RH PetroGas
常青石油及天然气

EXPANDING OUR **HORIZON**

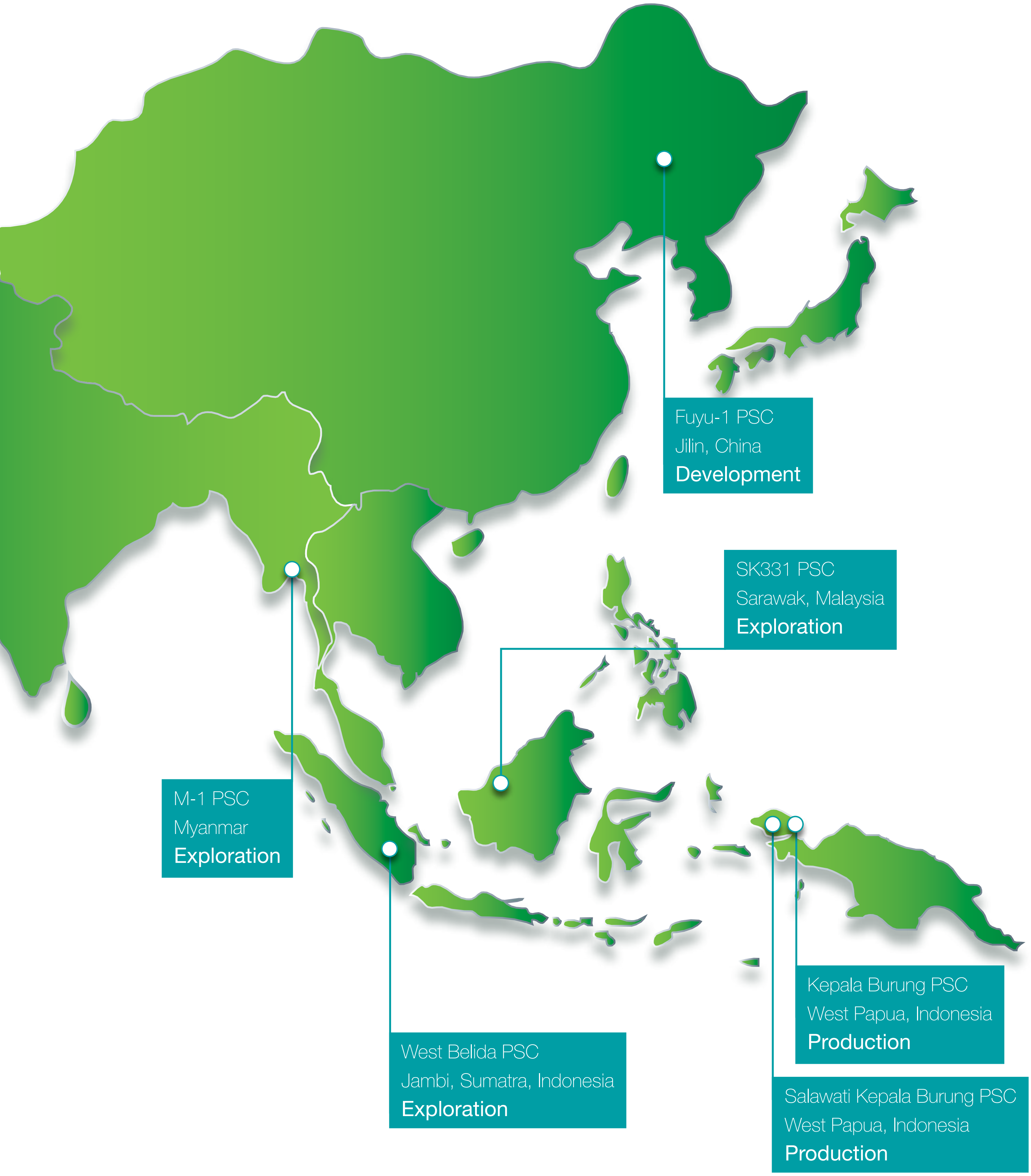
RH PETROGAS LIMITED

ANNUAL REPORT **2012**

Contents

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 business to be a leading independent oil and gas company in Asia.

