FORGING NEW GROWTH

RH PetroGas
常青石油及天然气

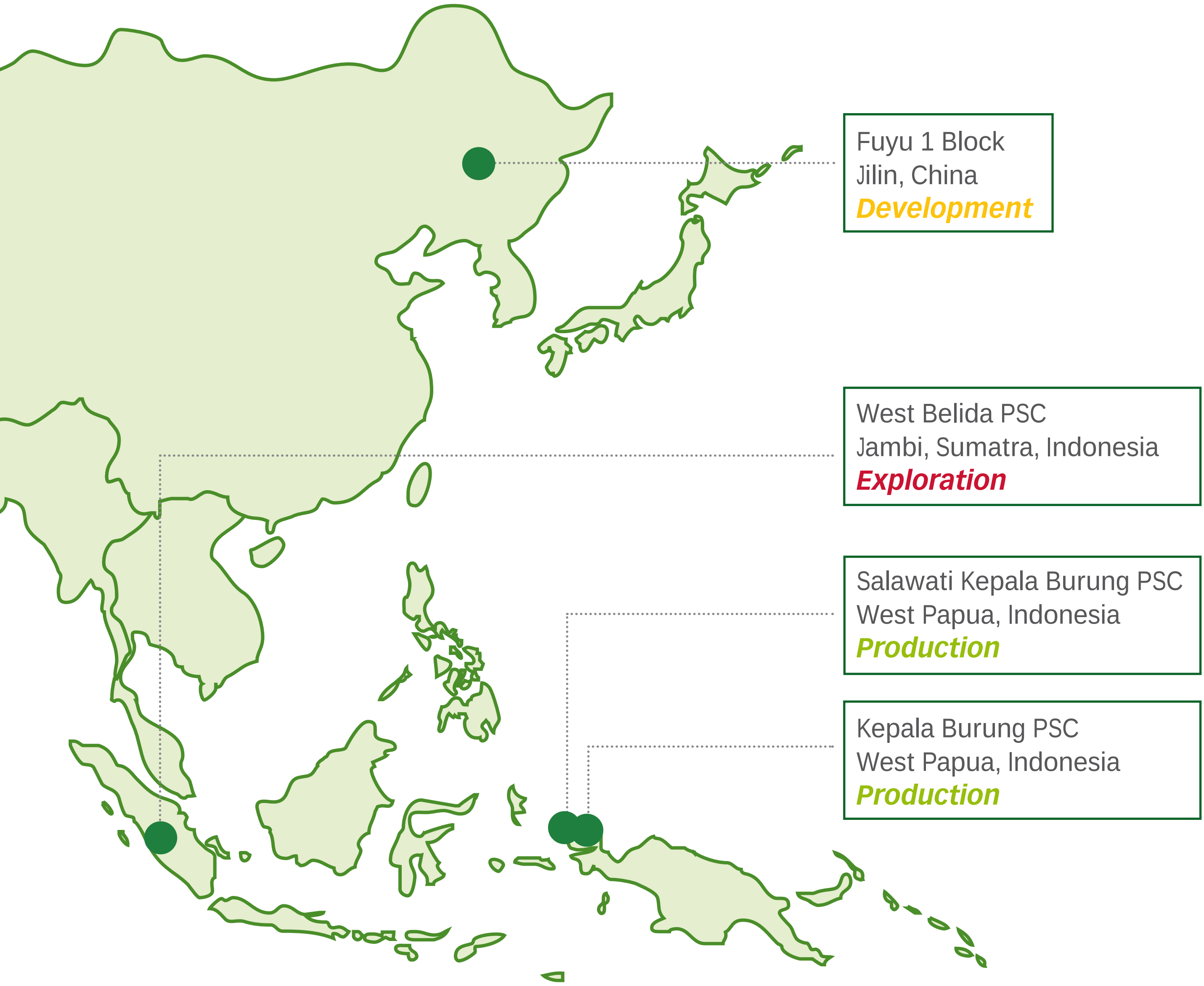
RH PETROGAS LIMITED
Annual Report 2010

Contents

Corporate Overview

The Group has successfully transformed itself into an exploration and production company. RH Petrogas is now forging ahead with its commitment and strategy of growing its oil and gas business to be a leading independent oil and gas company in Asia.

Assets Review – Exploration & Production



China Development – Yongping Oilfield, Fuyu 1 Block

On 12 November 2007, Kingworld Resources Limited ("**KRL**") signed a production sharing contract ("**Petroleum Contract**") with China National Petroleum Corporation ("**CNPC**") to jointly develop and produce hydrocarbon resources in an oilfield in Songliao Basin in Jilin Province, the PRC. The total area covered by the contract is approximately 254.9 square kilometres (km^2), known as Block 1 of Fuyu. The Petroleum Contract was approved by the Ministry of Commerce on 10 January 2008. The Group completed the acquisition of KRL in August 2009. Block 1 Fuyu was the debut investment and the platform for the Group to venture into the oil and gas industry. RH Petrogas is the Operator of Block 1 Fuyu with a 100% interest pre-back-in by CNPC.

During 2010, 15 appraisal wells were drilled in Fuyu 1 Block with interpreted pays in each well. These wells will be converted into producers when field production begins. Progress on the project also saw several milestones achieved during the year. Pilot production test through Huff 'n' Puff thermal recovery program continues with total oil production of 14,800 barrels from 12 wells. Most importantly, the Group has gained the necessary technology for successful future production. An Overall Development Plan for the Yongping field was initiated with the Research Institute of Jilin Oilfield. The plan was submitted to CNPC in October for approval. A final government approval by the National Development and Reform Commission will be required before development drilling and commercial production can commence.

On the exploration front, our neighboring operators have enjoyed recent successes exploring and producing oil and gas from reservoirs deeper than Yongping Oilfield. After a series of seismic mappings and regional petroleum system studies, a deep well is planned for the second quarter of 2011 to test similar zones. If successful, the lighter oil will open up a new play and compliment the existing shallow heavy oil development.

Indonesia Exploration – West Belida PSC, South Sumatra

RH Petrogas, via its wholly-owned subsidiary Orchard Energy (West Belida) Limited, holds a 94% working interest, in the West Belida Production Sharing Contract ("**PSC**") located onshore Jambi, South Sumatra, Indonesia. The remaining 6% working interest is held by an Indonesian partner. The West Belida PSC is currently operating in the first three-year exploration phase under the PSC, which has a 2D seismic and one well work commitment. The Group acquired participation rights in the West Belida PSC pursuant to its acquisition of the Singapore-based Orchard Energy Pte Ltd in June 2010. RH Petrogas is the Operator of this PSC.

Indonesia is one of the main exploration focuses for the Group. The West Belida Block is situated in the prolific South Sumatra basin and is close to a number of oil and gas discoveries located in adjacent blocks. Several leads have been identified with the existing 2D seismic data. Geochemical analysis of soil samples have been performed over some of the leads with encouraging results. A new 2D seismic program of 240 kilometres is planned in the second quarter of 2011 to firm up the leads, with an exploration well planned for the first quarter of 2012.

Indonesia Production – Basin & Island PSC, West Papua

In September 2010, RH Petrogas signed two separate Share Sale and Purchase Agreements to acquire a total of 60% of the Kepala Burung PSC ("**Basin PSC**") and 33.2142% of the Salawati Kepala Burung PSC ("**Island PSC**").

The acquisitions were successfully completed during the year at a purchase consideration of approximately US$74 million with an effective date of 1 January 2010. The assets are primarily oil weighted with net proved plus probable (2P) oil reserves of 14.3 million barrels of oil as at the effective date.

The Basin and Island PSCs are two contiguous blocks located in the "Birds Head" area of West Papua, Indonesia, with a total area of approximately 2,000 km^2 covering both onshore and offshore. The Basin and the Island PSCs have a long history of production, having been in production for about 40 and 15 years respectively. Production is sustained through new field discoveries, in-fill drilling, and production optimization. For the whole of 2010, net production from these two PSCs attributable to RH Petrogas' interests averaged around 4,820 barrels of oil equivalent per day, which included the Indonesian Government's profit share of production under the terms of the PSCs.

A large inventory of leads and prospects have been identified in both the Basin and Island PSCs which provide a large resource base with the potential to add further reserves and production. Near term focus will be in the offshore area of the Island PSC where a discovery has been made. A 400 km^2 3D seismic was acquired in 2010 and work is currently ongoing to delineate the existing discovery and other prospects and leads for future appraisal and exploration drilling.

Chairman's Message

2010 marked a significant year in the history of RH Petrogas, as the Group achieved laudable milestones on several fronts.

Tan Sri Datuk Sir Tiong Hiew King
Executive Chairman

Dear Shareholders,

2010 marked a significant year in the history of RH Petrogas, as the Group achieved laudable milestones on several fronts.

First, the Group completed its transformation into a pure oil and gas player with the divestment of its electronics business. Second, the Group expanded from a single asset to a portfolio of four, with the addition of one exploration and two producing assets, the latter presenting the Group with its first oil and gas production. Third, the Group turned in a positive set of results ending the year with revenues of S$65.2 million, an EBITDA of S$16.9 million and a profit before tax of S$8.4 million. The Group also generated a net operating cash inflow of S$20.9 million in FY2010. Last but not least, a new management team of experienced oil and gas managers was inducted into the Company, an important component in the transformation of the Group and its future growth as an upstream oil and gas company.

Expanding the oil and gas business

RH Petrogas successfully acquired the respective working interests of Lundin Petroleum BV and PearlOil Holdings Limited in the Kepala Burung Production Sharing Contract (the "Basin PSC") and the Salawati Kepala Burung Production Sharing Contract (the "Island PSC") in 2010. The two PSCs are contiguous blocks located in the "Birds Head" area of West Papua, Indonesia, occupying a total area of approximately 2,000 km^2 onshore and offshore combined. These two acquisitions gave the Group an aggregate working interest of 60% in the Basin PSC, and an aggregate working interest of 33.2142% in the Island PSC, contributing immediate production and cash flow to the Group.

In the middle of 2010, the Group completed the acquisition of Orchard Energy Pte Ltd, a wholly-owned indirect subsidiary of Temasek Holdings (Private) Limited, which holds the West Belida PSC. Located onshore Jambi, South Sumatra, Indonesia, the West Belida PSC is currently operating in the first three-year exploration phase under the PSC, which has a 2D seismic and one well work commitment. The Group is the operator with a 94% working interest, with the remaining 6% working interest held by an Indonesian partner. Exploration activities in the block are on-going, with a 240 kilometres 2D seismic survey being planned for second quarter of 2011.

We are delighted to have added these 3 assets to our portfolio. The Group now has a portfolio of 4 assets; 2 in the production stage, and 1 each in the development and exploration stage. These assets provide a good base for the Group to grow its reserve and production organically in the medium to long term. At the same time, we will continue to focus on building up the Group's reserve and production base in the near term with additional viable acquisitions in the markets. Acquisition opportunities will continue to be rigorously reviewed taking into account the current high oil price environment.

In China at our Fuyu 1 Block ("Fuyu 1 Block"), the Overall Development Program ("ODP") for the Yongping field has been submitted for approval in October 2010. Development of the field will commence after the ODP has been approved by the relevant authorities.

In addition to the on-going development activities, the Group is also renewing its exploration efforts in the Fuyu 1 Block. A deep well is planned to be drilled in the second quarter of 2011, which targets the deeper reservoir below the existing production sand. We are hopeful about the outcome of the deep well as light oil and gas have been proven in the same reservoir in an adjacent block to the south.

FY2010 financial review – getting in the black

After several years of financial losses, the Group finally turned in a positive set of financial performance in 2010 with a profit before tax of S$8.4 million. Contribution to the Group's revenue and gross profit for FY2010 came mainly from the newly acquired working interests in the Basin PSC and Island PSC. Excluding the foreign exchange translation losses and professional fees incurred for the acquisitions, the EBITDA and profit before tax were S$19.9 million and S$11.4 million respectively. The latest results translate to earnings per share of 0.44 cents for FY2010 as compared to loss per share of 1.35 cents in FY2009. With these results, the Company has applied to the Singapore Exchange to be removed from the Watch-list, and will update shareholders on the outcome accordingly.

Chairman's Message

Building an experienced and competent oil and gas management team

An important driver for the acquisition of Orchard Energy in June 2010 was that it enabled the Group to inherit a team of experienced oil and gas veterans essential to fill the strategic leadership and management roles of the Group.

We are delighted to welcome Dr Tony Tan who joined RH Petrogas in June 2010 as the Group CEO and Executive Director. Dr Tan has more than 30 years of experience in international petroleum exploration and production.

In addition to Dr Tan, the Group has also inducted an experienced oil and gas management team. Some of them joined from Orchard Energy together with Dr Tan, while others were recruited from within the industry. Since coming on board in June 2010, the management team swiftly led the Group to successfully conclude the acquisition of two producing blocks in Indonesia. These acquisitions played a large part in turning around the Group's recurring losses since FY1999.

Looking forward

2011 has begun with a number of breaking news events. Oil prices have risen more than 15% since the beginning of the year, sparked by the pandemonium that toppled the leaderships in Tunisia and Egypt. As at the time of this report, oil prices have been hovering at their highest levels since September 2008 on concerns that uprisings in countries such as Egypt and Libya could spread to major oil producers including Saudi Arabia and Algeria causing further oil supply disruptions.

Beside the chaos in the Middle East and North Africa region, the world witnessed three earthquakes that have struck since the beginning of the year. The most significant was the massive earthquake which measured 9.0 on the Richter Scale that struck Japan on 11 March 2011. The Japan earthquake has caught the world's attention with the massive loss to human lives and damage to the infrastructure and export markets of the world's third largest economy. The country is now also grappling with the nuclear crisis that ensued as a result of radioactive leaks from the nuclear power plants ruined by the earthquake. The impact of these disasters on Japan and the global economy are not very clear at this stage.

With the shutdown of a number of the nuclear reactors in Japan, this will result in the likely ramp up of other forms of power generation to fill the gap in the short run. In the long run, it will likely to trigger a strategic review of the future role of nuclear in the energy mix by countries which are looking to introducing or expanding their nuclear power generation capacities. One of the possible scenarios would be the increased use of conventional resources such as natural gas and fossil fuels for power plants.

With the continuing demand from the economies of China and India for oil and energy, there is likely to be strong support for oil prices in the short to medium term horizon. On the other hand, spiralling oil prices could in turn result in inflation and a pull back in consumer demand, thereby dampening the fragile global economic recovery since the financial crisis. Inflation has become the top economic concern and policy challenge of many governments as they struggle to keep a lid on rising costs of food and fuel in order to maintain social order and feed the millions who are living in poverty.

We remain optimistic in the future of the oil and gas industry, and are committed to our strategy of growing our oil and gas business and to be a leading independent oil and gas company in Asia. We are looking at both organic and external growth for the Group. Organically, we aim to grow through exploration successes by actively appraising the sizable inventory of exploration prospects within our asset portfolio. Our external growth will come from more acquisitions to expand our asset and production base, though the current high oil prices will pose some challenges as we seek out feasible value propositions in the markets.

Appreciation

On behalf of the Board, I would like to take the opportunity to thank all our staff for their loyalty and tireless efforts in helping transform and grow the Group. My appreciation also goes to all my fellow Board members for their strong guidance and commitment to the Group, especially during the past few years of transformational changes in the Group's businesses. Last but not the least, a very special thank you to all our shareholders for your trust in us. We will continue to do our very best to add value for stakeholders.

We look forward to all your continued support as we embark on our journey to realise our vision of becoming a leading upstream oil and gas company in Asia.

TAN SRI DATUK SIR TIONG HIEW KING
Executive Chairman

Board of Directors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1. Tan Sri Datuk Sir Tiong Hiew King
2. Dato' Sri Dr Tiong Ik King
3. Dr Tony Tan Jee-Theng
4. Tiong Kiew Chiong
5. Tiong Chiong Ee
6. Abbasbhoy Haider Nakhoda
7. Bernard Yeo Yun Seng
8. Lee Hock Lye

Tan Sri Datuk Sir Tiong Hiew King
Executive Chairman

TAN SRI DATUK SIR TIONG HIEW KING was appointed Executive Director and Executive Chairman of the Company on 13 March 2008. He is also the Executive Chairman of Rimbunan Hijau Group, a large diversified conglomerate in Malaysia with extensive business around the world. Tan Sri Datuk Sir Tiong has extensive experience in a number of industries, including timber, oil palm plantations, oil and gas, media and publishing, mining, fishery and manufacturing. He also holds directorships in many private limited companies and publicly listed companies around the world, including Rimbunan Sawit Berhad in Malaysia.

He is also the Chairman of Media Chinese International Limited, a publicly listed media company in both Hong Kong and Malaysia, which publishes 5 Chinese-language newspapers with a total daily circulation of over 1 million copies and over 30 magazines in key cities in North America, Southeast Asia, and China.

Dato' Sri Dr Tiong Ik King
Executive Director

DATO' SRI DR TIONG IK KING who had been a Non-Executive Director since 7 March 1997 and Non-Executive Chairman since 31 March 2005, was re-designated as Executive Director on 13 March 2008. He graduated with a M.B.B.S Degree from National University of Singapore in 1975 and attained M.R.C.P. from the UK Royal College of Physicians, United Kingdom, in 1977.

Dato' Sri Dr Tiong is also an Executive Director of Media Chinese International Limited, a publicly listed media company in both Hong Kong and Malaysia, which publishes 5 Chinese-language newspapers with a total daily circulation of over 1 million copies and over 30 magazines in key cities in North America, Southeast Asia, and China. He also sits on the boards of two other listed companies, including EON Capital Berhad, the holding company of EON Bank Bhd and Jaya Tiasa Holdings Berhad, a timber and oil palm plantation company in Malaysia.

