,257	5,600	5,257
Less : Restricted cash classified as non-current assets	(320)	(314)	(320)	(314)
Cash and cash equivalents	5,280	4,943	5,280	4,943

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STATEMENT OF COMPREHENSIVE INCOME

	Group 2nd Quarter		Group for the period ended June	
	2020 S\$'000	2019 S\$'000 (Restated)	2020 S\$'000	2019 S\$'000
Profit, net of tax for the period	2,815	2,414	492	132
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation	169	(714)	(1,074)	(2,088)
Total comprehensive income for the period	2,984	1,700	(582)	(1,956)
Total comprehensive income attributable to:				
- Owners of the Company	2,608	755	(196)	(2,674)
- Non-controlling interests	376	945	(386)	718
	2,984	1,700	(582)	(1,956)

1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Attributable to owners of the Company											Non-controlling interests S\$'000
	Total equity S\$'000	Equity attributable to owners of the Company S\$'000	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Share based payment reserve S\$'000	Others S\$'000	Foreign currency translation reserve S\$'000	Gain on reissuance of treasury shares S\$'000	Capital reserve S\$'000	
	Opening balance as at 1 January 2020	(22,025)	(13,679)	148,367	(935)	(165,794)	4,683	529	790	386	2,630	
Q1												
Loss for the period	(2,323)	(2,189)	-	-	(2,189)	-	-	-	-	-	-	(134)
Other comprehensive income												
Exchange differences on translating foreign operations	(1,271)	(643)	-	-	-	(643)	-	(28)	(615)	-	-	(628)
Total comprehensive income for the period	(3,594)	(2,832)	-	-	(2,189)	(643)	-	(28)	(615)	-	-	(762)
Contributions by and distributions to owners												
Expiry of employee share options	-	-	-	-	170	(170)	(170)	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	170	(170)	(170)	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	170	(170)	(170)	-	-	-	-	-
Closing balance as at 31 March 2020	(25,619)	(16,511)	148,367	(935)	(167,813)	3,870	359	762	(229)	2,630	348	(9,108)
Q2												
Profit for the period	2,815	2,697	-	-	2,697	-	-	-	-	-	-	118
Other comprehensive income												
Exchange differences on translating foreign operations	210	(48)	-	-	-	(48)	-	41	(89)	-	-	258
Total comprehensive income for the period	3,025	2,649	-	-	2,697	(48)	-	41	(89)	-	-	376
Closing balance as at 30 June 2020	(22,594)	(13,862)	148,367	(935)	(165,116)	3,822	359	803	(318)	2,630	348	(8,732)

1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (contd).

Group	Attributable to owners of the Company											
	Total equity S\$'000	Equity attributable to owners of the Company S\$'000	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Share based payment reserve S\$'000	Others S\$'000	Foreign currency translation reserve S\$'000	Gain on reissuance of treasury shares S\$'000	Capital reserve S\$'000	Non-controlling interests S\$'000
Opening balance as at 1 January 2019	4,178	12,215	148,181	(935)	(139,737)	4,706	1,043	624	61	2,630	348	(8,037)
Q1												
Loss for the period	(2,282)	(1,990)	-	-	(1,990)	-	-	-	-	-	-	(292)
<u>Other comprehensive income</u>												
Exchange differences on translating foreign operations	(1,374)	(1,439)	-	-	-	(1,439)	-	-	(1,439)	-	-	65
Total comprehensive income for the period	(3,656)	(3,429)	-	-	(1,990)	(1,439)	-	-	(1,439)	-	-	(227)
<u>Contributions by and distributions to owners</u>												
Issuance of shares pursuant to EGPSP	-	-	91	-	212	(303)	(303)	-	-	-	-	-
Expiry of employee share options	-	-	-	-	211	(211)	(211)	-	-	-	-	-
Write-back of share issuance expenses	95	95	95	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	95	95	186	-	423	(514)	(514)	-	-	-	-	-
Total transactions with owners in their capacity as owners	95	95	186	-	423	(514)	(514)	-	-	-	-	-
Closing balance as at 31 March 2019	617	8,881	148,367	(935)	(141,304)	2,753	529	624	(1,378)	2,630	348	(8,264)
Q2												
Profit for the period (restated)	2,414	1,482	-	-	1,482	-	-	-	-	-	-	932
<u>Other comprehensive income</u>												
Exchange differences on translating foreign operations	(714)	(727)	-	-	-	(727)	-	-	(727)	-	-	13
Total comprehensive income for the period	1,700	755	-	-	1,482	(727)	-	-	(727)	-	-	945
Closing balance as at 30 June 2019	2,317	9,636	148,367	(935)	(139,822)	2,026	529	624	(2,105)	2,630	348	(7,319)