Assets Review Exploration & Production



Basin and Island Production Sharing Contract ("PSC") – West Papua, Indonesia (Basin 60.00%, Island 33.2142%)

The Kepala Burung PSC ("Basin PSC") and the Salawati Kepala Burung PSC ("Island PSC") are two contiguous blocks located in the "Bird's Head" area of West Papua in eastern Indonesia, with a total acreage of approximately 2,000 km^2 covering both onshore and offshore areas. The Group has an aggregate working interest of 60% in the Basin PSC and an aggregate working interest of 33.2142% in the Island PSC. Based on an independent third-party assessment performed during 2012, the remaining proved plus probable reserves (2P) as at 1 January 2012 for the two PSCs combined was around 12.5 million barrels of oil equivalent ("MMBOE") net to the Group's working interests. These reserve numbers include the Indonesian Government's profit share of production under the terms of the PSCs.

Production for 2012 averaged 4,300 barrels of oil equivalent per day ("BOEPD") net to the Group's working interest. This is lower than the 4,600 BOEPD achieved for the previous year, with the decrease due mainly to the fields' operational issues and lack of development drilling, the latter attributed mainly to unavailability of suitable rigs.

A total of seven exploration wells were drilled during the year. Two discoveries were made in the Basin PSC. These were the North Klalin-3 well and the South East Walio-2 side-track well.

The North Klalin-3 well was drilled to appraise the 2011 discovery made by the North Klalin-1 well. The latest well tested a combined flow rate of 7.8 million standard cubic feet per day ("MMSCFD") of gas and 240 barrels per day ("BPD") of condensate on a 24/64" choke from three zones. The successful appraisal has extended the southwestern limit of the North Klalin field beyond the original estimate of the field boundary. Based on operator's resource assessment, the discovery represents potential resource addition of 262 billion cubic feet ("BCF") of gas and 8.3 million barrels of condensate (totalling 52 MMBOE) net to the Group. The North Klalin-3 well is expected to be put on production ("POP") in the second quarter of 2013.

Following the success of the North Klalin-3 well, the Group and its partners in the Basin PSC have commenced drilling the North Klalin-2 appraisal well to test the northeastern limit of the field. Upon completion of this appraisal, a Plan of Development ("POD") will be submitted to SKK Migas (Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi) for full development of the North Klalin field.

The South East Walio-2 exploration side-track well was drilled to test a new concept in the southwest extension of the South East Walio field following a new limestone fracture study conducted around the area recently. The well was sidetracked from the original South East Walio-2 well which was tested tight from the Kais limestone in 2009. The South East Walio-2 side-track well tested an average of 100 barrels oil per day ("BOPD") from fractured Kais limestone through extended production test using open hole completion. The Group is preparing a POP plan for submission to SKK Migas to bring the well into production via existing infrastructure located nearby. The success of this well opens up new opportunities for additional drilling in the field.

A large inventory of prospects and leads has been identified in both the PSCs. Of particular interest is the offshore area in the Island PSC, where the Koi discovery is located and which flowed 980 BOPD and 2.7 MMSCFD of gas on test in 2000. Interpretation of a 400 km^2 3D seismic acquired over the offshore area has identified several potentially high impact prospects for drilling. The Group and its partners in the Island PSC are currently planning a multi-well drilling program to appraise the Koi discovery and to explore a much larger prospect structurally updip and adjacent to Koi. Drilling is targeted to commence in the second quarter of 2013.

Fuyu-1 PSC – China (100% during evaluation phase, Operator)

The Group operates the Fuyu-1 PSC through its subsidiary Kingworld Resources Limited ("KRL"). The PSC is located in the southern fringe of the very prolific Songliao Basin in northeast China where the giant Daqing Field is located. The Yongping Field within the PSC was zoned for development after the Chinese government sanctioned the field's reserves in 2009. A total of 98 shallow wells have been drilled in the PSC by KRL with interpreted pays in most of the wells.