Dr Tony Tan Jee-Theng
Group CEO and Executive Director

DR TONY TAN JEE-THENG was appointed as the new Group CEO and Executive Director effective 17 June 2010. Before joining the Company, Dr Tan was the CEO and Director of Orchard Energy. His extensive geological knowledge, coupled with his management experience and excellent relationship with ASEAN National Oil Companies, gave him the edge and commanding position to lead RH Petrogas. Dr Tan has over 30 years of international oil and gas exploration and production, and merger and acquisition experience, particularly in the Asia-Pacific region.

Dr Tan was previously with Singapore Petroleum Company Ltd ("SPC") as Senior Vice President, Exploration and Production since August 2000 and was a Director of several SPC subsidiaries. Prior to SPC, he managed Gaffney, Cline & Associates – Asia Pacific office in Singapore, an international petroleum and management consultancy firm. He also worked in a multi-national company in Calgary and Houston for 16 years where he held several key management positions and was involved in international exploration and production activities in Asia Pacific, China, North Sea, Canada and Trinidad.

Dr Tan graduated with a Bachelor of Science (First Class Honours, Geology) Degree from the University of Malaya. He also holds a Master of Science Degree from Carleton University, Canada, a PhD in Geology from the University of Calgary, Canada and a Certification in Corporate Finance from Wharton-Singapore Management University.

Mr Tiong Kiew Chiong
Executive Director

MR TIONG KIEW CHIONG was appointed as an Executive Director of the Company on 28 July 2009. He joined the Rimbunan Hijau Group in 1987 and has extensive experience in the timber and media industry. He was assigned to spearhead and set up new business operations in Papua New Guinea and Gabon in 1990 and 1996, respectively.

Board of Directors

Mr Tiong is currently also an Executive Director and Group Chief Executive Officer of Media Chinese International Limited, a company listed on both the main boards of the Stock Exchange of Hong Kong Limited and Bursa Malaysia Securities Bhd; and is the Deputy Chairman of One Media Group Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited.

Mr Tiong obtained his Bachelor Degree in Business Administration (Honours) from York University, Toronto, Canada.

Mr Tiong Chiong Ee
Executive Director

MR TIONG CHIONG EE was appointed as an Executive Director of the Company on 27 August 2009. He is currently the Executive Director and CEO of RH Mining Resources Ltd, since May 2010 and September 2010 respectively. Mr. Tiong is also an Executive Director of Centius Gold Limited since March 2011, a listed company in the Australian Securities Exchange engaging in gold exploration activities.

He has served as a member of the China National Petroleum Corporation Joint Management Committee of Fuyu 1 Block, the Group's first oil and gas project up until September 2010. Mr Tiong has over 6 years of experience in the mineral resources industry. He was previously the executive Deputy General Manager of Kingworld Resources Limited. From June 2004 to June 2007, he was the Commercial Director of a RH Group Company in Japan and the Russian Federation managing sales, business development, mergers and acquisitions and fund raising exercises in the upstream and downstream sectors for the timber group in North East Asia.

Mr Tiong graduated from The University of Melbourne, Australia with a degree in Arts & Commerce.

Mr Abbasbhoy Haider Nakhoda
Independent Director

MR ABBASBHOY HAIDER NAKHODA was appointed as an Independent Director in 1997. He is also the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. Mr Nakhoda has had more than 35 years of experience as a Certified Public Accountant, having been a partner of Ernst & Young since 1974 and its Managing Partner from 1989 until his retirement in 1996.

He holds a degree in Economics from the London School of Economics and is presently a member of the Singapore Institute of Directors, a member of the Institute of Certified Public Accountants in Singapore and a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr Bernard Yeo Yun Seng
Independent Director

MR BERNARD YEO YUN SENG was appointed as an Independent Director on 1 November 2001. He is also the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Currently Mr Yeo is the principal partner of HT & BY Financial Management Consultants. Mr Yeo is an Independent Director of Sin Heng Heavy Machinery Limited, a Singapore listed company and chairman of its audit committee and member of its remuneration committee.

He is a fellow of SHRI and a fellow member of ACCA and was until 1 March 2011, a council member of SHRI. An accountant by profession, he was Director of Finance and Strategic Investment at Compaq Computers Asia Pacific Pte Ltd.

Mr Lee Hock Lye
Independent Director

MR LEE HOCK LYE was appointed as an Independent Director on 27 November 2003. He is also Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. Mr Lee is also presently an Independent Director of Kingsmen Creatives Ltd and Business Advisor at Lombard Odier Darier Hentsch & Cie (Singapore) Ltd. He has extensive experience in banking and finance. He had held several senior positions with HSBC Group in Singapore, where he spent more than 30 years prior to his retirement. Mr Lee holds a Bachelor of Social Sciences Honours degree in Economics from the University of Singapore and is an Associate of the Chartered Institute of Bankers, London.

Key Management

Dr Tony Tan
Group CEO and Executive Director

(Please refer to Page 9)

Francis Chang
Vice President, Exploration and Production

MR FRANCIS CHANG is Vice President for Exploration & Production. Prior to joining RH Petrogas, Mr Chang served as a Vice President for International Operations in GNT International Inc. that is based in Beijing, China. He brings along wide network with US based major and independent oil companies throughout his over 30 years of industrial experience. Mr Chang's technical expertise in many petroleum basins in the global arena and geological experience in China over the past 7 years will be invaluable to RH Petrogas in developing their Fuyu 1 Block in China.

Mr Chang graduated with a Bachelor of Science degree in Geology from National Taiwan University and attended a graduate study programme in Geophysics at Harvard University.

Samuel Cheong
Vice President, Commercial

MR SAMUEL CHEONG is Vice President for Commercial. Mr Cheong was a Commercial Director of Orchard Energy Pte Ltd, which is now a subsidiary of RH Petrogas, since March 2009. Before joining Orchard Energy, Mr Cheong served in various capacities ranging from business development, commercial, risk management and crude operation in Singapore Petroleum Company Limited for approximately 18 years.

Mr Cheong's involvement in many successful acquisitions and joint ventures in both the upstream and downstream sectors of the oil and gas industry forms a strong portfolio that RH Petrogas can tap on to strengthen their new core business - exploration, development and production of oil and gas resources. He also led the company's asset team in managing its entire portfolio of upstream exploration and production assets. Mr Cheong graduated with a Bachelor of Business Administration degree from the National University of Singapore.

Edwin Tan
Vice President, Legal

MR EDWIN TAN is Vice President for Legal. Mr Tan has a number of years of broad legal knowledge and experience, including in the areas of corporate, compliance, company secretarial and oil & gas. Before joining the Company, he was legal counsel at Singapore Petroleum Company Limited for 8 years, where he also managed the group's company secretarial function. Prior to SPC, he was in legal practice in Singapore, at law firms including Shook Lin & Bok and Khattar Wong & Partners where he also headed their corporate secretarial practices.

Mr Tan graduated with a Bachelor of Arts with Honours (Law) degree from the University of Kent at Canterbury, England and was admitted as an Advocate and Solicitor in Singapore.

Then Guang Yaw
Group Financial Controller

MR THEN GUANG YAW is the Group Financial Controller. He joined the Group in 2006 as Internal Audit Manager and was stationed in our Manufacturing plant in Shenzhen for a year. His earlier background was in external and internal audit with companies in Malaysia. Prior to joining us in 2006, he spent 6 years as Financial Controller and later as General Manager of a company of Rimbunan Hijiau Group in South America. Mr Then is a Fellow of the Association of Chartered Certified Accountants.

Sarah Hong
General Manager, FUYU Field

MS SARAH HONG is General Manager of Fuyu Field. She was HR & Administration Manager of RH Petrogas Limited. She was Finance Manager of Orchard Energy Pte Ltd since July 2008, now a subsidiary of the Company. Prior to that, she spent 6 years with Singapore Petroleum Company Limited (SPC) as a Senior Investment Analyst in the Upstream Business Unit. While in SPC, she spent 2 years as a Finance Specialist cum SPC's representative in the Gas pipeline Investment Company in Jakarta, Indonesia. She has over 20 years of finance and accounting experience having worked in various positions in the oil & gas, pharmaceutical, and commodities industry. Ms. Hong is a Fellow of the Association of Chartered Certified Accountants and holds a Master of Science in Computing/Information Technology.

Franciscus Darmono
General Manager, Orchard Energy West Belida

MR FX DARMONO is the General Manager of Orchard Energy West Belida in Indonesia. He joined Orchard Energy in November 2009. Prior to that, he was the General Manager as well as Chief Geology positions of several oil companies under Pertamina subsidiary, Indonesia state-owned oil company for 2 years and senior executives in PT Chevron Pacific Indonesia for over 29 years. Mr Darmono graduated from the Geological Engineering of Gajah Mada University in Yogyakarta, Indonesia.

Corporate Information

BOARD OF DIRECTORS
Tan Sri Datuk Sir Tiong Hiew King
(Executive Chairman)

Dato' Sri Dr Tiong Ik King
(Executive Director)

Dr Tan Jee-Theng Tony
(Group CEO & Executive Director)
(Appointed on 17 June 2010)

Tiong Kiew Chiong
(Executive Director)

Tiong Chiong Ee
(Executive Director)

Abbasbhoy Haider Nakhoda
(Independent Director)

Yeo Yun Seng Bernard
(Independent Director)

Lee Hock Lye
(Independent Director)

AUDIT COMMITTEE
Abbasbhoy Haider Nakhoda
(Chairman)
Yeo Yun Seng Bernard
Lee Hock Lye
Dato' Sri Dr Tiong Ik King

REMUNERATION COMMITTEE
Yeo Yun Seng Bernard
(Chairman)
Abbasbhoy Haider Nakhoda
Lee Hock Lye
Dato' Sri Dr Tiong Ik King

NOMINATING COMMITTEE
Lee Hock Lye
(Chairman)
Yeo Yun Seng Bernard
Abbasbhoy Haider Nakhoda
Dato' Sri Dr Tiong Ik King

SECRETARY
Wee Woon Hong

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AUDITORS
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Audit Partner-in-charge:
Toong Weng Sum Vincent

Date of appointment:
Since financial year ended
31 December 2009

RH Petrogas Limited (formerly known as Tri-M Technologies (S) Limited) (the "**Company**") is committed to maintaining high standards of corporate governance. The Company believes that good corporate governance is about prudent corporate checks and balances. It is about establishing and maintaining appropriate processes, customs and policies, upheld by a responsible principled culture that is led by the Board and embraced by management and staff. Such a framework and culture will result in the enhancement of the interests of all stakeholders. This report describes the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2005 (the "**Code**"). Information provided in other sections of this Annual Report may be relevant to corporate governance. Please read this report together with those other sections of this Annual Report.

BOARD OF DIRECTORS

Role of the Board of Directors

The Board of Directors (the "**Board**") is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. The primary role of the Board is to maximise long term shareholder value. The Board sets the overall strategy of the Group and focuses on the Group's key activities and corporate events including the following:

- Providing entrepreneurial leadership;
- Reviewing the financial performance of the Group;
- Reviewing and approving the broad policies, strategies and financial objectives of the Company;
- Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Reviewing and approving annual budgets, major funding proposals, potential investment and divestment proposals, including material capital investment;
- Assuming responsibility for corporate governance; and
- Monitoring the performance of Management.

Pursuant to the above oversight and strategy focus of the Board, the Board has adopted internal guidelines setting forth matters that require board approval. Transactions that require board approval include investment and divestment proposals, major and significant corporate or strategic projects and actions, annual budgets, and fund raising proposals. The Board has established and delegated specific responsibilities to three Board Committees, to assist the Board in its functions. These are the Audit Committee, the Nominating Committee and the Remuneration Committee. They key functions and responsibilities of these committees are explained in this report below.

Board Composition

The Board consists of eight Directors, three of whom are Independent Non-Executive Directors. The Board is of the view that:

(a) The current board size is appropriate, taking into account the nature and scope of the Group's operations; and

(b) The objective judgement of the Independent Non-Executive Directors on corporate affairs and their collective experience and contributions are valuable to the Company.

The Board members comprises businessmen and professionals with accounting and financial background, business and management experience, and industry knowledge, all of whom as a group, provides the Board with the necessary experience and expertise to direct and lead the Group.

Corporate Governance Report

The nature of Directors' appointments on the Board and details of their membership on Board Committees in the year 2010 are set out in the table below:

		Committee		
Director	**Board**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Tan Sri Datuk Sir Tiong Hiew King	Executive Chairman	–	–	–
Dato' Sri Dr Tiong Ik King	Executive Director	Member	Member	Member
Dr Tan Jee-Theng Tony(1)	Group CEO & Executive Director	–	–	–
Tiong Kiew Chiong	Executive Director	–	–	–
Tiong Chiong Ee	Executive Director	–	–	–
Foo Sac Phoon(2)	Executive Director	–	–	–
Abbasbhoy Haider Nakhoda	Independent Director	Chairman	Member	Member
Yeo Yun Seng Bernard	Independent Director	Member	Member	Chairman
Lee Hock Lye	Independent Director	Member	Chairman	Member

Notes:

(1) Appointed on 17 June 2010
(2) Resigned on 22 October 2010

The Board meets on a quarterly basis. Additional meetings are convened when required and as warranted by circumstances. The Company's Articles of Association provide and allow for meetings to be held by way of telephonic, video conferencing and by other electronic means. Board and Committee decisions may also be obtained by resolutions in writing which are circulated to Directors' with the necessary background and papers for consideration and approval.

The Non-Executive Directors constructively participate in developing and setting proposals on business strategies for the Company.

The number of Board and Committee meetings held in 2010 and the attendance by each member is set out as follows:

Meeting of	**Board**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Total held for the FY2010	**4**	**4**	**1**	**2**
Tan Sri Datuk Sir Tiong Hiew King	4	–	–	–
Dato' Sri Dr Tiong Ik King	4	4	1	2
Dr Tan Jee-Theng Tony (1)	2	–	–	–
Tiong Kiew Chiong	4	–	–	–
Tiong Chiong Ee	4	–	–	–
Foo Sac Phoon (2)	3	–	–	–
Abbasbhoy Haider Nakhoda	4	4	1	2
Yeo Yun Seng Bernard	3	3	–	2
Lee Hock Lye	4	4	1	2

Notes:

(1) Appointed on 17 June 2010
(2) Resigned on 22 October 2010

In addition, the Directors meet informally, as and when necessary, to discuss specific corporate events and actions.

Newly appointed Directors are briefed by the Management on the business activities of the Group and its strategic directions. There are also orientation programs to familarise them with the role and responsibilities of a Director of a public company in Singapore.

All Directors are encouraged to keep themselves updated on changes to the financial, legal and regulatory requirements, framework and the business environment through reading relevant literature and attending appropriate seminars and courses conducted by bodies such as Singapore Exchange Securities Trading Limited ("**SGX-ST**") and Singapore Institute of Directors.

To get a better understanding of the Group's business, the Directors are also given the opportunity to visit the Group's offices and facilities and meet with the Management.

Upon appointment, the Company provides each Executive Director with a formal letter to explain his roles, duties and responsibilities as a member of the Board.

Access to Information

To enable the Board to fulfill its responsibilities, Management provides the Board with monthly/periodic management and financial reports containing complete, adequate and timely information on an on-going basis. In addition, all relevant information, complete with background and explanations, on the Group's annual budgets and forecasts, financial statements, material events and transactions are circulated to Directors as and when required and on a timely basis prior to Board meetings.

The Directors have access to the Company's senior management and the advice and services of the Company Secretary. The Directors, whether as a group or individually, may seek and obtain independent professional advice in furtherance of their duties as Directors of the Company, and such expense is borne by the Company.

The Company Secretary (or the representatives) attends all Board meetings and assists to ensure that Board procedures are followed. Together with the Management, the Company Secretary assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act and the provisions in the Listing Manual of the SGX-ST. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

Executive Chairman and Chief Executive Officer

The Executive Chairman and the Chief Executive Officer ("**CEO**") are separate persons to ensure appropriate balance of power, authority and clear division of responsibilities for independent decision making. Tan Sri Datuk Sir Tiong Hiew King who is the Company's Executive Chairman plays a pivotal role in steering the strategic direction and growth of the business, encourages constructive relations among the Directors and between the Board and Management, and ensures timely flow of information between Management and the Board. The CEO focuses his attention on the day-to-day running of the operations of the Group in accordance with the overall strategies and policies as enumerated and approved by the Board.

NOMINATING COMMITTEE

The Nominating Committee ("**NC**") comprises three Independent Directors and an Executive Director. The members of the NC are:

- Lee Hock Lye (Chairman)
- Yeo Yun Seng Bernard
- Abbasbhoy Haider Nakhoda
- Dato' Sri Dr Tiong Ik King

The NC is regulated by a set of written Terms of Reference and is responsible for making recommendations to the Board on all Board appointments and re-appointments through a formal and transparent process. Its key functions include:

- To review and determine the independence of each Director;
- To assess suitable candidates for appointment or election to the Board, based on their requisite qualifications, expertise and experience; and
- To conduct a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board, particularly when a Director serves on multiple boards.

Under the Company's Articles of Association, each Director is required to retire at least once in every three years by rotation and all newly appointed Directors would have to retire at the next Annual General Meeting following their appointment. The retiring Directors are eligible to offer themselves for re-election.

The NC has assessed and recommended the re-appointment and re-election of the following Directors who will be retiring at the forthcoming Annual General Meeting to be held on 28 April 2011 (the "**AGM**"):

- Tan Sri Datuk Sir Tiong Hiew King
- Dr Tan Jee-Theng Tony
- Abbasbhoy Haider Nakhoda
- Yeo Yun Seng Bernard
- Lee Hock Lye

The Board has accepted the recommendations and the retiring Directors will be offering themselves for reelection.