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1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (contd).

Company	Total equity S\$'000	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Share based payment reserve S\$'000	Gain on reissuance of treasury shares S\$'000
Opening balance as at 1 January 2020	10,358	148,367	(935)	(140,233)	3,159	529	2,630
Q1							
Loss for the period, representing total comprehensive income for the period	(499)	-	-	(499)	-	-	-
<u>Contributions by and distributions to owners</u>							
Expiry of employee share options	-	-	-	170	(170)	(170)	-
Total transactions with owners in their capacity as owners	-	-	-	170	(170)	(170)	-
Balance as at 31 March 2020	9,859	148,367	(935)	(140,562)	2,989	359	2,630
Q2							
Loss for the period, representing total comprehensive income for the period	(3,701)	-	-	(3,701)	-	-	-
Balance as at 30 June 2020	6,158	148,367	(935)	(144,263)	2,989	359	2,630

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1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (contd).

Company	Total equity S\$'000	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Share based payment reserve S\$'000	Gain on reissuance of treasury shares S\$'000
Opening balance as at 1 January 2019 (As previously reported)	33,309	148,181	(935)	(117,610)	3,673	1,043	2,630
Restatement adjustment	(19,953)	-	-	(19,953)	-	-	-
Opening balance as at 1 January 2019 (As restated)	13,356	148,181	(935)	(137,563)	3,673	1,043	2,630
Q1							
Loss for the period, representing total comprehensive income for the period	(825)	-	-	(825)	-	-	-
<u>Contributions by and distributions to owners</u>							
Issuance of shares pursuant to EGPSP	-	91	-	212	(303)	(303)	-
Expiry of employee share options	-	-	-	211	(211)	(211)	-
Share issuance expenses	95	95	-	-	-	-	-
Total transactions with owners in their capacity as owners	95	186	-	423	(514)	(514)	-
Balance as at 31 March 2019	12,626	148,367	(935)	(137,965)	3,159	529	2,630
Q2							
Profit for the period, representing total comprehensive income for the period	404	-	-	404	-	-	-
Balance as at 30 June 2019	13,030	148,367	(935)	(137,561)	3,159	529	2,630

Certain adjustments have been made to the prior year's financial statements to enhance comparability with the current year's financial statements as management has determined that the cost of investments of S\$0.2 million and loans amounting to S\$19.8 million extended to oil and gas entities should have been fully impaired as at 31 December 2018 based on their financial performance.

Management corrected the material prior year's adjustments identified above by restating the Company's statement of financial position and statement of comprehensive income in accordance with SFRS(I) 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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1 (d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	As at 30 Jun 20	As at 31 Dec 19
The number of shares that may be issued on RGPSP and exercise of share options outstanding at the end of the period	5,080,103	6,620,008

Number of shares held as treasury shares against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer.

	30 Jun 20 No. of Shares	31 Dec 19 No. of Shares
Treasury shares	1,807,215	1,807,215
Number of issued ordinary shares (excluding treasury shares)	646,867,923	646,867,923
Percentage (%)	0.28%	0.28%

1(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial year end as at the end of the preceding year.

	As at 30 Jun 20	As at 31 Dec 2019
Total number of ordinary shares	127,379,250	127,379,250
Treasury shares	(11,148,000)	(11,148,000)
Release of treasury shares for utilisation pursuant to share placement	9,340,785	9,340,785
Subtotal	(1,807,215)	(1,807,215)
New issuance of shares	479,053,669	479,053,669
Share issuance under the Performance Share Plan & Option Scheme	42,242,219	42,242,219
Total number of ordinary shares after treasury shares	646,867,923	646,867,923

1(d) (iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial year reported on.