The Overall Development Plan ("ODP") for the first phase development of Yongping Field was approved by China National Petroleum Corporation ("CNPC") in August 2012. The ODP was thereafter submitted to the National Development and Reform Commission ("NDRC") and the Group expects to receive final approval in the second half of 2013. Commencement of development and commercial production will take place after

NDRC approval has been issued. In the meantime, CNPC and the Group have agreed to proceed with pre-development preparation activities including the procurement of items with long lead time.

Yongping Field produces heavy crude from shallow reservoirs which requires thermal recovery. In this aspect, the Group has continued to improve on the application of Huff 'n' Puff thermal recovery technology during 2012 with the implementation of a 16-well testing program in the field. Of particular interest is the successful utilization of gas produced from an earlier shallow discovery as fuel for steam generation. The Group will continue to assess all shallow gas pays in the block for future usage which may help to reduce operating costs when field development begins.

Following the discovery made by the JF001 deep well drilled in 2011, the Group is continuing its efforts to assess deeper hydrocarbon potential in the block with new seismic reprocessing. JF001 encountered 30 meters of net gas pay from four sands in Lower Cretaceous section during drilling. Three drillstem tests were conducted but failed to flow due to tight reservoirs. An appraisal well is planned for 2013 after completion of the current seismic reprocessing and interpretation. If successful, the well will be tested with hydraulic fracturing in conjunction with JF001. With existing infrastructure and a ready market nearby, any commercial gas find has the potential to be monetized quickly. Alternatively, the gas may also be used as fuel for steam generation in the Yongping Field development. Additional potential prospective resources to be added is 162 BCF (27 MMBOE).

West Belida PSC – South Sumatra, Indonesia (94%, Operator)

The Group, via its subsidiary Orchard Energy (West Belida) Limited operates the PSC. The West Belida Block is located in the very prolific South Sumatra Basin and is close to a number of oil and gas discoveries.

Exploration efforts continued during 2012 with drilling of the Gitar-1 well. The well was spudded on 26 September 2012 and reached a total depth of 4,000 feet on 21 October 2012. Gitar-1 encountered 800 feet gross column of hydrocarbon shows in the Gumai formation during drilling. Drillstem tests were not carried out due to inconclusive nature of the log analysis. The Group is encouraged that an active hydrocarbon system is present in the block based on the hydrocarbon shows and has elected to enter into the fourth year of the exploration period under the PSC. Currently, a post mortem analysis of the Gitar-1 well and the reprocessing of existing seismic data are being carried out as the Group continues to seek additional drilling opportunities in the block in 2013.

SK331 PSC – Onshore Sarawak, Malaysia (80%, Operator)

The Group expanded its geographical footprint with the signing of a new PSC in Block SK331, onshore Sarawak, Malaysia in December 2012. The Group operates the PSC with an 80% working interest via its subsidiary RHP (Mukah) Pte Ltd. Petronas Carigali Sdn Bhd, the exploration and production subsidiary of Petroliam Nasional Berhad ("PETRONAS") holds the remaining 20% interest.

SK331 is the onshore extension of the very prolific Balingian Basin where many large oil and gas fields are located in the offshore area. Several discoveries have been made within the block by previous operators. For 2013, the Group plans to reprocess existing seismic data, and to conduct aerogravity/magnetic survey and surface geochemistry over the block. This will be followed by new 2D seismic acquisition and exploration drilling over the next two years in accordance with our three-year exploration work commitment.

The Group is keen to grow its presence in Malaysia and is actively seeking new opportunities in the country.

M-1 Block Seismic Option – Offshore Myanmar

The Group executed a farm-in option agreement in December 2012 with Rimbunan Petrogas Limited ("RPL") in respect of RPL's interest in the Block M-1 PSC located offshore Myanmar. RPL is the operator of the PSC with a 93% participating interest, with UNOG Pte Ltd holding the remaining 7% participating interest. Under the PSC, Myanma Oil and Gas Enterprise ("MOGE") may elect to participate in up to a 25% interest in the PSC upon a commercial discovery having been made, and such state participation is to be contributed by RPL and UNOG Pte Ltd proportionately.