The following is a table reflecting the date Directors were initially appointed and last re-elected:

Name	Date of Initial Appointment	Date of Directors' Last Re-election
Tan Sri Datuk Sir Tiong Hiew King	13 March 2008	28 April 2010
Dato' Sri Dr Tiong Ik King	7 March 1997	28 April 2010
Dr Tan Jee-Theng Tony	17 June 2010	–
Tiong Kiew Chiong	28 July 2009	28 April 2010
Tiong Chiong Ee	27 August 2009	28 April 2010
Abbasbhoy Haider Nakhoda	17 June 1997	28 April 2010
Yeo Yun Seng Bernard	1 November 2001	28 April 2009
Lee Hock Lye	27 November 2003	28 April 2008

The NC considers that the multiple board representations presently held by some Directors do not impede their respective performance as these Directors have carried out their duties as required.

The independence of each Director is reviewed annually by the NC. The NC adopts the definition in the Code and the guidelines provided in the Audit Committee Guidance Committee Guidebook as to what constitutes an independent director. The NC is of the view that Lee Hock Lye, Yeo Yun Seng Bernard and Abbasbhoy Haider Nakhoda are independent.

The Board has implemented an annual performance evaluation process to assess the effectiveness of the Board as a whole. The purpose of the evaluation is to increase the overall effectiveness of the Board. It is also to help ensure that the Board consists of persons who, together, provide the core competencies and skill sets necessary to meet the Company's objectives. The assessments are made against pre-established criteria, which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively by the NC to discuss improvements with the Board.

REMUNERATION COMMITTEE

The Remuneration Committee ("**RC**") comprises three Independent Directors and an Executive Director. The members of the RC are:

- Yeo Yun Seng Bernard (Chairman)
- Abbasbhoy Haider Nakhoda
- Lee Hock Lye
- Dato' Sri Dr Tiong Ik King

Dato' Sri Dr Tiong Ik King continues to serve as a RC member, as the Board considers Dato' Sri Dr Tiong's contribution and support to the RC invaluable. In addition, although Dato' Sri Dr Tiong is an Executive Director, he does not receive any remuneration from the Company and its subsidiaries.

The RC is regulated by a set of written Terms of Reference. Its key functions include:

- To recommend to the Board a framework of remuneration for Directors, CEO and key executives that is competitive and sufficient to attract, retain and motivate them to run the Company successfully; and

- To review and determine the specific remuneration packages and terms of employment for Executive Directors, CEO and senior executives.

The RC covers all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, options and benefits in kind. Each RC member shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

The RC has authority to seek any external professional advice on matters relating to remuneration of Directors as and when the need arises.

During the financial year ended 31 December 2010 ("**FY2010**"), the RC had met twice to review and recommend to the Board:

(a) the Group CEO and Executive Director's remuneration package and service contract;

(b) the remuneration packages of key management staff; and

(c) the payment of Directors' Fees.

Disclosure on Remuneration

The Company has a remuneration policy where the Company will take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Group's relative performance and the performance of individual Directors and key executives.

The Independent Directors are paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into account factors such as the effort and time spent and the responsibilities of the Independent Directors. The fees are subject to approval by the shareholders at each AGM. The Independent Directors do not receive any other remuneration from the Company.

The Company's employee share option scheme, Tri-M Option Scheme 2001 was approved by shareholders at a general meeting held on 28 September 2001. The Scheme is administered by the RC. Please refer to page 26 of this Annual Report for details of the scheme.

Remuneration of Directors and Key Executives

A breakdown showing the level and mix of each individual Director's and key executive's remuneration payable in FY2010 is as follows:

Remuneration Band	Salary including CPF %	Bonus / Profit-sharing %	Allowances & Others %	Directors' Fees %	Total %
Directors					
$250,000 to below $500,000					
Dr Tan Hee-Theng Tony (1)	65	27	8	–	100
Below $250,000					
Tan Sri Datuk Sir Tiong Hiew King	100	–	–	–	100
Dato' Sri Dr Tiong Ik King	–	–	–	–	–
Foo Sac Phoon (2)	84	–	16	–	100
Tiong Kiew Chiong	–	–	–	–	–
Tiong Chiong Ee	100	–	–	–	100
Abbasbhoy Haider Nakhoda	–	–	–	100	100
Yeo Yun Seng Bernard	–	–	–	100	100
Lee Hock Lye	–	–	–	100	100
Top Five Key Executives					
Below $250,000					
Chang Cheng-Hsing Francis	68	12	20	–	100
Cheong Choon Peng Samuel	71	19	10	–	100
Hong Beng Choo Sarah	82	15	3	–	100
Then Guang Yaw	74	10	16	–	100
Tsang Hin Sung	100	–	–	–	100

Notes:

(1) Appointed on 17 June 2010
(2) Resigned on 22 October 2010

There is no employee of the Group who is an immediate family member of any Director or CEO and whose remuneration exceeded $150,000 during the financial year.

The RC has reviewed and approved the remuneration packages of the Directors and key executives, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Directors and key executives are adequately but not excessively remunerated.

AUDIT COMMITTEE

The Audit Committee ("**AC**") comprises four members, a majority of whom are Independent Directors. The members of the AC are:

- Abbasbhoy Haider Nakhoda (Chairman)
- Yeo Yun Seng Bernard
- Lee Hock Lye
- Dato' Sri Dr Tiong Ik King

The AC members have accounting and related financial management expertise. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

The AC has explicit authority to investigate any matter within its terms of reference, with full access to and co-operation by management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The key responsibilities of the AC include the following:

- To review annually the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also provide non-audit services to the Company, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected.

- To review the external and internal audit plans, including the nature and scope of the audit before the audit commences, the internal auditors' evaluation of the Company's system of internal controls, the external and internal audit reports and management letter issued by the external auditors (if any) and Management's response to the letter;

- To review announcements of the interim and annual results prior to their submission to the Board for approval for release to the SGX-ST;

- To review interested person transactions in accordance with the requirements of the Listing Rules of the SGX-ST;

- To review all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the external auditors; and

- To review and recommend the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors.

The AC may also examine any other aspects of the Company's affairs, as it deems necessary where such matters relate to exposure or risk of a regulatory or legal nature, and monitor the Company's compliance with its legal, regulatory and contractual obligations.

The AC met four times during the year 2010 to review the Group's financial performance for the year, the audit plan/report, the audit findings, the internal audit activities for the year, and the announcements of the interim and full year results before being approved by the Board for release to the SGX-ST. In addition, the AC had met informally with Management and the Auditors on several occasions during the year to discuss the Group's business and financial performance.

The AC had met with the external auditors, without the presence of the Company's Management, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the auditors.

The AC has reviewed the non-audit services provided by the external auditors, Messrs Ernst & Young LLP, and is of the opinion that the provision of such services does not affect their independence. The AC has recommended to the Board the re-appointment of Messrs Ernst & Young LLP as external auditors at the forthcoming AGM.

The AC has implemented a whistle blowing policy whereby staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and which will ensure that arrangements are in place for independent investigations of such matters and for appropriate follow-up action.

ACCOUNTABILITY

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required). Management currently provides all members of the Board with appropriately detailed management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis.

INTERNAL CONTROLS AND INTERNAL AUDIT

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interests of the shareholders and the Group's assets. To achieve this, internal reviews are constantly being undertaken to ensure that the system of internal controls maintained by the Group is sufficient to provide reasonable assurance that the Group's assets are safeguarded against loss from unauthorised use or disposition, transactions are properly authorised and proper financial records are being maintained.

The AC has reviewed the Company's risk assessment based on the reports of the auditors and is assured that adequate internal controls are in place.

The Group's internal audit function is out-sourced to a professional firm, who has unrestricted direct access to the AC. The internal auditors meet the standards set by nationally or internationally recognised professional bodies. The internal auditors are tasked to assists the AC in discharging their duties and conduct regular reviews of the internal control system.

During the year, AC had reviewed the internal audit reports on the review of the adequacy of the Group's operations in Kingworld Resources Limited's, China branch.

RISK MANAGEMENT

The Executive Directors and Management regularly review the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews significant control policies and procedures and highlights the significant matters to the Board and the AC.

The Group's financial risk management objectives and policies are disclosed under Note 32 on pages 102 to 106 of the Notes to the Financial Statements of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

The Board is mindful of the obligation to provide timely and fair disclosure of material information. The Board is accountable to the shareholders while Management is accountable to the Board.

Material information is disclosed and communicated to shareholders in a comprehensive, accurate and timely manner through:

(a) announcements of interim and full year financial results which are published via the SGXNet;

(b) annual reports or circulars of the Company that are prepared and sent to all shareholders;

(c) notices of AGMs and Extraordinary General Meetings ("**EGM**") published in the newspapers; and

(d) press releases on major developments of the Group.

Shareholders are encouraged to attend the Company's AGMs and EGMs to ensure a high level of accountability. The AGMs and EGMs are the principal forum for dialogue with shareholders. The Company recognises the value of feedback from shareholders. During the AGMs and EGMs, shareholders are given ample time and opportunities to air their views and concerns.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to attend and vote on his/her behalf at the AGMs or EGMs through proxy forms sent in advance.

Separate resolutions are proposed at general meetings for each distinct issue.

The Chairmen of the committees and the external auditors are or would be present at every AGM and EGM to address any relevant questions that may be raised by the shareholders.

DEALINGS IN THE COMPANY'S SECURITIES

The Company has adopted policies in line with the requirements of the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing two weeks and one month prior to the announcement of the Group's interim and full year results respectively and ending on the date of the announcement of the relevant results.

In addition, Directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of transactions with interested persons. All IPTs are subject to review by the AC.

The IPTs entered are set out as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
	FY2010 $'000	FY2009 $'000	FY2010 $'000	FY2009 $'000
(a) Loans from RH Capital Limited			Not applicable	Not applicable
• Tan Sri Datuk Sir Tiong Hiew King (1)	1,002(1)	–		
b) Acquisition of KRL			Not applicable	Not applicable
• Tan Sri Datuk Sir Tiong Hiew King (2)	–	110,000(3)		
• Tiong Kiu King (2)	–	110,000(3)		
c) Debt conversion and allotment of shares			Not applicable	Not applicable
• Tan Sri Datuk Sir Tiong Hiew King (4)	–	12,000(5)		
• Dato' Sri Dr Tiong Ik King (4)	–	12,000(5)		
• Surreyville Pte Ltd (4)	–	12,000(5)		
• Woodsville International Limited (4)	–	12,000(5)		

Notes

(1) Pursuant to loan from an interested person, RH Capital Limited (being a company controlled by Tan Sri Datuk Sir Tiong Hiew King) for the sum of up to US$50 million to fund the acquisition of the working interest in Basin PSC and Island PSC. The aggregate value of S$1,002,000 assumes that an aggregate management fee for four quarters will be paid to the interested person in respect of the said loan.

(2) Pursuant to the Sales and Purchase Agreement ("**SPA**") dated 18 August 2008 between the Company, Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King (the "**Vendors**") to acquire the entire issued and paid-up share capital of KRL comprising 50,000 issued ordinary shares of par value US$1.00 each.

(3) The SPA was amended and varied by a Supplemental Agreement dated 27 April 2009.

(4) Tan Sri Datuk Sir Tiong Hiew King and Dato' Sri Dr Tiong Ik King own 55% and 45% respectively of the issued share capital of Woodsville International Limited, which is the holding company of Surreyville Pte Ltd.

(5) Pursuant to the Debt Conversion Deed dated 18 August 2008 between the Company and Surreyville Pte Ltd for the proposed debt conversion of the shareholders' loan into new shares in the Company's share capital. The Debt Conversion Deed was amended and varied by a Supplemental Deed dated 29 April 2009.

MATERIAL CONTRACTS

Except for the transactions/agreements disclosed under IPTs above and Note 21 on page 94 and Note 28 on page 99 of the Notes to the Financial Statements of this Annual Report, there was no other material contract entered between the Company or any of its subsidiaries with any Director or controlling shareholder in FY2010.

USE OF PROCEEDS

As announced on 29 November 2010, the use of the placement proceeds of $43,600,000 raised from the placement of 54,500,000 new shares was as follows:

(i) Placement expenses of $1,985,000;

(ii) Part payment of the unpaid cash consideration for the acquisition of the entire issued share capital of KRL of $10,000,000;

(iii) Funding of the capital expenditure, operating costs and other funding requirements of (i) the crude oil production project at Fuyu 1 Block in preparation for commercial production and (ii) other petroleum exploration and production projects of $26,226,000; and

(iv) Working capital requirements of $1,359,000.

The un-utilised placement proceeds as at 29 November 2010 was $4,030,000.

FINANCIAL REPORTS

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of RH Petrogas Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2010.

Directors

The Directors of the Company in office at the date of this report are:

Tan Sri Datuk Sir Tiong Hiew King
Dato' Sri Dr Tiong Ik King
Dr Tan Jee-Theng Tony (Appointed on 17 June 2010)
Tiong Kiew Chiong
Tiong Chiong Ee
Abbasbhoy Haider Nakhoda
Yeo Yun Seng Bernard
Lee Hock Lye

Arrangements to enable Directors to acquire shares and debentures

Except as disclosed below in 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 are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year or date of appointment**	**At the end of the financial year**	**At the beginning of financial year or date of appointment**	**At the end of the financial year**
<u>The Company</u>				
RH Petrogas Limited				
(Ordinary shares)				
Tan Sri Datuk Sir Tiong Hiew King	–	–	315,389,486	315,389,486
Dato' Sri Dr Tiong Ik King	–	–	202,889,486	202,889,486
Dr Tan Jee-Theng Tony	–	200,000	–	220,000
Tiong Kiew Chiong	–	–	5,005,000	5,005,000

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Tan Sri Datuk Sir Tiong Hiew King and Dato' Sri Dr Tiong Ik King are deemed to have interest in the Company and its subsidiaries. Tan Sri Datuk Sir Tiong Hiew King is deemed to have interest in the 202,889,486 and 112,500,000 ordinary shares of the Company held by Surreyville Pte Ltd and Sharptone Investments Limited respectively. Dato' Sri Dr Tiong Ik King is also deemed to have interest in the 202,889,486 ordinary shares of the Company held by Surreyville Pte Ltd.

Directors' interests in shares and debentures (cont'd)

Dr Tan Jee-Theng Tony has deemed interest in 220,000 ordinary shares that are registered in the name of HL Bank Nominees (S) Pte Ltd. Mr. Tiong Kiew Chiong has deemed interest in 5,005,000 ordinary shares that are registered in the name of Citibank Nominees Singapore Pte Ltd.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2011.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

Options

At an Extraordinary General Meeting held on 28 September 2001, the shareholders approved the employee share option plan, Tri-M Option Scheme 2001 ("the Scheme"), for granting of non-transferable options to subscribe for ordinary shares of the Company to eligible Directors and employees of the Company.

The Remuneration Committee administering the Scheme comprises the following Directors:-

Yeo Yun Seng Bernard (Chairman)
Dato' Sri Dr Tiong Ik King
Abbasbhoy Haider Nakhoda
Lee Hock Lye

There were no unexpired options as at 31 December 2010 and no options were granted or exercised during the financial year.

Since the commencement of the Scheme till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates;
- No participants have received 5% or more of the total options available under the Scheme;
- No options have been granted to Directors and employees of the holding company and its subsidiaries;
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and
- No options have been granted at a discount.

Audit Committee

The Audit Committee (“AC”) carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Company and reviewed the internal auditors’ evaluation of the adequacy of the Company’s system of internal accounting controls and the assistance given by the Company’s management to the external and internal auditors;
- Reviewed the annual financial statements and the auditors’ report on the annual financial statements of the Company before their submission to the Board of Directors;
- Reviewed effectiveness of the Company’s material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditors;
- Reviewed the nature and extent of non-audit services provided by the external auditors;
- Recommended to the Board of Directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (“SGX-ST”)’s Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened 4 meetings during the year with full attendance from all members, except for one where a member was absent. The AC has also met with external auditors, without the presence of the Company’s management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors:

Dr Tan Jee-Theng Tony
Director

Dato' Sri Dr Tiong Ik King
Director

Singapore
30 March 2011

Statement by Directors

We, Dr Tan Jee-Theng Tony and Dato' Sri Dr Tiong Ik King, being two of the Directors of RH Petrogas Limited (the "Company"), do hereby state that, in the opinion of the Directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and its subsidiaries (collectively, the "Group") and of the Company as at 31 December 2010 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) 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.