The movement of treasury shares is as follow:

As at 1 January 2020	1,807,215
Re-issuance of treasury shares	-
As at 30 Jun 2020	1,807,215

1(d) (v) A statement showing all sales, transfers, cancellation and / or use of subsidiary holdings as at the end of the current financial period reported on.

NA.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

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3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

- (a) The audit report dated 29 May 2020 for the financial year ended 31 December 2019 issued by Foo Kon Tan LLP contained a qualified opinion on (i) amount due from a broker; (ii) access to accounting information of a joint arrangement and (iii) provision for legal claim.

In respect of Item (i), this was raised in the audit report for the financial year ended 31 December 2018 by the predecessor auditors, E&Y LLP. E&Y LLP were unable to obtain satisfactory audit evidence or explanations to ascertain the commercial rationale of the arrangement between the Group and the broker and the nature, existence and recoverability of the amount. On this basis, they were unable to determine whether the payment was appropriately accounted for, presented, or disclosed, and whether the allowance recorded against the amount in FY 2018 was appropriate.

On 15 June 2020, the Board announced that a settlement agreement had been entered into with the broker. Under the settlement agreement, the broker acknowledged receiving a payment of US\$2.88 million ("deposit") from the Group in 2018 for the purposes of arranging and procuring a bank guarantee (BG) for West Jambi KSO, and that the broker failed to procure the BG. The broker acknowledged that it is obliged to refund the deposit. The parties have agreed that the broker will repay the deposit by way of 30 quarterly instalments in cash until the deposit is fully repaid.

On 10 September 2019, in order to address this issue, the Board appointed Deloitte & Touche Financial Advisory Services Pte Ltd. as the Independent Reviewer to review, inter alia, the circumstances surrounding the queried payment made to the Broker and the Group's corporate governance and internal controls related to the queried payment. The scope of the Review was disclosed in our announcement dated 10 September 2019. The Board expects the Report to be released soon. The Company will make further announcement as and when there are material developments on this matter.

In respect of Item (ii), as announced on 2 July 2019, the Group had successfully completed the farm-out of its 6% participating interest in Lemang PSC ("Lemang") to Mandala, the operator of Lemang PSC, to which its subsidiary, PT Hexindo Gemilang Jaya ("PT Hexindo") now holds a 10% participating interest. PT Hexindo, however, is in dispute with Mandala over its claim to the net funding cap balance of S\$4.5 million (equivalent to US\$3.3 million) arising from the sale of the 6% participating interest to Mandala.

Notwithstanding the dispute, Mandala continues to issue default notices to PT Hexindo for failure to meet the cash call obligations since October 2019. Arising from this ongoing dispute, the Group's management has not been furnished with the monthly statement of accounts of the Lemang PSC since September 2019 which are maintained by Mandala.

PT Hexindo recognises its interest in Lemang PSC in accordance with the accounting treatment of a joint operation under SFRS(I) 11 – *Joint Arrangements*. The auditors of PT Hexindo ("component auditors") were unable to gain access to the audit work papers of the auditors of Mandala. Accordingly, the component auditors were unable to perform and complete their audit procedures to obtain sufficient and appropriate audit evidence over the financial statements of PT Hexindo for the financial year ended 31 December 2019.

In respect of Item (iii), PT Hexindo has entered into a legal settlement with Super Power Enterprise Group Ltd ("SPE") whereby it agreed to pay US\$10 million to SPE by way of assigning the proceeds from future sale of oil and gas from the Lemang PSC, subject to carve out provisions that allow PT Hexindo to first repay the other existing obligations identified to SPE, namely the repayment of advances from a joint venture partner and the loans and borrowings due to a third party. As at 31 December 2018, the Group has recorded a provision for legal claims measured at amortised cost amounting to S\$6.9 million (equivalent to US\$5.1 million) which was based on a cashflow projection of Lemang PSC obtained from Mandala.