Under the option agreement, the Group will fund 50% of RPL's share of the cost of a new 300-500 km 2D seismic survey to be acquired in the M-1 block. The Group's funding will be capped at a maximum of US$3.6 million. In return, the Group will have the option to farm-in and acquire 50% of RPL's participating interest, which translates to a net undivided 46.5% participating interest in the PSC. The option agreement provides the Group with the opportunity to gain access into Myanmar's upstream oil and gas sector, and allows the Group to assess the potential of the block prior to committing to a formal farm-in. In the event the Group exercises its option to farm into the PSC, it is committed to participate in the drilling of one exploration well.

As at the time of this report, 300 kilometers of 2D Ocean Bottom Cable ("OBC") seismic survey has been completed ahead of schedule and below budget in the western part of M-1 block which lies on trend with onshore production to the north and new discovery to the south of the block. The OBC seismic is currently being processed and based on the results of the interpretation, the Group will determine whether to exercise the seismic option to farm-in before 7 June 2013.

CHAIRMAN'S MESSAGE

TAN SRI DATUK SIR TIONG HIEW KING
Executive Chairman

Dear Shareholders,

2012 has been another exciting year for RH Petrogas. The Group continues to grow and make progress in developing its asset portfolio, enhancing the value of existing concessions and expanding its geographical presence. The Group now has two producing, one development and two exploration assets in China, Indonesia and Malaysia, and operates three of them. In addition, there is a Seismic Option to farm into an exploration asset in Myanmar. For the financial year 2012, the Group recorded another positive set of results with net profits of US$6.1 million (FY 2011 US$2.9 million) and revenue of US$86.4 million (FY 2011 US$89.4 million). Net working interest production for the year averaged at 4,300 barrels of oil equivalent per day ("BOEPD").

In China, we have received approval on the Overall Development Plan ("ODP") from China National Petroleum Corporation ("CNPC") for the first phase development of the Yongping Field in the Fuyu-1 Block. The Group is now one step away from field development and commercial production, pending final approval of the ODP from the National Development and Reform Commission ("NDRC"). Barring unforeseen circumstances, we anticipate receiving final NDRC approval in the second half of 2013. In the meantime, the Group is working closely with CNPC to put in place preparatory measures so that development and production activities can proceed expeditiously once NDRC approval is received. The Group has also finalized the terms of the marketing and sale of crude oil from the Yongping Field in preparation for the commencement of production.

In Indonesia, the Group has achieved further successes from the exploration drill bit. Following the discovery made by the North Klalin-1 well, the Group has discovered oil and gas in two other exploration wells drilled in the Kepala Burung Production Sharing Contract ("Basin PSC"), namely the North Klalin-3 well and the South East Walio-2 side-track well. The North Klalin-1 well has been put on production since 28 March 2012, while plans are under way to put the two new discoveries into production soon.

On the growth front, the Group has entered into a new PSC for Block SK331 located onshore Sarawak, Malaysia, with an 80% participating interest. This PSC represents the Group's first oil and gas asset in Malaysia and will serve to expand the Group's footprint in the Asia Pacific region. Covering an area of approximately 11,600 square meters, Block SK331 is an extension of the Balingian Basin which contains several oil and gas fields in the offshore area. We are enthusiastic about the addition of this asset as past exploration efforts have established the presence of an active petroleum system in the region. This is an exploration asset, and the Group is committed to a three year work program involving seismic reprocessing and new seismic acquisition, exploration drilling, and specialized geological and geophysical studies.

In December 2012, the Group also signed a Seismic Option to undertake a 2D seismic survey of 300-500 line kilometers in Myanmar waters at an estimated cost of US$3.6 million. In the event of positive results from the 2D seismic program, the Group will have the option of acquiring a direct participating

interest of 46.5% in Block M-1 located offshore Myanmar. The acquisition of 306 kilometers of 2D ocean bottom cable seismic survey was completed ahead of schedule in January 2013 and the data is currently being processed. The Group will review its results in order to make a decision on whether to exercise the Seismic Option. The Seismic Option provides the Group with a good opportunity to participate in Myanmar's oil and gas sector which has seen strong interest from international investors recently as the country emerges from decades of isolation following developments on the political and economic front.