On behalf of the Board of Directors:

Dr Tan Jee-Theng Tony
Director

Dato' Sri Dr Tiong Ik King
Director

Singapore
30 March 2011

Independent Auditors' Report
to the Members of RH Petrogas Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RH Petrogas Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 the consolidated 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 consolidated 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 balance sheet and statement of changes in equity 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 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Independent Auditors' Report
to the Members of RH Petrogas Limited

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 and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG LLP
Public Accountants and
Certified Public Accountants
Singapore

30 March 2011

Consolidated Income Statement
for the year ended 31 December 2010

	Note	Group 2010 $'000	Group 2009 $'000
CONTINUING OPERATIONS			
Revenue			
Net revenue from crude oil and gas sales		65,230	–
Cost of sales		(49,987)	–
Gross profit		15,243	–
Other income		667	107
Administrative expenses		(3,851)	(1,141)
Other expenses		(3,216)	(576)
Finance costs		(163)	(322)
Profit/(loss) before tax from continuing operations	5	8,680	(1,932)
Income tax expense	6	(6,397)	120
Profit/(loss) from continuing operations, net of tax		2,283	(1,812)
DISCONTINUED OPERATION			
Loss from discontinued operation, net of tax	7	(261)	(2,758)
Profit/(loss) for the year		2,022	(4,570)
Attributable to owners of the parent:			
Profit/(loss) from continuing operations, net of tax		2,283	(1,812)
Loss from discontinued operation, net of tax		(261)	(2,758)
Profit/(loss) for the year attributable to owners of the parent		2,022	(4,570)
Basic and fully diluted earnings/(loss) per share from continuing operations attributable to owners of the parent (cents per share)	8	0.50	(0.54)
Basic and fully diluted earnings/(loss) per share attributable to owners of the parent (cents per share)	8	0.44	(1.35)

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Group	
	2010	**2009**
	$'000	**$'000**
Profit/(loss) for the year	2,022	(4,570)
Other comprehensive income:		
Reclassification adjustment arising from disposal of assets held for sale (transferred from asset revaluation reserve to retained earnings)	–	–
Foreign currency translation	(466)	576
Other comprehensive income for the year, net of tax	(466)	576
Total comprehensive income for the year attributable to owners of the parent	1,556	(3,994)

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

Balance Sheets
as at 31 December 2010

	Note	Group		Company	
		2010	2009	2010	2009
		$'000	$'000	$'000	$'000
Non-Current Assets					
Oil and gas properties	9	81,077	–	–	–
Other plant and equipment	10	2,005	2,368	85	45
Exploration and evaluation assets	11	47,579	19,401	–	–
Goodwill	12	179,778	116,134	–	–
Investment in subsidiaries	13	–	–	–	–
Restricted cash	15	21,026	–	–	–
		331,465	137,903	85	45
Current Assets					
Assets held for sale	16	–	4,377	–	–
Inventories	17	9,393	976	–	41
Other current assets	18	1,782	164	349	49
Trade and other receivables	19	33,807	3,528	638	2,129
Amounts due from subsidiaries		–	–	192,897	132,562
Cash and short-term deposits	20	7,160	22,663	589	20,511
		52,142	31,708	194,473	155,292
Current Liabilities					
Income tax payable		2,798	144	144	144
Loans and borrowings	21	–	2,098	–	268
Trade and other payables	22	95,834	23,705	15,947	12,608
		98,632	25,947	16,091	13,020
Net Current (Liabilities)/Assets		(46,490)	5,761	178,382	142,272
Non-Current Liabilities					
Provisions	23	24,686	–	–	–
Deferred tax liabilities	24	40,450	–	–	–
Loans and borrowings	21	68,013	5,066	33,953	2,977
Other liabilities	25	11,672	–	10,000	–
		144,821	5,066	43,953	2,977
Net Assets		140,154	138,598	134,514	139,340
Capital and Reserves					
Share capital	26	176,877	176,877	176,877	176,877
Reserves	27	(36,723)	(38,279)	(42,363)	(37,537)
Total Equity		140,154	138,598	134,514	139,340

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

Statements of Changes in Equity

for the year ended 31 December 2010

Group	Share capital $'000	Capital reduction reserve $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total reserves $'000	Total equity /(deficit) $'000
At 1 January 2009	24,145	3,710	2,298	(6,099)	(34,194)	(34,285)	(10,140)
Loss net of tax	–	–	–	–	(4,570)	(4,570)	(4,570)
Other comprehensive income for the year	–	–	–	576	–	576	576
Total comprehensive income for the year	–	–	–	576	(4,570)	(3,994)	(3,994)
Conversion of shareholder's loan	12,000	–	–	–	–	–	12,000
Issuance of shares (Note 26)	142,600	–	–	–	–	–	142,600
Share issue expenses (Note 26)	(1,868)	–	–	–	–	–	(1,868)
At 31 December 2009 and 1 January 2010	176,877	3,710	2,298	(5,523)	(38,764)	(38,279)	138,598
Profit net of tax	–	–	–	–	2,022	2,022	2,022
Other comprehensive income for the year	–	–	(2,298)	(466)	2,298	(466)	(466)
Total comprehensive income for the year	–	–	(2,298)	(466)	4,320	1,556	1,556
At 31 December 2010	176,877	3,710	–	(5,989)	(34,444)	(36,723)	140,154

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

Statements of Changes in Equity

for the year ended 31 December 2010

Company	Share capital $'000	Capital reduction reserve $'000	Accumulated losses $'000	Total reserves $'000	Total equity/ (deficit) $'000
At 1 January 2009	24,145	3,710	(36,022)	(32,312)	(8,167)
Loss net of tax, representing total comprehensive income for the year	–	–	(5,225)	(5,225)	(5,225)
Conversion of shareholder's loan	12,000	–	–	–	12,000
Issuance of shares (Note 26)	142,600	–	–	–	142,600
Shares issue expenses (Note 26)	(1,868)	–	–	–	(1,868)
At 31 December 2009 and 1 January 2010	176,877	3,710	(41,247)	(37,537)	139,340
Loss net of tax, representing total comprehensive income for the year	–	–	(4,826)	(4,826)	(4,826)
At 31 December 2010	176,877	3,710	(46,073)	(42,363)	134,514

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

Consolidated Cash Flow Statement

for the year ended 31 December 2010

	2010 $'000	2009 $'000
Operating activities		
Profit/(loss) before tax from continuing operations	8,680	(1,932)
Loss before tax from discontinued operation	(261)	(2,758)
Profit/(loss) before tax, total	8,419	(4,690)
Adjustments for:		
Allowance for inventory obsolescence	–	20
Bad debts recovered	(461)	–
Bad debts written off	–	3
Depletion of oil and gas properties	7,655	–
Depreciation of other plant and equipment	644	752
Gain on disposal of other plant and equipment	(15)	(541)
Gain on disposal of assets held for sale	(522)	–
Gain on disposal of investment in subsidiaries	(69)	–
Impairment loss in value of other plant and equipment	330	162
Interest expense	163	387
Interest income on bank deposits	(36)	(2)
Write-off of dry wells	–	242
Operating cash flows before changes in working capital	16,108	(3,667)
<u>Changes in working capital</u>		
Decrease/(increase) in inventories	2,291	(526)
(Increase)/decrease in trade and other receivables	(6,041)	2,287
Increase/(decrease) in trade and other payables	11,597	(1,394)
Cash flows from/(used in) operations	23,955	(3,300)
Income tax (paid)/refund	(2,965)	35
Interest paid	(163)	(387)
Interest received	36	2
Net cash flows from/(used in) operating activities	20,863	(3,650)
Investing activities		
Proceeds from disposal of other plant and equipment	15	588
Proceeds from disposal of assets held for sale	4,901	–
Purchase of other plant and equipment	(655)	(748)
Additions to oil and gas properties	(8,212)	–
Payment for professional fees for the acquisition of Kingworld Resources Limited	–	(867)
Additions to exploration and evaluation assets	(14,558)	(7,252)
Net cash outflow on acquisition of subsidiaries (Note 13)	(87,211)	(9,735)
Net cash inflow on disposal of subsidiaries (Note 7)	60	–
Net cash flows used in investing activities	(105,660)	(18,014)

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

Consolidated Cash Flow Statement

for the year ended 31 December 2010

	2010 $'000	2009 $'000
Financing activities		
Repayment of term loans	(3,595)	(958)
Repayment of finance leases	–	(147)
Proceeds from/(repayment of) amounts due to related parties	10,218	(1,470)
Net proceeds from issuance of shares	–	41,732
Proceeds from loans and borrowings	65,036	4,278
Repayment of advances to the previous shareholder of a subsidiary	(2,280)	–
Increase in restricted cash and charge over project accounts	(3,452)	–
Net cash from financing activities	65,927	43,435
Net (decrease)/increase in cash and cash equivalents	(18,870)	21,771
Effect of exchange rate changes on cash and cash equivalents	522	56
Cash and cash equivalents at beginning of year	22,071	244
Cash and cash equivalents at end of year (Note 20)	3,723	22,071

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

1. Corporate information

RH Petrogas Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612.

The principal activities of the Company were those of a trading company, investment holding, and exploration and production of oil and gas. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. Fundamental accounting concept

For the year ended 31 December 2010, whilst the Group has recorded a profit after tax of $2,022,000 (2009: loss after tax of $4,570,000), and generated a net operating cash inflow of $20,863,000 (2009: net operating cash outflow of $3,650,000), the Group's current liabilities exceeded its current assets by $46,490,000 (2009: current assets exceeded current liabilities by $5,761,000). Furthermore, the Company incurred loss after tax of $4,826,000 (2009: $5,225,000). These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

The ability of the Group and the Company to continue as going concerns is dependent on (a) the bank not demanding immediate repayment of the Group's credit facilities; (b) shareholders providing continuing financial support to the Group; and (c) the generation of significant positive cash flow from the Group's operations.

If the Group and the Company is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which would differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify certain non-current assets and non-current liabilities as current assets and current liabilities. No such adjustments have been made to these consolidated financial statements.

The consolidated financial statements are prepared on a going concern basis because the Directors believe that the Group and the Company will continue to generate significant positive cash flow from its operations and a substantial shareholder has given an undertaking to provide adequate funds to the Group to meet its liabilities as and when they fall due. These factors fully mitigate any material uncertainty surrounding the Group's and the Company's going concern abilities.

3. Summary of significant accounting policies

3.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

3. Summary of significant accounting policies (cont'd)

3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 103 *Business Combinations (revised)* and FRS 27 *Consolidated and Separate Financial Statements (revised)*

The revised FRS 103 *Business Combinations* and FRS 27 *Consolidated and Separate Financial Statements* are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

FRS 103 *Business Combinations (revised)*

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;
- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and
- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

3. Summary of significant accounting policies (cont'd)

3.2 Changes in accounting policies (cont'd)

The effects of adoption of the revised FRS 103 on the Group's consolidated financial statements, relating to acquisitions disclosed in Note 13 are shown below:

FRS 103 *Business Combinations (revised)*

	Group 2010 $'000
Increase/(decrease) in:	
Consolidated balance sheet	
Other liabilities – contingent consideration for business combination	1,672
Consolidated income statement:	
Other expenses:	
- Transaction costs	1,948
Basic and diluted loss per share (cents)	(0.43)

FRS 27 *Consolidated and Separate Financial Statements (revised)*

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

3. Summary of significant accounting policies (cont'd)

3.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

	Effective for annual periods beginning on or after
Amendment to FRS 32 *Financial Instruments: Presentation - Classification of Rights Issues*	1 February 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011
Improvement to FRSs issued in 2010	1 January 2011

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

3.4 Basis of consolidation

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

3. Summary of significant accounting policies (cont'd)

3.4 Basis of consolidation (cont'd)

Business combinations from 1 January 2010 (cont'd)

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss. The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 3.9(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

3. Summary of significant accounting policies (cont'd)

3.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

3.6 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Group companies

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

3. Summary of significant accounting policies (cont'd)

3.7 Oil and gas properties, and other plant and equipment

Oil and gas properties and other plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, for qualifying assets and borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

Subsequent to recognition, when significant parts of an asset are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation

Oil and gas properties are depreciated on a unit-of-production basis over the related proved and probable reserves in the field, taking into account future development expenditure necessary to bring those reserves into production.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Plant, machinery and equipment	-	3 to 5 years
Furniture and fittings and office equipment	-	3 to 5 years
Motor vehicles	-	3 to 5 years

Assets under construction included in oil and gas properties are not depreciated as these assets are not yet available for use.

The carrying values of oil and gas properties, and other plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of oil and gas properties and other plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

3. Summary of significant accounting policies (cont'd)

3.8 Oil and natural gas exploration, evaluation and development expenditure

Oil and natural gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalised within tangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to property, plant and equipment.

Exploration and evaluation costs

All exploration and evaluation costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Directly attributable administration costs are capitalised insofar as they relate to specific development activities until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, costs of drill exploratory wells and payments made to contractors. If no reserves are found, the exploration asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commercially of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery.

When this is no longer the case, the costs are intent to written off. When proved reserves of oil are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognised.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development on delineation wells is capitalised within oil and gas properties.

3. Summary of significant accounting policies (cont'd)

3.9 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3.6.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

3. Summary of significant accounting policies (cont'd)

3.9 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired assets except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

3. Summary of significant accounting policies (cont'd)

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

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

(a) Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(b) Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.11 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

3. Summary of significant accounting policies (cont'd)

3.12 Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Jointly controlled operations

A jointly controlled operation involves the use of assets and other resources of the Group and other venturers rather than the establishment of a corporation, partnership or other entity.

The Group recognises in its financial statements the assets that it controls and the liabilities that it incurs, the expenses it incurs and the share of income that it earns from the sale of goods or services by the joint venture.

Jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by the Group and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Jointly controlled entities

A jointly controlled entity is a corporation, partnership or entity in which each participant holds an interest. A jointly controlled entity operates in the same way as other entities, controlling the assets of the joint venture, earning its own income and incurring its own liabilities and expenses.

The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

Upon loss of joint control, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the former joint venture entity upon loss of joint venture control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. When the retained investment constitutes significant influence, it is accounted for as investment in an associate.

3. Summary of significant accounting policies (cont'd)

3.13 Financial assets

Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

3. Summary of significant accounting policies (cont'd)

3.13 Financial assets (cont'd)

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

3. Summary of significant accounting policies (cont'd)

3.14 Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3. Summary of significant accounting policies (cont'd)

3.14 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand. These also include bank overdrafts that form an integral part of the Group's cash management.

3.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method and comprises all costs incurred in the normal course of business in bringing the inventories to their present location and condition.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3. Summary of significant accounting policies (cont'd)

3.17 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and amount of the obligation can be estimated reliably. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

The Group recognises its obligations for future removal and site restoration of oil and gas production facilities, wells, pipelines and related assets in accordance with the provisions in the production sharing contracts or in line with applicable regulations.

In most instances, the removal of these assets will occur many years in the future. The provision for future restoration costs is the best estimate of the present value of the future expenditures required to undertake the restoration obligation at the reporting date, based on current legal requirements. The estimate of future removal costs therefore requires management to make judgments regarding the timing of removal, the extent of restoration activities required and future removal technologies.

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the assets.

Such estimates are reviewed on an annual basis and adjusted each year as required and reflected in the present value of the restoration provision at the end of the reporting date, with a corresponding change in the cost of the associated asset.

The Group recognises a deferred tax asset regarding the temporary difference on the decommissioning liability, and a corresponding deferred tax liability regarding the temporary difference over the decommissioning asset.

3.18 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

3. Summary of significant accounting policies (cont'd)

3.18 Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

3. Summary of significant accounting policies (cont'd)

3.20 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Production Sharing Contract ("PSC") operators in Indonesia, under the guidance of Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi ("BPMIGAS"), provide the future pension liability upon employee retirement or severance payment upon termination whichever is applicable, referred to as "Tabel Besar" or the "Big Table". A Big Table scheme is a form of a defined benefit whereby an employee is given a certain number of months pay based on years of service. Operators of Basin PSC and Island PSC have opted to manage their pension plans by funding the pension obligation with bank time deposit.

Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

3.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3.22 Non-current assets held for sale and discontinued operation

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

3. Summary of significant accounting policies (cont'd)

3.22 Non-current assets held for sale and discontinued operation (cont'd)

In profit or loss of the current reporting period, and of the comparative period, all income and expenses from discontinued operation are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

3.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from crude oil and gas sales

Revenue from sale of oil and petroleum products is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred into a vessel, through a pipeline at the delivery point or by other delivery mechanism. Revenues associated with the sale of petroleum products are recognised when the title passes to the customer.

Revenue from the production of oil in which the Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing contracts (PSCs). Under this method, revenue reflects the participant's share of production regardless of which participant has actually made the sale and invoiced the production. This is achieved by adjusting revenue whereby the excess of product sold during the period over the participant's ownership share of production from the property is recognised by the overlift party as liability and not as revenue. Conversely, the underlift party wound recognise an underlift asset and report corresponding revenue.

Interest income

Interest income is recognised using the effective interest method.

3.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3. Summary of significant accounting policies (cont'd)

3.24 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Summary of significant accounting policies (cont'd)

3.24 Taxes (cont'd)

(c) Production tax

In addition to corporate income taxes, the Group's consolidated financial statements also include and disclose as taxes on income typical taxes on net income, however determined from oil and gas production.

Royalties, resource rent taxes and revenue-based taxes are accounted for under FRS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under Government authority and the amount payable is based on taxable income - rather than based on quantity produced or as a percentage of revenue - after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions and included in expenses.

(d) Production-sharing arrangements

According to the production-sharing agreement, the share of the profit oil to which the government is entitled in any calendar year in accordance with the production sharing contract is deemed to include a portion representing the corporate income tax imposed upon and due by the Group. This portion of income tax and revenue are presented net in profit or loss.

3.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.26 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

3. Summary of significant accounting policies (cont'd)

3.26 Contingencies (cont'd)

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3.27 Related parties

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

4. Significant accounting judgement and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4. Significant accounting judgement and estimates (cont'd)

4.1 Judgement made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Reserve base

Oil and gas development and production properties, are depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with Society of Petroleum Engineers rules and incorporating the estimated future cost of developing and extracting those reserves.

Commercial reserves are determined using reasonable estimates of oil in place, recovery factors, future development and operating costs and future oil prices.

Future development costs are estimated using assumptions as to number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets has been impaired.

(c) Carrying value of oil and gas assets

Oil and gas properties are depreciated using the units-of-production ("UOP") method over proved and probable developed and undeveloped mineral reserves.

The calculation of the UOP rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- Changes in proved and probable reserves
- The effect on proved and probable reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

4. Significant accounting judgement and estimates (cont'd)

4.1 Judgement made in applying accounting policies (cont'd)

(d) Impairment indicators

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the oil price assumption may change, which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of goodwill and tangible assets. The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets.

(e) Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. Current provisions made for the decommissioning are based on the Group's internal estimates of the decommissioning cost, which may vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, the difference between actual and estimates may be material and there could be significant adjustments to the provisions established which would affect future financial results.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of goodwill, are given in Note 12.

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 19.

4. Significant accounting judgement and estimates (cont'd)

4.2 Key sources of estimation uncertainty (cont'd)

(c) Fair value measurement of contingent consideration on business combination

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. The carrying amount of the contingent consideration on business combination at the end of the reporting period is disclosed in Note 13.

(d) Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable and deferred tax liabilities as at 31 December 2010 was $2,798,000 (2009: $144,000) and $40,450,000 (2009: $Nil), respectively.