As at 31 December 2019, management did not receive the cashflow projection of Lemang PSC from Mandala. Accordingly, the auditors were unable to perform and complete their audit procedures to obtain sufficient and appropriate audit evidence over the completeness and accuracy of the provision for legal claim.

As at the date of this results announcement, management has not received the financial results of Lemang since September 2019. Accordingly, the results of the Group for the period ended 30 June 2020 are based on the monthly cash calls presented to Hexindo from Mandala. Management continues to engage Mandala to procure the financial results of Lemang. The procuring of such financial data, may be dependent upon the conclusion of the dispute with Mandala. In the meantime, the management notes that Mandala is in the process of selling its participating interest in Lemang to a third party.

Other than disclosed, there have been no major development on the above issues.

- (b) The Board confirmed that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2019.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted all the applicable Singapore Financial Reporting Standards (International) ("SFRS(I)") and related Interpretations ("INT SFRS(I)") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2020.

The adoption of the new accounting standards does not have a material impact to the Group's and the Company's financial statements on initial application.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately

Earnings per share (EPS)	Group		Group	
	3 months ended		6 months ended	
	30 Jun 20	30 Jun 19 *	30 Jun 20	30 Jun 19
Based on the weighted average number of shares (cents)				
- net profit attributable to shareholders	0.42	0.23	0.23	0.08
Weighted average number of shares	646,867,923	646,867,923	646,867,923	646,812,670
On a fully diluted basis				
- net profit attributable to shareholders	0.42	0.23	0.23	0.08
Weighted average number of shares	646,867,923	646,867,923	646,867,923	646,812,670

During the period ended 30 June 2020, diluted earnings per share is calculated on the same basis as basic earnings per share as there are no dilutive potential ordinary shares as at 30 June 2020.

7 Net assets value (for the issuer and group) per ordinary share based on issued share capital at the end of the :
(a) current financial period reported on; and
(b) immediately preceding financial year

Net Assets Value (NAV)	Group		Company	
	30 Jun 20	31-Dec-19	30 Jun 20	31-Dec-19
No. of ordinary shares	646,867,923	646,867,923	646,867,923	646,867,923
NAV (In cents)	(2.14)	(2.11)	0.95	1.60

* Restated

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Group Income Review

Q2 2020 vs Q2 2019

The Group revenue in Q2 2020 was S\$8.9 million, which was S\$1.5 million lower than the corresponding period of the prior year. Oil and Gas segment recorded a lower revenue of S\$1.1 million from the Lemang and Jatirarongan ("Jati") fields. The lower revenue was as a result of (a) the closure and the handing back of the Jati field to the Indonesian regulator upon its expiry and (b) the closure of production in the Lemang field by the operator Mandala. Logistics segment also recorded a lower revenue of S\$0.4 million, mainly due to softer customer volumes.

Other income includes government grants and write-back of other payables and provisions, which were largely from obligations with Mercuria entities.

Total costs and operating expenses were lower by S\$1.8 million mainly due to:-

- (a) Lower service costs and related expenses of S\$1.3 million, mainly driven by Jati's closure and Lemang of S\$0.4 million and rental/leasing expenses following the implementation of SFRS(I) 16 Leases, offset by higher Logistics service cost of S\$0.4m;
(b) Lower salaries and employee benefits of S\$0.8 million, due to our ongoing focus to deliver better gross operating margins through improved efficiencies and productivity improvements;
(c) Lower finance costs of S\$0.4 million due to lower interest obligations with Mercuria following the Settlement Deed dated 12 May 2020 and the absence of finance charges imposed on cash calls.

and offset by:

- (d) Higher depreciation and amortisation expenses of S\$0.6 million due to higher amortisation of Right-of-use ("ROU") assets following the implementation of SFRS(I) 16 Leases, offset by reduced depreciation on the Lemang field.

The net profit after tax attributable to shareholders in Q2 2020 was S\$2.7 million versus S\$1.5 million in the corresponding period of the prior year.