5. Profit before tax from continuing operations

This is stated after charging/(crediting):

	Group	
	2010	**2009**
	$'000	**$'000**
Cost of sales		
Depletion of oil and gas properties (Note 9)	7,655	–
Termination indemnity (Note 23)	753	–
Other income:		
Gain on disposal of assets held for sale	(522)	–
Gain on disposal of investment in subsidiaries	(69)	–
Interest income from bank deposits	(36)	(1)
Write-back of loan restructuring fees	–	(42)
Administrative expenses:		
Depreciation of other plant and equipment (Note 10)	494	136
Non-audit fees paid to auditors of the Company	285	10
Operating lease expense	136	477
Employee benefits (including directors' remuneration):		
- Salaries and bonuses	1,406	334
- Contribution to approved pension schemes	42	12

5. Profit before tax from continuing operations (cont'd)

	Group 2010 $'000	Group 2009 $'000
Other expenses:		
Foreign exchange loss/(gain)	1,145	(11)
Transaction costs arising from business combinations (Note 13)	1,948	–
Directors' fees	106	100
Write-off of dry wells	–	242
Finance costs:		
Interest on:-		
Bank overdrafts	12	62
Finance leases	–	2
Short-term revolving credits	–	75
Term loans	151	182
Others	–	1

6. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

	Group 2010 $'000	Group 2009 $'000
Statement of comprehensive income		
Current income tax – continuing operations:		
Current income taxation	5,656	–
Over provision in respect of previous years	–	(120)
	5,656	(120)
Deferred income tax – continuing operations		
Origination and reversal of timing differences	741	–
Income tax attributable to continuing operations	6,397	(120)
Income tax attributable to discontinued operation	–	–
Income tax expense/(benefit) recognised in profit or loss	6,397	(120)

6. Income tax expense (cont'd)

(b) Relationship between income tax expense and accounting profit

The reconciliation between income tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 are as follows:

	Group	
	2010	2009
	$'000	$'000
Profit/(loss) before tax from continuing operations	8,680	(1,932)
Loss before tax from discontinued operation (note 7)	(261)	(2,758)
Profit/(loss) before tax	8,419	(4,690)
Tax at the domestic rate applicable to profits/(losses) in the countries where the Group operates	4,669	(1,006)
Adjustments:		
Non-deductible expenses	1,251	828
Income not subject to taxation	(130)	(445)
Deferred tax assets not recognised	564	623
Over provision in respect of previous years	–	(120)
Others	43	–
Income tax expense/(benefit) recognised in profit or loss	6,397	(120)

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

7. Loss from discontinued operation

On 19 August 2010, the Company announced its board decision to dispose of TRIM Technologies International Pte Ltd and its subsidiaries, which were previously reported in the electronic business segment, to Surreyville Pte Ltd, a substantial shareholder, for $88,000. The decision is consistent with the Group's strategy to focus on its core oil and gas business and to divest its electronic business, which has been loss-making. The disposal was completed on 22 October 2010.

7. Loss from discontinued operation (cont'd)

The carrying amounts of assets and liabilities of the discontinued operation as at the disposal date were:

	Carrying amount before disposal $'000
Other plant and equipment	171
Trade and other receivables	1,445
Inventories	225
Cash and short-term deposits	28
	1,869
Trade and other payables	(1,850)
Net assets	19
Gain on disposal	69
Total consideration received in cash	88
Less: Cash and short-term deposits of subsidiaries disposed	(28)
Net cash inflow on disposal of subsidiaries	60

Income statement disclosures

The results of the discontinued operation for the years ended 31 December are as follow:

	Group	
	2010 $'000	2009 $'000
Revenue	3,714	4,180
Cost of sales	(3,365)	(4,687)
Gross profit/(loss)	349	(507)
Other income	562	607
Selling and distribution expenses	(143)	(357)
Administrative expenses	(777)	(1,776)
Other expenses	(252)	(660)
Finance costs	–	(65)
Loss before tax from discontinued operation, representing net of tax	(261)	(2,758)

7. Loss from discontinued operation (cont'd)

Cash flow statement disclosures

The cash flows attributable to the discontinued operation are as follows:

	Group	
	2010	2009
	$'000	$'000
Operating	(49)	292
Investing	(106)	380
Financing	–	(958)
Net cash (outflow)/inflow	(155)	(286)

Loss per share disclosures

	Group	
	2010	2009
Basic and fully diluted loss per share from discontinued operation attributable to owners of the parent (cents per share)	(0.06)	(0.81)

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinuing operation, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted loss per share computation respectively. These loss and share data are presented in the tables in Note 8(a).

8. Earnings/loss per share

(a) Continuing operations

Basic earnings/loss per share from continuing operations are calculated by dividing profit/loss from continuing operations, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/loss per share from continuing operations are calculated by dividing profit/loss from continuing operations, net of tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

8. Earnings/loss per share (cont'd)

(a) Continuing operations (cont'd)

The following table reflects the profit/loss and share data used in the computation of basic and diluted earnings/loss per share for the years ended 31 December 2010 and 2009:

	Group	
	2010	**2009**
	$'000	**$'000**
Profit/(loss) for the year attributable to owners of the parent	2,022	(4,570)
Add back: Loss from discontinued operation, net of tax, attributable to owners of the parent	261	2,758
Profit/(loss) from continuing operations, net of tax, attributable to owners of the parent used in the computation of basic and diluted earnings/loss per share from continuing operations	2,283	(1,812)

	No. of shares	**No. of shares**
Weighted average number of ordinary shares for basic and diluted earnings/loss per share computation	455,821,443	337,505,005

There have been no other transactions involving ordinary shares or potential ordinary share since the reporting date and before the completion of these financial statements.

(b) Earnings/loss per share computation

The basic and diluted earnings/loss per share are calculated by dividing the profit/loss for the year attributable to owners of the parent by the weighted average number of ordinary shares for basic earnings/loss per share computation and weighted average number of ordinary shares for diluted earnings/loss per share computation respectively. These profit and share data are presented in the tables in Note 8(a) above.

9. Oil and gas properties

	Group $'000
Cost:	
At 1 January 2009, 31 December 2009 and 1 January 2010	–
Acquisition of subsidiaries (Note 13)	76,853
Additions	8,212
Change in provision for decommissioning	3,561
At 31 December 2010	88,626
Accumulated depletion and impairment:	
At 1 January 2009, 31 December 2009 and 1 January 2010	–
Charge for the year	7,655
Exchange realignment	(106)
At 31 December 2010	7,549
Net carrying amount:	
At 31 December 2009	–
At 31 December 2010	81,077

The net book value at 31 December 2010 includes $1,942,000 (2009: $Nil) in respect of development assets under construction, which are not being depreciated.

Cash outflow for the purchase of oil and gas properties was $8,212,000 (2009: $Nil).

10. Other plant and equipment

Group	Leasehold improvements $'000	Plant, machinery and equipment $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
	At cost				
Cost:					
At 1 January 2009	4,917	25,843	8,205	181	39,146
Additions	46	549	42	111	748
Disposals	(123)	(3,542)	(3,427)	(78)	(7,170)
Acquisition of subsidiaries (Note 13)	–	737	71	604	1,412
Exchange realignment	(62)	(487)	(145)	(20)	(714)
At 31 December 2009 and 1 January 2010	4,778	23,100	4,746	798	33,422
Additions	–	456	152	47	655
Disposals	–	(36)	–	(41)	(77)
Acquisition of subsidiaries (Note 13)	–	–	211	–	211
Disposal of subsidiaries (Note 7)	(4,747)	(21,962)	(4,688)	(106)	(31,503)
Exchange realignment	–	38	10	100	148
At 31 December 2010	31	1,596	431	798	2,856
Accumulated depreciation and impairment loss:					
At 1 January 2009	4,917	24,646	8,125	161	37,849
Depreciation for the year	5	630	51	66	752
Disposals	(123)	(3,530)	(3,419)	(53)	(7,125)
Impairment loss	8	189	(2)	(33)	162
Exchange realignment	(61)	(395)	(140)	12	(584)
At 31 December 2009 and 1 January 2010	4,746	21,540	4,615	153	31,054
Depreciation for the year	10	387	97	150	644
Disposals	–	(36)	–	(41)	(77)
Impairment loss	–	330	–	–	330
Disposal of subsidiaries (Note 7)	(4,742)	(21,910)	(4,620)	(60)	(31,332)
Exchange realignment	–	86	17	129	232
At 31 December 2010	14	397	109	331	851
Net carrying amount:					
At 31 December 2009	32	1,560	131	645	2,368
At 31 December 2010	17	1,199	322	467	2,005

Notes to the Financial Statements
31 December 2010

10. Other plant and equipment (cont'd)

Company	Leasehold improvements $'000	Furniture, fittings and office equipment $'000	Total $'000
Cost:			
At 1 January 2009	–	1,341	1,341
Additions	31	20	51
At 31 December 2009 and 1 January 2010	31	1,361	1,392
Additions	–	71	71
Disposals	–	(1,357)	(1,357)
At 31 December 2010	31	75	106
Accumulated depreciation and impairment loss:			
At 1 January 2009	–	1,334	1,334
Depreciation for the year	4	9	13
At 31 December 2009 and 1 January 2010	4	1,343	1,347
Depreciation for the year	10	11	21
Disposals	–	(1,347)	(1,347)
At 31 December 2010	14	7	21
Net carrying amount:			
At 31 December 2009	27	18	45
At 31 December 2010	17	68	85

Impairment of assets

In 2009, the Group carried out a review of the recoverable amount of its idle plant and equipment. An impairment loss of $162,000 representing the write-down of certain plant and equipment to recoverable amount was recognised in profit or loss. The recoverable amount was determined at the cash-generating unit level and is based on the fair value less costs to sell determined with respect to amounts received in recent transactions for similar assets within the same industry.

11. Exploration and evaluation assets

	Group	
	2010	2009
	$'000	$'000
Cost:		
At 1 January	19,401	–
Acquisition of subsidiaries (Note 13)	14,580	12,650
Additions	14,558	7,252
Change in provision for decommissioning	97	–
Write-off of dry wells	–	(242)
Exchange realignment	(1,057)	(259)
At 31 December	47,579	19,401

Cash outflow for additions to exploration and evaluation assets was $14,558,000 (2009: $7,252,000).

12. Goodwill

	Group
	$'000
Cost	
At 1 January 2009	–
Acquisition of subsidiaries (Note 13)	116,134
At 31 December 2009 and 1 January 2010	116,134
Acquisition of subsidiaries (Note 13)	63,644
At 31 December 2010	179,778

Impairment testing of goodwill

Goodwill arising from business combinations has been allocated to the oil exploration and production cash-generating unit ("CGU"), which is also the reportable operating segment.

The recoverable amount of the CGU has been determined based on value-in-use calculations using a discounted cash flow model. The pre-tax discount rate applied to the cash flow projections is 12% - 15% (2009: 12%). The calculation of value-in-use is most sensitive to the following assumptions:

- Production volumes
- Discount rates
- Crude oil prices

Estimated production volumes are based on detailed data for the fields and take into account development plans for the fields agreed by management as part of the long-term planning process.

12. Goodwill (cont'd)

The discount rate, which is the weighted average cost of capital, represents the current market assessment of the risk specific to the CGU, regarding the time value of money and individual risks of underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital.

Crude oil prices are based on publicly available forecast commodity prices and are adjusted for quality, transportation fees, and regional price differences.

Management believes no reasonably possible change in any of the key assumptions would cause the carrying amount of goodwill and other non-current assets to exceed their recoverable amount.

13. Investment in subsidiaries

	Company	
	2010	2009
	$'000	$'000
Unquoted shares, at cost	12,520	12,520
Impairment losses	(12,520)	(12,520)
	–	–

Details of subsidiaries are as follows:

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost of investment		Proportion of ownership interest	
			2010	2009	2010	2009
			$'000	$'000	%	%
Held by the Company						
(1)	TRIM Technologies (M) Sdn Bhd (Malaysia)	Dormant (Malaysia)	12,144	12,144	100	100
(3)	Tri-M Technologies Inc. (United States of America)	Dormant (United States of America)	39	39	100	100
(4)	Tri-M Technologies (Philippines) Inc. (Philippines)	Dormant (Philippines)	337	337	100	100
(1)	RH Petrogas Investments Pte. Ltd. (Singapore)	Oil and gas exploration and production (Singapore)	#	#	100	100
(2)	TRIM Technologies International Pte. Ltd. (Singapore)	Investment holding (Singapore)	–	#	–	100
			12,520	12,520		

13. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2010 %	2009 %
Held by subsidiaries			
(2) TRIM Technologies (China) Pte. Ltd. (Singapore)	Investment holding (Singapore)	–	100
(2) TRIM Technologies (Shenzhen) Co. Ltd. (China)	Assembly of printed circuit boards and related accessories (China)	–	100
(4) TRIM Electronics (Shenzhen) Co. Ltd. (China)	Assembly of printed circuit boards and related accessories (China)	–	100
(2) TRIM Technologies (Hong Kong) Ltd (Hong Kong)	Dormant (Hong Kong)	–	100
(3) Mastique Investments Limited (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100
(3) Kingworld Resources Limited (British Virgin Islands)	Oil and gas exploration and production (China)	100	100
(3) Great Prime Investments Limited (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100
(1) RH Petrogas Singapore Pte. Ltd. (formerly known as Orchard Energy Pte. Ltd.) (Singapore)	Investment holding (Singapore)	100	–
(1) RH Petrogas Holdings Pte. Ltd. (formerly known as OE Holdings Pte. Ltd.) (Singapore)	Investment holding (Singapore)	100	–
(3) RH Petrogas Global Ventures Limited (formerly known as OE Global Ventures Limited) (British Virgin Islands)	Investment holding (British Virgin Islands)	100	–
(3) RH Petrogas Indonesia Holding Limited (formerly known as Orchard Energy Indonesia Holding Limited) (British Virgin Islands)	Investment holding (British Virgin Islands)	100	–

13. Investment in subsidiaries (cont'd)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
			2010 %	2009 %
Held by subsidiaries (cont'd)				
(3)	Orchard Energy (West Belida) Limited (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	100	–
(1)	RHP Salawati Holdings BV (The Netherlands)	Investment holding (The Netherlands)	100	–
(1)	Petrogas Basin Holding BV (The Netherlands)	Investment holding (The Netherlands)	100	–
(1)	Petrogas Island Holding BV (The Netherlands)	Investment holding (The Netherlands)	100	–
(1)	Lundin Salawati Basin BV (The Netherlands)	Oil and gas exploration and production (Indonesia)	100	–
(1)	Lundin Indonesia BV (The Netherlands)	Oil and gas exploration and production (Indonesia)	100	–
(3)	Petrogas (Basin) Ltd (formerly known as PearlOil (Basin) Ltd) (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	100	–
(3)	Petrogas (Island) Ltd (formerly known as PearlOil (Island) Ltd) (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	100	–

(1) Audited by member firm of Ernst & Young Global.
(2) The subsidiary has been disposed during the year.
(3) Not required to be audited by law in its country of incorporation
(4) This subsidiary is in process of being or has been liquidated.
Cost of investment is $2

Shares in RHP Salawati Holdings BV, Petrogas Basin Holding BV, Petrogas Island Holding BV, Lundin Salawati Basin BV, Petrogas (Basin) Ltd, Lundin Indonesia BV, Petrogas (Island) Ltd and RH Petrogas Global Ventures Limited are pledged to secure banking facilities granted by a bank in Singapore (Note 21).

The Group incorporated RHP Salawati Holdings BV, Petrogas Basin Holding BV and Petrogas Island Holding BV on 10 December 2010.

13. Investment in subsidiaries (cont'd)

Acquisitions in 2010

RH Petrogas Singapore Pte Ltd

On 14 June 2010, the Group acquired 100% equity interest in RH Petrogas Singapore Pte Ltd ("RPSPL"), which has a 94% working interest in a production sharing contract in West Belida Block, Jambi, South Sumatra through one of its subsidiaries. Upon acquisition, RPSPL became a subsidiary of the Group

The fair value of the identifiable assets and liabilities of RPSPL Group as at date of acquisition were:

	Carrying amount before combination $'000	Fair value recognised on acquisition $'000
Other plant and equipment	211	211
Trade and other receivables	39	39
Cash and short-term deposits	2,323	2,323
	2,573	2,573
Trade and other payables	(2,588)	(2,588)
Total identifiable net liabilities at fair value		(15)
Goodwill arising on acquisition		366
Total consideration settled in cash		351
Less: Cash and short-term deposits of subsidiaries acquired		(2,323)
Net cash inflow on acquisition		(1,972)

Trade and other receivables acquired

The carrying value of the trade and other receivables amounting to $39,000 was approximation of their fair value. None of the trade and other receivables have been impaired and it was expected that the full contractual amounts can be collected.

Goodwill arising on acquisition

The goodwill comprises the fair value of expected synergies arising from acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

Transaction costs

Transaction costs related to the acquisition of $135,000 have been recognised in "Other expenses" line item in the Group's profit or loss for the year ended 31 December 2010.

Impact of the acquisition on profit or loss

From the date of acquisition, RH Petrogas Singapore Pte Ltd and its subsidiaries have contributed no revenue and loss of $231,000 to the Group's profit for the year.

13. Investment in subsidiaries (cont'd)

Acquisitions in 2010 (cont'd)

Lundin Salawati Basin BV ("LSBBV"), Petrogas (Basin) Ltd ("PBL"), Lundin Indonesia BV ("LIBV") and Petrogas (Island) Ltd ("PIL")

In February 2010, the vendors invited tender for the sale of their participating interest in Kepala Burung Production Sharing Contact ("Basin PSC") and Salawati Kepala Burung Production Sharing Contract ("Island PSC") located in West Papua, Indonesia. After initial bidding and subsequent negotiation and finalisation of commercial terms, the Group was awarded the tender on 16 June 2010.

The Group signed two separate share purchase agreements ("SPAs") in September 2010 to acquire 100% equity interest in Lundin Salawati Basin BV ("LSBBV"), Petrogas (Basin) Ltd ("PBL"), Lundin Indonesia BV ("LIBV") and Petrogas (Island) Ltd ("PIL"), which have participating interest in Basin PSC and Island PSC. LSBBV and PBL hold 25.9360% and 34.0640% working interest in Basin PSC, respectively. LIBV and PIL hold 14.5122% and 18.7020% working interest in Island PSC, respectively.

The SPAs provided for the transfer of the working interest in the PSCs to be effective from 1 January 2010. In line with the awarding of the tender, which gave the Group the obligations, risks and rewards of the working interests in Basin PSC and Island PSC, the Group considered the acquisition date to be on 16 June 2010.

Upon the acquisition, these entities became subsidiaries of the Group.

The acquisitions were made in consideration of potential source of cash flow from established PSCs thereby expanding the Group's portfolio and reducing risks associated with a concentrated portfolio.

13. Investment in subsidiaries (cont'd)

Acquisitions in 2010 (cont'd)

Lundin Salawati Basin BV ("LSBBV"), Petrogas (Basin) Ltd ("PBL"), Lundin Indonesia BV ("LIBV") and Petrogas (Island) Ltd ("PIL") (cont'd)

The fair values of the identifiable assets and liabilities of LSBBV, PBL, LIBV and PIL as at date of acquisition were:

	Carrying amount before combination $'000	Fair value adjustments $'000	Fair value recognised on acquisition $'000
Assets:			
Oil and gas properties	63,800	13,053	76,853
Exploration and evaluation assets	5,040	9,540	14,580
Amounts due from the previous owners' related companies	87,486	(82,408)	5,078
Inventories	16,260	(5,327)	10,933
Trade and other receivables	27,642	(4,422)	23,220
Restricted cash	18,731	–	18,731
Cash and short-term deposits	5,764	–	5,764
	224,723	(69,564)	155,159
Liabilities:			
Trade and other payables	(50,674)	(11,198)	(61,872)
Income tax payable	(2,603)	1,106	(1,497)
Deferred tax liabilities	(27,034)	(12,684)	(39,718)
Termination liabilities	(18,731)	–	(18,731)
	(99,042)	(22,776)	(121,818)
Total identifiable net assets at fair value			33,341
Goodwill arising on acquisition			63,278
Total consideration for 100% equity interest acquired			96,619
Less: Contingent consideration recognised as at acquisition date			(1,672)
Total consideration settled in cash			94,947
Less: Cash and short-term deposits of subsidiaries acquired			(5,764)
Net cash outflow on acquisition			89,183

Transaction costs

Transaction costs related to the acquisition of $1,813,000 have been recognised in "Other expenses" line item in the Group's profit or loss for the year ended 31 December 2010.

Contingent consideration arrangement

As part of the purchase agreement with the previous owner of LIBV, a contingent consideration has been agreed on. Additional cash payments shall be due to the previous owner of LIBV upon the appraisal and final approval of the plan of the development for an oil field within the Island PSC contract area. The payment amount is determined based on the fields' proved and probable reserves.

13. Investment in subsidiaries (cont'd)

Acquisitions in 2010 (cont'd)

Lundin Salawati Basin BV ("LSBBV"), Petrogas (Basin) Ltd ("PBL"), Lundin Indonesia BV ("LIBV") and Petrogas (Island) Ltd ("PIL") (cont'd)

Contingent consideration arrangement (cont'd)

The fair value of the contingent consideration was estimated at $1,672,000 at the date of acquisition. The contingent consideration as at 31 December 2010 remains unchanged as there were no changes in circumstances since acquisition.

Net working capital adjustments

Trade and other receivables acquired comprise receivables arise from working interests in Basin PSC and Island PSC, receivables from sales of crude oil, and under-lifting of hydrocarbons with fair value of $7,794,000, $7,146,000, and $8,280,000, respectively. Their gross amounts are $8,369,000, $8,558,000, and $10,715,000. At the acquisition date, $1,988,000 of the contractual cash flows pertaining to these trade and other receivables are not expected to be collected. In addition, under-lifted position of hydrocarbons in the Island PSC was overstated by $2,434,000.

Trade and other payables acquired comprise payables arising from working interests in Basin PSC and Island PSC, and over-lifting of hydrocarbons with fair value of $59,470,000 and $2,402,000, respectively. At the acquisition date, $8,276,000 were accrued for the vendor's share of accumulated over-claimed cost recovery from an oil field, which the joint venture partners of Basin PSC will be required to refund to the Indonesian Government (BPMIGAS). In addition, $3,821,000 was accrued for the potential over-claimed cost recovery in 2006 and 2007, which the joint venture partners of Basin PSC and Island PSC will be required to refund to BPMIGAS.

Inventories acquired comprise well supplies and hydrocarbon, with gross values of $15,160,000 and $1,100,000 respectively. Well supplies related to non-capital inventory, which has been fully recovered from BPMIGAS, and thus was removed from Joint Venture accounts. Management estimated the non-capital inventory has fair value of $10,933,000. It is the Group's accounting policy to not recognise hydrocarbon inventory separately but instead to calculate its over-lifted or under-lifted positions of hydrocarbon based on the Group's entitlement.

Goodwill arising from acquisition

Goodwill is computed on a residual basis to the purchase price and the fair value of assets and liabilities of the acquired entities. A purchase price allocation was performed to assess the field's reserves and their value as at 31 May 2010. The assumptions and estimates together with adjustments made by management formed the basis of the valuation. Management estimated the fair value of the acquired oil and gas properties as of the acquisition at $76,853,000 and of the exploration and evaluation assets at $14,580,000.

As a result of recognising the proved, probable, possible and contingent reserves, management has provided for deferred tax liabilities of $11,849,000 computed at the effective tax rate of 44% and 48% for Basin PSC and Island PSC, respectively.

Impact of the acquisition on profit or loss

From the date of acquisition, LSBBV, PBL, LIBV and PIL have contributed $65,230,000 of revenue and $8,149,000 to the Group's profit for the year.

13. Investment in subsidiaries (cont'd)

Acquisitions in 2010 (cont'd)

The fair value of the identifiable assets and liabilities of the above business combinations at their respective dates of acquisition were:

	2010 $'000
Assets:	
Other plant and equipment	211
Oil and gas properties	76,853
Exploration and evaluation assets	14,580
Amounts due from previous owners' related companies	5,078
Inventories	10,933
Trade and other receivables	23,259
Restricted cash	18,731
Cash and short-term deposits	8,087
	157,732
Liabilities:	
Trade and other payables	(64,460)
Income tax payable	(1,497)
Deferred tax liabilities	(39,718)
Termination liabilities	(18,731)
	(124,406)
Total identifiable net assets at fair value	33,326
Goodwill arising on acquisition	63,644
Total consideration settled in cash	96,970
Less:	
Contingent consideration recognised as at acquisition date	(1,672)
Cash and short-term deposits of subsidiaries acquired	(8,087)
Net cash outflow on acquisition	87,211

If the above combinations had taken place at the beginning of the year, revenue would have been $113,618,000, and the profit for the year for the Group would have been $7,034,000.

13. Investment in subsidiaries (cont'd)

Acquisitions in 2009

Kingworld Resources Limited

On 17 August 2009 (the "acquisition date"), the Group acquired 100% equity interest in Kingworld Resources Limited ("KRL"). Upon acquisition, KRL became a subsidiary of the Group. The Group has acquired KRL to diversify into the oil and gas business.

The fair value of the identifiable assets and liabilities of KRL as at date of acquisition were:

	Recognised on date of acquisition $'000	Carrying amount before combination $'000
Other plant and equipment	1,412	1,412
Evaluation assets	12,650	12,650
Trade and other receivables	731	731
Inventories	341	341
Cash and cash equivalents	924	924
	16,058	16,058
Trade and other payables	(10,465)	(10,465)
Net identifiable assets	5,593	5,593

Total cost of business combination	$'000
112,500,000 ordinary shares of issued at $0.88 each	99,000
Deferred cash settlement	20,000
Directly attributable professional fees	2,726
	121,726

Effect of acquisition on cash flows

Total consideration for 100% equity interest acquired	121,726
Less: Non-cash consideration	(100,200)
Deferred cash settlement	(10,000)
Consideration settled in cash	11,526
Less: Cash and cash equivalents of subsidiary acquired	(924)
Payment of professional fees for acquisition of KRL disclosed separately in consolidated cash flow statement	(867)
Net cash outflow on acquisition	9,735

Equity instruments issued as part of consideration transferred

In connection with the acquisition of KRL, the Company issued 112,500,000 ordinary shares with a fair value of $0.88 each, being the published price of the shares at the date of transfer to the vendor.

The attributable cost of $11,300 for the issuance of the shares as consideration has been recognised directly in equity as a deduction from share capital.

13. Investment in subsidiaries (cont'd)

Acquisitions in 2009 (cont'd)

Kingworld Resources Limited (cont'd)

Impact of the acquisition on the consolidated statement of comprehensive income

From the acquisition date, KRL has contributed $764,000 to the Group's loss net of tax. If the business combination had taken place at the beginning of the year, the Group's loss net of tax would have been $5,101,000.

Goodwill arising on acquisition

The acquisition of equity interest in KRL gave rise to goodwill of $116,134,000.

14. Interest in petroleum joint venture operations or service contract

Contract area/ Date of expiry	Held by	Description	Place of operation	Group's effective working interest	
				2010 %	2009 %
Fuyu 1 Block 09 January 2038	Kingworld Resources Limited	Evaluation stage	Jilin Province, People's Republic of China	49	49
West Belida Block 4 May 2039	Orchard Energy (West Belida) Limited	Exploration stage	Jambi, Indonesia	94	–
Basin PSC 15 October 2020	Lundin Salawati Basin BV and Petrogas (Basin) Ltd	Production of crude oil and natural gas under PSC with BPMIGAS	West Papua, Indonesia	60	–
Island PSC 22 April 2020	Lundin Indonesia BV and Petrogas (Island) Ltd	Production of crude oil under PSC with BPMIGAS	West Papua, Indonesia	33	–

Fuyu 1 Block

On 12 November 2007, KRL entered into a petroleum production sharing contract ("PSC") with China National Petroleum Corporation ("CNPC") relating to the joint development and production of hydrocarbon resources in Fuyu 1 Block which was duly approved by the Ministry of Commerce of the People's Republic of China ("PRC") on 10 January 2008. The salient terms of the PSC are set out below.

The Group has no ownership interest in the PSC assets or in the related oil and gas reserves, but rather has the right to operate the assets and receive production and/or revenue from the sale of oil and gas in accordance with the PSC.

Duration of the PSC

The PSC will be implemented in 3 phases, namely an evaluation period, a development period and a production period.

14. Interest in petroleum joint venture operations or service contract (cont'd)

Fuyu 1 Block (cont'd)

Duration of the PSC (cont'd)

Evaluation Period: The evaluation period is 3 years commencing after the Ministry of Commerce of the PRC has approved the PSC ("Contract Implementation Commencement Date") and will end when the Group receives the approval of the relevant PRC authorities for the Overall Development Programme. The evaluation period under the PSC has commenced on 1 February 2008.

The Group may apply for an extension of the evaluation period if it needs more time to complete the preparation and application for approval of the Overall Development Programme, subject to (a) the approval of CNPC; and (b) the approval of Ministry of Commerce, PRC. The Group shall bear all costs required for the evaluation operations during the evaluation period.

Development Period: The development period shall commence after obtaining the government approval for the Overall Development Programme for the development of the said oilfield, and will end on the date of the completion of the development operations. The Group shall bear all the development costs during the development period.

Production Period: The production period of the oilfield(s) shall be twenty consecutive production years from the commencement of commercial production of the relevant oilfield. The date of commencement of the production of oil from any oilfield in Fuyu 1 Block is subject to the approval of the production plan from CNPC and the total amount of oil extracted from such oilfield reaching a cumulative total of 40,000 metric tonnes. Of the 40,000 metric tonnes of oil, the Group is entitled to 30%.

The total duration of the PSC shall not exceed 30 years from the approval of the Ministry of Commerce for the PSC. Under the terms of the PSC, the Group shall not conduct any exploration activities in the PSC area. Any new petroleum resources which are discovered by the Group in the course of the evaluation operations or the development operations shall fall within the scope of the PSC.

Financing and cost recovery

Funds required for the production operations including the evaluation costs, development costs and production costs shall be raised by the Group. The operation costs incurred shall be paid by CNPC and the Group in accordance with the parties' proportion of the shared oil. However, CNPC's portion of operating costs shall be advanced by the Group and recovered by the Group from the production of crude oil.

Application of proceeds from crude oil production

Under the terms of the PSC, the Contractor, which is the Group, pays 100% of evaluation costs, development costs and 49% of the operating costs, which it recovers according to a mechanism of "cost recovery oil" and "investment recovery oil" as described in the contract. Remaining oil after cost recovery is "shared oil", which is apportioned between CNPC 51% and KRL 49%. The joint venture entity will deduct all applicable taxes and royalty that might apply in PRC from the production in kind or in cash as they are applicable. The Group's "shared oil" is subject to payment of all other corporate income tax that may be applicable in the PRC.

14. Interest in petroleum joint venture operations or service contract (cont'd)

Fuyu 1 Block (cont'd)

Pricing of the crude oil

The price of the various grades of crude oil will be determined in United States Dollar (US$) per metric tonne as a free onboard (FOB) price at the point of delivery of the crude oil, whether within or outside the PSC area. The selling price of the crude oil produced shall be made with reference to the prevailing price in arm's length transactions or similar quality crude oil on the main world oil markets and the adjustment in such price shall be made in accordance with such determinants as the quality of the crude oil, the terms of delivery, transportation, payment and other terms. The crude oil price will be determined once every calendar quarter.

Operator

The Group shall act as the operator for the production works within the PSC area and the production period. After the full recovery of the development costs actually incurred, CNPC shall, at any time, have the right to take over the production operations by giving written notice to the Group.

West Belida PSC

Orchard Energy (West Belida) Limited ("OE West Belida"), together with its joint venture partner, P.T. BEL West Belida ("JV Party"), holds a production sharing contract ("PSC") in relation to the exploration and production of petroleum in West Belida Block, Jambi, South Sumatra, Indonesia ("Contract Area").

The Contract Area, located in South Sumatra Basin, covers an area of approximately 1,406.94 square kilometre ("km^2"). The PSC was awarded to OE West Belida in May 2009. OE West Belida has 94% interest in respect of the rights and entitlements of OE West Belida and the JV Party (collectively, the "Contractor") pursuant to the provisions of the PSC.

Contractual commitment

Under the terms of the PSC, the Contractor must carry out exploration of the Contract Area under a Work Program. The remaining total contractual commitment under the PSC is approximately US$5,660,000 ("Contractual Commitment"), as the work commitment for the first Contract Year has been fulfilled. The actual expenditures for the Work Program may be higher or lower than the Contractual Commitment, depending on the then prevailing costs of products and services needed to carry out the work program. If the work program can be fulfilled at a cost lower than the Contractual Commitment, the Contractor will not be liable to pay the difference. OE West Belida is fully responsible for the total Contractual Commitment.

Pursuant to the terms of the PSC, a performance bond of an aggregate amount of US$1,500,000 has been given by the vendor to the Central Government of the Republic of Indonesia. The Group has furnished a fresh performance bond to substitute the one given earlier under the PSC.

14. Interest in petroleum joint venture operations or service contract (cont'd)

West Belida PSC (cont'd)

Contractual commitment (cont'd)

The PSC requires the Group to carry out exploration of the Contract Area, budgeted as follows ("Work Program"):

Contract Year	Work Program	Budgeted expenditure under the Work Program in the PSC (US$)
First	Geological and Geophysical studies ("G&G")	100,000[1]
Second	G&G 2D seismic acquisition and processing	2,960,000
Third	G&G one exploration well	2,700,000
Total		5,760,000

(1) The work commitment under the PSC for the first Contract Year has already been fulfilled by RH Petrogas Singapore Pte Ltd.

Duration of the PSC

The PSC is for a term of 30 years commencing from 5 May 2009 (each period of twelve months from 5 May 2009 to be referred to as a "Contract Year"). The maximum term for the initial exploration and evaluation period of the Contract Area is 6 Contract Years. If results of exploration activities are found to be promising at the end of the first 3 Contract Years, then under the terms of the PSC, the Contractor may continue to carry out further exploration work for another 3 Contract Years. The Contractor has the option at the end of the initial 6 Contract Years to request for a one time extension up to a maximum period of 4 Contract Years, after which the PSC shall automatically terminate if no petroleum in commercial quantities is discovered in the Contract Area.

Share of proceeds of exploitation

If petroleum or natural gas is discovered in the Contract Area, the Contractor shall share the production with Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi ("BPMIGAS"), according to an agreed mechanism stated in the PSC.

Basin PSC and Island PSC

The Basin PSC dated October 15, 1970 was renewed in October 7, 1996 between Perusahaan Pertambangan Minyak Dan Gas Bumi Negara ("Pertamina"), Santa Fe Energy Resources (Bermuda) Ltd., Coparex International, Cieco Vogelkop Inc. and Mitsui Oil Exploration Co. Ltd., and amended by the Amendment to the Basin Block Production Sharing Contract between Pertamina, Petrochina Basin, PearlOil (Basin) Ltd, Lundin International S.A. and BPMIGAS.

The Island PSC dated April 23, 1990 between Pertamina and Trend Kepala Burung Limited, was amended by an agreement dated 14 September 2009 between Pertamina, BPMIGAS, PT Pertamina Hulu Energi Salawati, Petrochina International Kepala Burung Ltd, PearlOil (Island) Ltd and Lundin Indonesia BV.