In quarter Q2 2020, our results included 1 month interest, default interest and marketing fees obligations ("obligations") with Mercuria Entities. Pursuant to the Settlement Deed, the payment obligations to the Mercuria Entities were frozen. On 22 June 2020, the Board announced the Group had completed the payment of S\$3 million to Mercuria Entities and would proceed to obtain the release and discharge of the security granted previously in favour of Mercuria entities.

YTD Q2 2020 vs YTD Q2 2019

The Group revenue in YTD Q2 2020 was S\$18.5 million, a reduction of S\$2.8 million as compared to the prior year.

The Oil & Gas segment recorded a decline in revenue of S\$2.2 million due to declining and subsequent cessation of production in both Jati and Lemang fields, while Logistics segment recorded a decline in revenue of S\$0.6 million mainly due to existing customer year-on-year declining volumes as a result of the soft economic conditions.

Other income includes government grants and write-back of other payables and provisions, which were largely from obligations with Mercuria entities.

Total costs and operating expenses were lower by S\$3.0 million mainly due to:

- (a) Lower service costs and related expenses of S\$2.6 million, mainly driven by Jati and Lemang of S\$1.0 million, rental expenses and leasing expenses of S\$2.3 million following the implementation of SFRS(I) 16 Leases, offset by net higher Logistics service and other costs of S\$0.6 million;
(b) Lower salaries and employee benefits of S\$2.0 million, due to our ongoing focus to deliver better gross operating margins through improved efficiencies and productivity improvements;

and offset by:

- (c) Other operating expenses were higher by S\$1.6 million largely due to:
lower foreign exchange gain of S\$81k in this quarter vs foreign exchange gain of S\$2.2 million in the corresponding period of the prior year; and offset by gain on disposal of S\$0.3 million and lower provision for doubtful debts of S\$0.1 million.

The net profit after tax attributable to shareholders in YTD June 2020 was a gain of S\$0.5 million versus a loss of S\$0.5 million in the corresponding period of the prior year.

As mentioned under 3A, management has not received the financial results of Lemang since September 2019 which are maintained by Mandala. Accordingly, the results of the Group for Q2 2020 ended 30 June 2020 are based on the monthly cash calls presented to Hexindo from Mandala.

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8 Group Balance Sheet Review

Non-current assets decreased by S\$2.1 million to S\$31.3 million mainly due to the amortisation of ROU asset and plant and equipment, offset by translation gain in foreign denominated assets (USD/SGD exchange rates Q2 2020: 1.3932 vs 2019: 1.3472).

Current assets increased by S\$0.3 million mainly due to increase in prepaid operating expenses of \$0.1 million, increase in cash and bank balances of S\$0.7 million, offset by a decrease in trade and other receivables of S\$0.5 million.

Current liabilities decreased by S\$2.6 million mainly due to write-back of obligations with Mercuria entities, abandonment and site restoration and other payables/provision of S\$2.7 million, settlement sum repayment of S\$3 million, payout of AWS, offset by accruals of finance charges and related costs on loans and borrowings, cash call payables to Mandala, the operator of Lemang PSC and translation loss on foreign denominated liabilities.

Non-current liabilities increased by S\$1.4 million mainly due to a working capital loan of S\$3 million obtained by a wholly-owned subsidiary, offset by repayment of lease liabilities and translation loss on foreign denominated liabilities.

Negative Working Capital position

As at 30 June 2020, the Group's negative working capital position improved from S\$26.4 million to S\$23.5 million. The Group was in a net liabilities position of S\$22.6 million (2019: S\$22.0 million).

The Board of Directors is of the view that the Group is able to operate as a going concern due to the following:

- (a) The Group is able to generate sufficient cash flows from its Logistics operations;
- (b) The Group had restructured its loans and borrowings with Mercuria Entities, in which the full settlement sum of S\$3 million has already been paid pursuant to the terms of the Settlement Deed, whereupon each of the Group's entities are fully released and discharged from its liabilities and obligations owing by the Group's entities to the Mercuria Entities;
- (c) As at 30 June 2020, a wholly-owned subsidiary of the Company had obtained a \$3 million working capital loan from a local bank.
- (d) The Group is in on-going discussion to obtain \$1.5 million credit facility from one of its substantial shareholders.
- (e) The Group is in on-going discussion to dispose its other Oil & Gas assets.
- (f) The loss making Jati field has been handed back to the Indonesian regulator and the restructuring of the oil and gas entities has reduced the monthly cash cost significantly.

Group Cashflow Statement Review

For the period ended 30 June 2020, the Group had a net cash inflow from operating activities of S\$3.3 million vs net cash outflow of S\$1.6 million as at 30 June 2019.

The Group had net cash and cash equivalents of S\$5.3 million as at 30 June 2020 compared to cash and cash equivalents of S\$4.9 million as at 30 June 2019.

9 **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

10 **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group delivered a significant profit for the quarter and the year to date result, amidst very difficult trading conditions. Results from within the logistics division, whilst down slightly from 2019 at the revenue level were substantially stronger and very encouraging at the gross operating margin level, reflecting our cost focus and improved operational efficiency.

Our Indonesian logistics business is showing year on year revenue growth and improved margins compared to the corresponding period last year as a result of improved volumes from within our largest contract.

Singapore logistics business has experienced revenue decline as a result of soft customer volumes. Despite this, it has delivered excellent gross operating margins compared to 2019. Government Covid-19 relief packages have been of a significant benefit in strengthening the results in Q2 for Singapore.

Our oil and gas revenues have ceased as we have exited our loss making gas field, Jatirarongan and the Lemang PSC has been shut down by the operator. Monthly losses have continued to reduce as we have also completed the Indonesian staff restructuring in Q2.

Our focus to drive down operating cost continues. With the cessation of operations within the Jatirarongan field and the final settlement of our debts with Mercuria Entities, as per the Settlement Deed, we will see further reductions from our cost reduction drive. The group is no longer in default with Mercuria as we have fully paid the settlement sum of S\$3 million under the Settlement Deed as previously announced on 22nd June 2020.

COVID-19 update

Further to our Q1 Covid-19 update, we wish to provide a further update on the current situation.

All our Logistics facilities in Singapore and Indonesia remain open for business and are fully operational. Softness in customer volumes is apparent within logistics across the majority of contracts, which we feel is showing signs of levelling out. We believe general softness will persist throughout 2020 and we remain focussed on customer retention, new business acquisition and margin protection.

Cash flow has been strong throughout the quarter and we are confident that our cash balances are sufficient to support our needs as we roll through the rest of 2020 and into 2021. Our half year results are better than our internal budget expectations for the year at both operating margin and Profits Before Tax levels. This is due to strong operating margins in Logistics, cost reductions across the board, government relief packages and one-off adjustments as a result of the debt settlement under the Settlement Deed with Mercuria.

Oil and Gas remains unaffected by Covid-19 and will continue to play a lesser role as we exit our positions in this sector throughout 2020.

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11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date Payable - Not Applicable

(d) Books closure date - Not Applicable

12 If no dividend has been declared (recommended), a statement to that effect.

No dividend for the period ended 30 June 2020 is recommended.

The Board has considered the impact of the Covid-19 pandemic on the Singapore and global economy. In light of this, the Board is of the opinion that it is more prudent to conserve cash during the current economic situation to meet any unexpected operational requirements.

13 If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT general mandate has been obtained from the shareholders.

14 Please disclose the status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use. Where the proceeds have been used for working capital purpose, a breakdown with specific details on how the proceeds have been applied must be disclosed.

No proceeds were raised from IPO and other offerings for the period under review.

15 Board of Directors' assurance

As at the date of this announcement, the Board of Directors confirms that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results to be false or misleading, in any material aspect.

16 Rule 720(1) of the Listing Manual

The Company confirms it has procured the undertakings from all Directors and executive officers as required under SGX Listing Rule 720(1).

**BY ORDER OF THE BOARD
ENECO ENERGY LIMITED**

Colin Peter Moran
Chief Executive Officer and Executive Director
13 August 2020