The Basin PSC and Island PSC are two contiguous PSCs located in the "Birds Head" area of West Papua, Indonesia. The Basin PSC covers an area of 872 km^2 of onshore West Papua, while the Island PSC covers an area of 1,097 km^2 including both onshore and offshore areas.

14. Interest in petroleum joint venture operations or service contract (cont'd)

Basin PSC and Island PSC (cont'd)

Production and reserve

The assets are primarily oil-weighted with production from the two PSCs averaging around 4,700 barrels of oil per day ("bopd") net to the acquired Participating Interests. Gas produced from the PSCs is almost entirely used as fuel and power generation for the operations.

Gaffney, Cline & Associates ("GCA") was appointed by the Group for the purpose of conducting an independent technical study of the PSCs in order to evaluate the hydrocarbon reserves and other technical aspects of the blocks in order to assess the economic values of the PSCs. GCA is an independent international energy technical advisor specialising in petroleum reservoir evaluation and economic analysis.

Based on the information provided by the previous owners of LSBBV, PBL, LIBV, and PIL, GCA estimates the proved plus probable ("2P") oil reserves of around 25.24 million barrels ("MMBbls") for the combined Basin PSC and Island PSC on a gross field (100%) basis. This works out to approximately 13.8 MMBbls on a net working interest basis. In accordance with the requirement for reserves to be economic, this net working interest figure assumes a cut-off of production prior to the end of the technically recoverable production life, being the time when it is deemed no longer economical to continue to produce oil, taking into account the oil prices and production costs assumed by GCA. On a purely technically recoverable volume basis, i.e., prior to any economic cut-off, this is equivalent to around 14.3 MMBbls. The net working interest reserve figures stated above include the Indonesian Government's profit share of production under the terms of the PSCs. Excluding the Indonesian Government's profit share of production, the associated 2P net Reserves on an entitlement basis is around 6.08 MMBbls.

Exploration upside exist within the Basin PSC and the Island PSC, and several exploration prospects have been identified.

14. Interest in petroleum joint venture operations or service contract (cont'd)

Basin PSC and Island PSC (cont'd)

Duration of the PSCs

The Basin PSC, dated 15 October 1970, was renewed in 1996 with the current licence expiring on 15 October 2020.

The Island PSC is effective from 23 April 1990 for a 30-year term, expiring on 22 April 2020.

The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the joint ventures are as follows:

	Group	
	2010	2009
	$'000	$'000
Assets and liabilities:		
Current assets	50,538	3,174
Non-current assets	214,880	21,187
Total assets	265,418	24,361
Current liabilities	(83,346)	–
Non-current liabilities	(100,869)	(8,808)
Total liabilities	(184,215)	(8,808)
Income and expenses:		
Income	65,230	–
Expenses	(58,004)	(378)

15. Restricted cash

Cash deposits in Basin PSC and Island PSC are restricted for the following purposes:

	Group	
	2010	2009
	$'000	$'000
Termination liabilities (Note 23)	19,484	–
Provision for decommissioning (Note 23)	1,542	–
	21,026	–

16. Assets held for sale

	Group	
	2010	2009
	$'000	$'000
Leasehold land	–	2,677
Leasehold building	–	1,700
	–	4,377

Particulars of these leasehold land and building are as follows:

Description/location	Tenure of land/(gross floor area)
Leasehold land and building Plot 15/16, Jalan Jelawat Seberang Jaya, 13700 Prai Penang Malaysia	60 years from 1992 (38,614 sq m)

The leasehold vacant land was recognised at fair value determined with reference to open market values on an existing use basis, while the leasehold land and building were determined with reference to the forced sale value based on a valuation performed by an accredited independent valuer, Henry Butcher Malaysia (Seberang Perai) Sdn. Bhd. on 26 September 2008. The leasehold land and building were mortgaged to a subsidiary's bankers to secure the term loan and overdrafts as disclosed in Note 21.

During the year, the Group disposed the leasehold vacant land and the leasehold land and building for a consideration of $1,460,000 (Malaysian Ringgit 3,398,000) and $3,441,000 (Malaysian Ringgit 8,150,000), respectively.

17. Inventories

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance sheet:				
Raw materials	507	1,328	–	278
Well supplies	8,886	–	–	–
	9,393	1,328	–	278
Allowance for inventory obsolescence	–	(352)	–	(237)
Total inventories at lower of cost and net realisable value	9,393	976	–	41
Movements in allowance account:				
At 1 January	352	580	237	237
Charge for the year	–	20	–	–
Written off	(352)	(248)	(237)	–
At 31 December	–	352	–	237

17. Inventories (cont'd)

	Group	
	2010	2009
	$'000	$'000
Income statement:		
Inventories recognised as an expense in cost of sales	2,631	500

18. Other current assets

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Prepayments	1,782	136	349	21
Others	–	28	–	28
	1,782	164	349	49

19. Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Trade receivables	22,711	2,635	–	2,091
Joint venture receivables	5,668	–	–	–
Under-lifted hydrocarbons	4,267	–	–	–
Deposits	543	352	511	24
Advance to suppliers	–	63	–	–
Sundry receivables	551	478	60	14
Amount due from former subsidiary	67	–	67	–
Total trade and other receivables	33,807	3,528	638	2,129
Add:				
Amounts due from subsidiaries	–	–	192,897	132,562
Restricted cash (Note 15)	21,026	–	–	–
Cash and short-term deposits (Note 20)	7,160	22,663	589	20,511
Total loans and receivables	61,993	26,191	194,124	155,202

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

19. Trade and other receivables (cont'd)

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	–	4,867	–	4,327

Joint venture receivables

These relate to the Group's shares of trade and other receivables in joint ventures.

Amount due from subsidiaries and former subsidiary

These amounts are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $418,000 (2009: $2,940,000) that are past due at end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2010	**2009**
	$'000	**$'000**
Trade receivables past due:		
More than 120 days	418	2,940

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2010	**2009**
	$'000	**$'000**
Trade receivables-nominal amounts	–	2,262
Allowance for doubtful trade receivables	–	(2,262)
	–	–
Movements in allowance account:		
At 1 January	2,262	2,262
Written off	(2,262)	–
At 31 December	–	2,262

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

20. Cash and short-term deposits

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cash at banks and on hand	4,844	17,659	589	15,511
Short-term deposits	2,316	5,004	–	5,000
Cash and short-term deposits	7,160	22,663	589	20,511

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for a period of 6 months depending on the immediate cash requirements of the Group and earn interest of 1% per annum.

Cash and short-term deposits are denominated in the following foreign currencies:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
United States Dollar	34	292	31	284
Indonesian Rupiah	50	–	–	–
Others	12	–	–	–

The Group has pledged $2,280,000 (2009: $Nil) of its short-term deposits to fulfil collateral requirement for issue of the performance bond to the Central Government of the Republic of Indonesia (Note 14).

A fixed charge over a collection account, a debt service reserve account, a junior debt service reserve account, and a distribution account (collectively, the "project accounts"), totalling $1,157,000 as at 31 December 2010, was made during the year to fulfil collateral requirements of banking facilities granted by a bank (Note 21).

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2010	2009
	$'000	$'000
Cash and short-term deposits	7,160	22,663
Less:		
Bank overdrafts (Note 21)	–	(592)
Short-term deposits pledged	(2,280)	–
Charge over project accounts	(1,157)	–
Cash and cash equivalents	3,723	22,071

21. Loans and borrowings

		Group		Company	
		2010	2009	2010	2009
	Maturity	$'000	$'000	$'000	$'000
Current					
Bank overdrafts	–	–	592	–	268
MYR - term loans	–	–	1,506	–	–
		–	2,098	–	268
Non-current					
MYR - term loans	–	–	2,089	–	–
USD - revolving loan	2015	21,850	–	–	–
USD - term loan	2016	12,210	–	–	–
Loan from a corporate shareholder	–	9,660	2,977	9,660	2,977
Loan from a related party	–	24,293	–	24,293	–
		68,013	5,066	33,953	2,977
Total loans and borrowings		68,013	7,164	33,953	3,245

Bank overdrafts

Bank overdrafts granted to the Company by a bank in Singapore bore interest at 5.25% per annum and were covered by joint and several personal guarantees from two Directors of the Company. The bank overdraft was fully repaid and the facility cancelled during the current financial year.

Bank overdrafts granted to a subsidiary by a bank in Malaysia bore interest at 7.55% per annum and were secured by a second legal charge over the subsidiary's leasehold land and building and a corporate guarantee from the Company. The bank overdraft was fully repaid and the facility cancelled during the current financial year.

MYR term loan

On 1 July 2009, the bank overdraft and revolving credit granted to a subsidiary amounting to approximately $4,050,000 were converted into a secured term loan. The term loan was secured by a first charge over the subsidiary's assets held for sale (Note 16), a corporate guarantee from the Company and joint and several personal guarantees of two Directors of the Company. The loan bore interest at 7.05% to 7.30% per annum and was repayable in 33 equal monthly installments of Malaysian Ringgit 303,030 commencing 1 October 2009 with a final payment of Malaysian Ringgit 303,040 in July 2012. The loan was fully repaid during the current financial year.

21. Loans and borrowings (cont'd)

USD revolving and term loans

These comprise a revolving loan facility (Senior Tranche) and a term loan facility (Junior Tranche) granted by a bank in Singapore to RHP Salawati Holdings BV, a wholly-owned subsidiary for the Group's acquisition of exploration and production assets (the "Petroleum Assets") in Basin and Island PSCs (Note 13).

The loans shall be fully repaid on their final maturity dates, which is 31 December 2015 for Senior Tranche and 31 December 2016 for Junior Tranche. In addition, on each scheduled recalculation date, the subsidiary shall repay excess amount of the loans, if any, to ensure that:

– The aggregate amount of the loans under Senior Tranche do not exceed the Total Senior Commitment, which is reducing from US$25 million in 2011 to US$3 million in 2015.

– The aggregate amount of the loan under the Senior Tranche does not exceed the Borrowing Base Amount of the Petroleum Assets on that date.

– The aggregate amount of the loans under Junior Tranche does not exceed the Total Junior Commitment of US$10 million, or the Junior Available Amount determined by the bank on that date.

The rate of interest on each loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin, LIBOR, and mandatory costs determined by the bank.

The loans are secured by way of a fixed charge over a subsidiary's bank accounts and all amounts standing to the credit of these accounts (Note 20) and a pledge of shares in certain subsidiaries of the Group (Note 13).

As part of the requirements of the loan agreement, the Group has signed a master hedging agreement with the bank in December 2010, which includes oil price hedging and interest rate hedging. At 31 December 2010, no hedge contract had been entered into by the Group.

Loans from a corporate shareholder and a related party

The loans from Surreyville Pte Ltd, a corporate shareholder, and RH Capital Limited, a company in which a director has a substantial interest, are interest-free, have no repayment terms and are repayable only when the cash flow of the Company permits. Accordingly, the fair values of the loans are not determinable as the timing of the future cash flow arising from the repayment of these loans cannot be estimated reliably.

The loans from the related party are denominated in United States Dollar.

22. Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Trade payables				
- Third parties	18,324	3,455	–	1,752
- Subsidiary	–	–	–	385
	18,324	3,455	–	2,137
Amounts due to related parties	16,404	6,186	12,853	–
Amounts due to subsidiaries	–	–	812	–
Accrued operating expenses	32,449	1,453	2,282	448
Accruals for over-claimed cost recovery (Note 13)	12,097	–	–	–
Joint venture payables	12,698	–	–	–
Payable relating to exploration and evaluation expenditures	2,745	2,558	–	–
Deferred cash settlement relating to acquisition of KRL (Note 25)	–	10,000	–	10,000
Sundry payables	1,117	53	–	23
Total trade and other payables	95,834	23,705	15,947	12,608
Add: Loans and borrowings (Note 21)	68,013	7,164	33,953	3,245
Other liabilities (Note 25)	11,672	–	10,000	–
Total financial liabilities carried at amortised cost	175,519	30,869	59,900	15,853

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Joint venture payables relate to the Group's shares of trade and other payables in joint ventures.

Amounts due to subsidiaries and related parties are unsecured, interest-free and have no fixed terms of repayment. Related parties are companies in which a director has a substantial interest.

Trade and other payables denominated in foreign currencies at the end of the reporting period are as follows:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Malaysian Ringgit	–	9	–	9
United States Dollar	13,838	2,577	13,838	1,502
Others	131	354	–	178
	13,969	2,940	13,838	1,689

23. Provisions

	Group 2010 $'000	Group 2009 $'000
Termination liabilities	19,484	–
Provision for decommissioning	5,202	–
Balance at end of year	24,686	–

Termination liabilities

The Basin PSC and Island PSC have defined termination and repatriation indemnities plans covering all national employees who meet eligibility requirements in accordance with Indonesian laws. Funds are specifically set aside to cover this liability in United States Dollar time deposit accounts (Note 15).

	Group 2010 $'000	Group 2009 $'000
Balance at beginning of year	–	–
Acquisition of subsidiaries (Note 13)	18,731	–
Charge for the year	753	–
Balance at end of year	19,484	–

Provision for decommissioning

The Basin PSC requires the Contractor to remove all equipment and installations, which were installed after 7 October 1996, from the area in a manner acceptable to BPMIGAS, and perform all necessary site restoration activities in accordance with the applicable Government regulations to prevent hazards to human life and property of others or environment. Funds are set aside in United States Dollar deposit accounts for future costs related to assets retirement obligations (Note 15). However, if BPMIGAS takes over any area or field prior to its abandonment, the Contractor shall be released from its obligations to remove the equipment and installations and perform the necessary site restoration activities of the fields in the area. In such event all the accumulated funds reserved for the removal and restoration operations shall be transferred to BPMIGAS.

At 31 December 2010, the Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2020. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

23. Provisions (cont'd)

Provision for decommissioning (cont'd)

	Group 2010 $'000	Group 2009 $'000
Balance at beginning of year	–	–
Arising during the year	5,202	–
Balance at end of year	5,202	–

24. Deferred tax

Deferred tax at 31 December relates to the following:

	Consolidated balance sheet 2010 $'000	Consolidated balance sheet 2009 $'000	Consolidated Income statement 2010 $'000	Consolidated Income statement 2009 $'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	27,766	–	741	–
Fair value adjustments on acquisition of subsidiaries	12,684	–	–	–
	40,450	–		
Deferred tax expenses			741	–

At the end of the reporting period, the Group and the Company have tax losses of approximately $53,748,000 (2009: $52,797,000) and $47,424,000 (2009: $48,583,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

25. Other liabilities

	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Deferred cash settlement	10,000	–	10,000	–
Contingent consideration for business combination (Note 13)	1,672	–	–	–
	11,672	–	10,000	–

25. Other liabilities (cont'd)

Deferred cash settlement

Pursuant to the provisions of the Sale and Purchase Agreement ("SPA") dated 18 August 2008, the Company has requested the vendors, and the vendors accepted, for an extension of time to pay the cash consideration of $20,000,000, being the balance of purchase consideration payable under the SPA for the acquisition of KRL. Payment of the said balance purchase consideration in cash will be made when the Company procures the necessary funding for the same. On 13 October 2009, the Company paid $10,000,000 being partial payment to the vendors. At 31 December 2010, the vendors have agreed that the amounts need not be repaid within the next 12 months.

26. Share capital

	Group and Company	
	No. of shares '000	$'000
Issued and fully paid		
At 1 January 2009	273,821	24,145
Issued during the year	167,000	142,600
Conversion of shareholder's loan	15,000	12,000
Share issue expenses	–	(1,868)
At 31 December 2009, 1 January 2010 and 31 December 2010	455,821	176,877

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

On 17 August 2009, 112,500,000 new ordinary shares in the share capital of the Company at the issue price of $0.80 per share were issued and credited as fully paid to the vendors as consideration for the acquisition of KRL. The fair value of each share is $0.88, which is the published price of the share on the acquisition date. On the same day, pursuant to a debt conversion exercised approved at the Company's Extraordinary General Meeting held on 30 July 2010, an aggregate amount of $12,000,000 was converted into 15,000,000 new ordinary shares in the share capital of the Company at the issue price of $0.80 per share.

On 29 September 2009, the Company completed a placement of 54,500,000 new ordinary shares in the share capital of the Company at the issue price of $0.80 per share.

27. Reserves

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Accumulated losses	(34,444)	(38,764)	(46,073)	(41,247)
Asset revaluation reserve	–	2,298	–	–
Foreign currency translation reserve	(5,989)	(5,523)	–	–
Capital reduction reserve	3,710	3,710	3,710	3,710
	(36,723)	(38,279)	(42,363)	(37,537)

(a) Asset revaluation reserve

The asset revaluation reserve records increases in the fair value of leasehold land and building and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(b) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Capital reduction reserve

The capital reduction reserve relates to excess on reduction in capital, arising from the reduction in par value of shares from $0.30 to $0.08 each, over the amount of accumulated losses as at 30 September 2005.

28. Related party transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

In addition to the related party information disclosed elsewhere in the financial statements the following significant transactions between the Group and related parties took place at terms agreed between parties during the financial year.

a) On 19 August 2010, the Company had entered into a definitive sale and purchase agreement with Surreyville Pte. Ltd. for the sale of its entire shareholdings, comprising 100% of the issued and paid up capital of TRIM Technologies International Pte Ltd, and certain related assets and liabilities of the Company in relation to the business undertakings relating to the electronic division of its business for an aggregate sum of $88,000 (the "Disposal"). The disposal was completed on 22 October 2010.

b) On 24 December 2010, the Company had entered into a loan agreement with an interested person, RH Capital Limited, a company controlled by Tan Sri Datuk Sir Tiong Hiew King, for the sum of up to US$50 million to fund the acquisition of the working interest in Basin PSC and Island PSC.

28. Related party transactions (cont'd)

Compensation of key management personnel

	2010 $'000	2009 $'000
Short-term employee benefits	2,189	1,245
Central Provident Fund contributions	41	34
Total compensation paid to key management personnel	2,230	1,279
Comprise amounts paid to:		
▪ Directors of the Company	933	509
▪ Other key management personnel	1,297	770
	2,230	1,279

Directors' interest in employee share option plan

No share options were granted during the years ended 31 December 2009 and 2010. There are no outstanding share options granted by the Company to any Directors as at 31 December 2010 and 2009.

29. Operating lease commitments

The Group and the Company lease certain properties under lease agreements that are non-cancellable within a year. These leases have remaining non-cancellable lease terms of between 1 to 3 years. Future minimum lease payments payable under non-cancellable operating leases as of 31 December 2010 and 2009 are as follows:

	Group		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Within 1 year	303	274	145	70
Within 2 to 5 years	343	440	97	116
	646	714	242	186

30. Segment information

Business segments

For management purposes, the Group is organised into business units based on their products and services and have two business segments which are exploration and production of oil and gas (oil and gas business) and contract manufacturing for companies in the electronics and computer related industries (electronic business). The latter has been disposed during the year (Note 7).

The following table provides an analysis of the Group's revenue, results, total assets and capital expenditure by business segments.

	Revenue		Profit/(loss) net of tax		Total assets		Total capital expenditure		Depletion and depreciation	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Oil & Gas	65,230	–	2,283	(1,812)	383,607	159,738	23,318	7,792	8,149	136
Electronics (Discontinued operation)	3,714	4,180	(261)	(2,758)	–	9,873	107	208	150	616
Adjustments and eliminations	(3,714)	(4,180)	261	2,758	–	(9,873)	(107)	(208)	(150)	(616)
	65,230	–	2,283	(1,812)	383,607	159,738	23,318	7,792	8,149	136

Geographical segments

The following table provides an analysis of the Group's sales by geographical market in which the customers are located, irrespective of the origin of the goods. Total assets and capital expenditure are shown by the geographical areas in which these assets are located.

	Revenue		Total assets		Total capital expenditure		Depletion and depreciation	
	2010	2009	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
By Geographical market								
United States of America	–	38	–	–		–	–	–
Europe	–	688	–	–	–	–	–	–
Indonesia	65,230	–	236,967	–	15,425	–	7,723	–
Japan	–	2,802	–	–	–	–	–	–
People's Republic of China	3,525	516	144,951	142,255	7,822	7,949	543	739
Singapore	189	136	1,659	22,775	71	51	33	13
Malaysia	–	–	30	4,581	–	–	–	–
Adjustments and elimination	(3,714)	(4,180)	–	(9,873)	–	(208)	(150)	(616)
	65,230	–	383,607	159,738	23,318	7,792	8,149	136

31. Fair value of financial instruments

A. Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1– Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair value

As at end of the reporting period, the Group does not have any financial instruments carried at fair value.

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables and payables and loans and borrowings

The carrying amounts of these financial assets are liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are re-priced to market interest rates on or near the end of the reporting period.

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The non-current loans from a corporate shareholder and a related party have no repayment terms and are repayable only when the cash flow of the Group permits or if converted to new shares in the Company. Accordingly, the fair value of the loans is not determinable as the timing of the future cash flow arising from the loans cannot be estimated reliably.

Deferred cash settlement and contingent consideration arising from business combinations (Note 25) have no fixed repayment terms. According, their fair values are not determinable as the timing of the future cash flow cannot be estimated reliably.

32. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

32. Financial risk management objectives and policies (cont'd)

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's gross trade receivables at the end of the reporting period is as follows:

	Group			
	2010		2009	
	$'000	% of total	$'000	% of total
By country:				
Europe	–	–	4,493	92
Asia	22,711	100	–	–
Others	–	–	404	8
	22,711	100	4,897	100
By business sector:				
Oil & Gas	22,711	100	–	–
Electronics	–	–	4,897	100

At the end of the reporting period, 76% of the Group's trade receivables were due from a major customer in Malaysia (2009: 11% of the Group's trade receivables were due from three major customers, whom the Group had ongoing business with. These multi-industry conglomerates are located in Japan, Europe and Singapore).

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions.

32. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's current funding are mainly from share placements, loans from a corporate shareholder and a related party, and bank borrowings.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2010				2009		
Group	**1 year or less $'000**	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**	**1 year or less $'000**	**More than 5 years $'000**	**Total $'000**
Financial assets:							
Trade and other receivables	33,807	–	–	33,807	3,528	–	3,528
Restricted cash	–	21,026	–	21,026	–	–	–
Cash and short-term deposits	7,160	–	–	7,160	22,663	–	22,663
Total undiscounted financial assets	40,967	21,026	–	61,993	26,191	–	26,191
Financial liabilities:							
Trade and other payables	95,834	–	–	95,834	23,705	–	23,705
Loans and borrowings	–	37,659	41,858	79,517	2,098	5,066	7,164
Other liabilities	–	1,672	10,000	11,672	–	–	–
Total undiscounted financial liabilities	95,834	39,331	51,858	187,023	25,803	5,066	30,869
Total undiscounted financial (liabilities)/ assets	(54,867)	(18,305)	(51,858)	(125,030)	388	(5,066)	(4,678)

32. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Company	2010 1 year or less $'000	2010 More than 5 years $'000	2010 Total $'000	2009 1 year or less $'000	2009 More than 5 years $'000	2009 Total $'000
Financial assets:						
Trade and other receivables	638	–	638	2,129	–	2,129
Cash and short-term deposits	589	–	589	20,511	–	20,511
Total undiscounted financial assets	1,227	–	1,227	22,640	–	22,640
Financial liabilities:						
Trade and other payables	15,947	–	15,947	12,608	–	12,608
Loans and borrowings	–	33,953	33,953	268	2,977	3,245
Other liabilities	–	10,000	10,000	–	–	–
Total undiscounted financial liabilities	15,947	43,953	59,900	12,876	2,977	15,853
Total undiscounted financial (liabilities)/assets	(14,720)	(43,953)	(58,673)	9,764	(2,977)	6,787

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group and the Company have no significant exposure to interest rate risk.

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group, primarily USD, SGD, MYR, and RMB.

The Group does not enter into forward foreign exchange contracts to hedge against its foreign exchange risk resulting from sale and purchase transactions denominated in foreign currencies.

The Group's foreign currency exposure from its trade receivables and trade payables at end of the reporting period are detailed in Notes 19 and 22 respectively.

The Group and the Company also hold cash at bank and in hand denominated in foreign currencies for working capital purposes. Details of such foreign currency balances are set out in Note 20.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, principally in Malaysia, Indonesia and PRC.

32. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

The following table demonstrates the sensitivity of the Group's profit/loss before tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

	Group			
	2010		2009	
	Profit before tax	Equity	Loss before tax	Equity
USD/SGD	$'000	$'000	$'000	$'000
- strengthened 3% (2009: 3%)	-390	–	+10	–
- weakened 3% (2009: 3%)	+390	–	-10	–

33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares through new allotment or by way of conversion of shareholders' loans. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less assets revaluation reserve.

	2010	**2009**
	$'000	**$'000**
Loans and borrowings (Note 21)	68,013	7,164
Trade and other payables (Note 22)	95,834	23,705
Other liabilities (Note 25)	11,672	–
Less: Cash and short-term deposits (Note 20)	(7,160)	(22,663)
Net debt	168,359	8,206
Equity attributable to the owners of the parent	140,154	138,598
Less: Asset revaluation reserve	–	(2,298)
Total capital	140,154	136,300
Capital and net debt	308,513	144,506
Gearing ratio	55%	6%

34. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 30 March 2011.

Statistics of Shareholdings
as at 15 March 2011

Issued and fully paid share capital	:	S$168,665,715.44
Total number of shares in issue	:	455,821,443
Class of shares	:	Ordinary shares
Voting rights	:	On show of hands – each member presents in person or by proxy shall have one vote.
	:	On poll – every member presents in person or by proxy shall have one vote for every share he holds or represents.

There are no treasury shares held in the issued share capital of the Company.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 21.90% of the issued ordinary shares of the Company were held in the hands of the public as at 15 March 2011 and therefore Rule 723 of the Listing Manual is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	8	0.57	3,881	0.00
1,000 – 10,000	1,162	83.66	2,959,026	0.65
10,001 – 1,000,000	205	14.76	16,673,000	3.66
1,000,001 and above	14	1.01	436,185,536	95.69
TOTAL	1,389	100.00	455,821,443	100.00

TWENTY LARGEST SHAREHOLDERS

S/No	Name of Shareholders	No. of Shares	%
1.	SURREYVILLE PTE LTD	202,889,486	44.51
2.	SHARPTONE INVESTMENTS LIMITED	112,500,000	24.68
3.	KIM ENG SECURITIES PTE LTD	36,379,000	7.98
4.	DMG & PARTNERS SECURITIES PTE LTD	29,612,000	6.50
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	13,557,000	2.97
6.	RAFFLES NOMINEES (PTE) LTD	9,693,000	2.13
7.	DB NOMINEES (S) PTE LTD	7,016,393	1.54
8.	PHILLIP SECURITIES PTE LTD	5,658,000	1.24
9.	HSBC (SINGAPORE) NOMINEES PTE LTD	5,239,000	1.15
10.	GREENDALE INVESTMENTS PTE LTD	5,130,657	1.13
11.	WONG YIING NGIIK	2,817,000	0.62
12.	SAI YEE @ SIA SAY YEE	2,390,000	0.52
13.	TING SIE TECK	2,200,000	0.48
14.	TAN YEW CHYE	1,104,000	0.24
15.	LYE KOON MOY	1,000,000	0.22
16.	OCBC SECURITIES PTE LTD	780,000	0.17
17.	UOB KAY HIAN PTE LTD	687,000	0.15
18.	LIM HEE LIAT	680,000	0.15
19.	HENG YONG SENG	600,000	0.13
20.	BEK KUANG JOO	484,000	0.11
		440,416,536	96.62

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest Number of Shares	Direct Interest %	Deemed Interest Number of Shares	Deemed Interest %
Tan Sri Datuk Sir Tiong Hiew King [(1)]	0	0	315,389,486	69.19
Dato' Sri Dr Tiong Ik King [(2)]	0	0	202,889,486	44.51
Tiong Kiu King [(3)]	0	0	112,500,000	24.68
Sharptone Investments Limited [(1), (3)]	112,500,000	24.68	0	0
Surreyville Pte Ltd [(1), (2)]	202,889,486	44.51	0	0
Woodsville International Limited [(1), (2)]	0	0	202,889,486	44.51
Kim Eng Securities Pte. Ltd. [(4)]	35,175,000	7.72	0	0
Kim Eng Holdings Limited [(4)]	0	0	35,175,000	7.72
Yuanta Securities Asia Financial Services Limited [(4)]	0	0	35,175,000	7.72
Yuanta Securities Co., Ltd [(4)]	0	0	35,175,000	7.72
Yuanta Financial Holdings Co., Ltd [(4)]	0	0	35,175,000	7.72
Mitsubishi UFJ Securities Co., Ltd [(4)]	0	0	35,175,000	7.72
Mitsubishi UFJ Financial Group, Inc. [(4)]	0	0	35,175,000	7.72

Notes:

(1) Tan Sri Datuk Sir Tiong Hiew King's deemed interest comprised of (a) 202,889,486 shares held by Surreyville Pte Ltd, which arises from his shareholding in Woodsville International Limited, the holding company of Surreyville Pte Ltd; and (b) 112,500,000 shares held by Sharptone Investments Limited, which arises from his shareholding in Sharptone Investments Limited.

(2) Dato' Sri Dr Tiong Ik King's deemed interest arises from his shareholding in Woodsville International Limited, the holding company of Surreyville Pte Ltd.

(3) Tiong Kiu King's deemed interest arises from his shareholding in Sharptone Investments Limited.

(4) These companies are deemed to be interested in the 35,175,000 shares held by Kim Eng Securities Pte. Ltd. by virtue of Section 7 of the Companies Act.

Notice of Annual General Meeting

RH PETROGAS LIMITED

(Company Registration Number 198701138Z)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of RH PETROGAS LIMITED (the "**Company**") will be held at the Seminar Room, Keppel Club, 10 Bukit Chermin Road, Singapore 109918 on Thursday, 28 April 2011 at 10.00 a.m., for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$106,000 for the financial year ended 31 December 2010. (2009: S$100,000) **(Resolution 2)**

3. To re-elect Dr Tan Jee-Theng Tony, a Director retiring under Article 90 of the Company's Articles of Association and who being eligible, will offer himself for re-election. **(Resolution 3)**

4. To re-elect Mr Lee Hock Lye, a Director retiring by rotation under Article 106 of the Company's Articles of Association and who being eligible, will offer himself for re-election. (see explanatory note 1) **(Resolution 4)**

5. To re-elect Mr Yeo Yun Seng Bernard, a Director retiring by rotation under Article 106 of the Company's Articles of Association and who being eligible, will offer himself for re-election. (see explanatory note 2) **(Resolution 5)**

6. To re-appoint Mr Abbasbhoy Haider Nakhoda, a Director retiring pursuant to Section 153(2) of the Companies Act of Singapore (Cap. 50) (the "**Companies Act**") and who being eligible, will offer himself for re-election pursuant to Section 153(6) of the Companies Act, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. (see explanatory note 3) **(Resolution 6)**

7. To re-appoint Tan Sri Datuk Sir Tiong Hiew King, a Director retiring pursuant to Section 153(2) of the Companies Act and who, being eligible, will offer himself for re-election pursuant to Section 153(6) of the Companies Act, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 7)**

8. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution, with or without any modifications:

9. **Authority to Allot and Issue Shares**

   That pursuant to Section 161 of the Companies Act and Rule 806 of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to: **(Resolution 9)**

(a) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(b) make or grant offers, agreements or options that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares (collectively, "**Instruments**"),

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:

(i) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution and including Shares which may be issued pursuant to any adjustments effected under any relevant Instrument) to be issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total number of issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the total number of issued Shares shall be calculated and based on the total number of issued Shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (I) new Shares arising from the conversion or exercise of any convertible securities;

    (II) new Shares arising from the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

    (III) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority granted by this Resolution, the Company shall comply with the provisions of Companies Act, the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(iv) (unless revoked or varied by the Company in a general meeting), such authority granted under this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(see explanatory note 4)

Notice of Annual General Meeting

10. To transact any other business that may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Wee Woon Hong
Company Secretary
Singapore

12 April 2011

EXPLANATORY NOTES:

1. Mr Lee Hock Lye will, upon re-election as a Director of the Company, continue to serve as the Chairman of the Nominating Committee and as a member of the Audit and Remuneration Committees. Mr Lee is considered by the Nominating Committee to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

2. Mr Yeo Yun Seng Bernard will, upon re-election as a Director of the Company, continue to serve as the Chairman of the Remuneration Committee and as a member of the Audit and Nominating Committees. Mr Yeo is considered by the Nominating Committee to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

3. Mr Abbasbhoy Haider Nakhoda will, upon re-appointment as a Director of the Company, continue to serve as the Chairman of the Audit Committee and as a member of the Nominating and Remuneration Committees. Mr Nakhoda is be considered by the Nominating Committee to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

4. The Ordinary Resolution 9, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

Notes:

(i) A member of the Company entitled to attend and vote at the above Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612, not less than 48 hours before the time appointed for holding the above Annual General Meeting.

RH PETROGAS LIMITED

(Company Registration Number 198701138Z)
(Incorporated in the Republic of Singapore)

Important:

1. For investors who have used their CPF monies to buy the shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely 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
ANNUAL GENERAL MEETING

I/We*________________________________(Name) NRIC/Passport number*________________________

of ____(Address)

being a shareholder/shareholders* of RH PETROGAS LIMITED (the "**Company**") hereby appoint:

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

and/or*

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

or failing *him/her, the Chairman of the Annual General Meeting ("**AGM**") of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary to demand a poll, at the AGM of the Company to be held at the Seminar Room, Keppel Club, 10 Bukit Chermin Road, Singapore 109918 on Thursday, 28 April 2011 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of AGM. In the absence of specific directions, the *proxy/proxies will vote or abstain as *he/they may think fit, as *he/they will on any other matter arising at the AGM.)

No.	**Resolutions relating to:**	**For**	**Against**
	Ordinary Business		
1.	Adoption of Directors' Report and Audited Accounts		
2.	Approval of Directors' fees amounting to S$106,000		
3.	Re-election of Dr Tan Jee-Theng Tony as a Director		
4.	Re-election of Mr Lee Hock Lye as a Director		
5.	Re-election of Mr Yeo Yun Seng Bernard as a Director		
6.	Re-appointment of Mr Abbasbhoy Haider Nakhoda as a Director		
7.	Re-appointment of Tan Sri Datuk Sir Tiong Hiew King as a Director		
8.	Re-appointment of Messrs Ernst & Young LLP as Auditors		
	Special Business		
9.	Authority to allot and issue new shares in the Company and make/grant/offer Instruments		

* Delete accordingly

Dated this________day of________________2011

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

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Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at an AGM of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612, not less than 48 hours before the time appointed for the AGM. Members intending to deposit their instrument appointing a proxy on Saturdays, Sundays and public holidays or after office hours, will have to deposit the same in the Company's letter box located in the basement car park of PSA Vista next to the passenger (main) lift lobby.

4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

5. 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 either under its Common Seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, 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 a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

10. Agent banks acting on the request of CPF investors who wish to attend the AGM as observers are required to submit in writing, a list with details of the investor's name, NRIC/Passport number, address and number of shares held. The list, signed by an authorised signatory of the agent bank, has to be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the AGM, providing the contact details of the bank's officers (who should be contactable during office hours, 2 working days before the time appointed for holding the AGM up to close of business of the date of the AGM).

RH PetroGas
常青石油及天然气

Corporate Registration 198701138Z

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