The Group continues to grow organically with the exploration and development of new resources within our Indonesian assets. For Basin PSC, the focus will be on maintaining production from the mature fields through workover and new development drilling, even as we continue to explore and tie-back untapped reserves that still exist within the block. In Island PSC, we have identified large prospects and leads in the offshore Koi complex area where we are targeting to begin our high-impact exploration drilling program in 2013. In China, development and production is expected to begin in the Fuyu field in 2013 as well, assuming final ODP approval will be received in the second half of 2013. Overall, the exploration activities in Malaysia, Indonesia, China and Myanmar should provide a pipeline of potential additions to our reserves in the medium term.

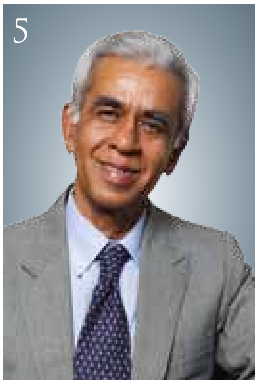
Working towards our aspiration to be Asia Pacific's leading independent oil and gas company, the Group is actively on the lookout for suitable assets to augment our asset portfolio. Leveraging on the vast experience of our key management, our area of focus would be to secure low to medium risk assets in the Asia Pacific region.

To strengthen the Group's financial position to take advantage of opportunities that may arise, the Group has converted US$61.5 million of shareholder loans into equity in August 2012, thereby reducing net gearing to 8%. The Group is also looking at various options to raise additional funds in order to develop its oil and gas assets, for new acquisitions and for working capital purposes. These may be a combination of internal resources, equity financing, bank financing and/or other sources including loans from the controlling shareholder. Apart from assisting in the Group's growth plans, we believe these financial measures will also have a direct positive impact on our shareholders by raising free float and trading liquidity.

On behalf of the Board, I wish to thank our management, partners, customers and all stakeholders for your support through the challenging times faced by the Group.

TAN SRI DATUK SIR TIONG HIEW KING
Executive Chairman

BOARD OF DIRECTORS



1. Tan Sri Datuk Sir Tiong Hiew King
2. Dato' Sri Dr Tiong Ik King
3. Dr Tan Jee-Theng Tony
4. Mr Peter Ng Choong Joo
5. Mr Abbasbhoy Haider Nakhoda
6. Mr Yeo Yun Seng Bernard
7. Mr 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 redesignated 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 board of Jaya Tiasa Holdings Berhad, a publicly listed timber and oil palm plantation company in Malaysia.

Dr Tan Jee-Theng Tony

Group CEO and Executive Director

DR TAN JEE-THENG TONY 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.

Board of Directors

Mr Peter Ng Choong Joo
Executive Director

MR PETER NG CHOONG JOO was appointed as an Executive Director of the Company on 9 May 2012. He holds a Master Business Administration (MBA) from Heriot-Watt University, Edinburgh and is also an Associate of The Chartered Institute of Bankers (ACIB) London. He joined the Rimbunan Hijau Group in 2003 and has been appointed an Executive Director of Tiong Toh Siong Holdings Sdn. Bhd. the main holding company for Rimbunan Hijau Group's of companies.

Mr Ng has more than 35 years of working experience in various capacities in Bank Negara Malaysia, Utama Wardly Merchant Bank Berhad and Bank Utama (Malaysia) Berhad. He was a former director of Utama Wardly Merchant Bank Berhad. Presently, he is an Executive Chairman and Director of RH Mining Resources Ltd and also holds directorships in Rimbunan Petrogas Limited, RH Insurance Ltd, Qinzhou Development (Hong Kong) Limited, Rimbunan Hijau China Investment Holdings Limited, Lubuk Tiara Sdn. Bhd, Molyhua Holdings Ltd., Qinzhou Development (Malaysia) Consortium Sdn. Bhd, and Optical Communication Engineering Sdn. Bhd.

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 Yeo Yun Seng Bernard
Independent Director

MR YEO YUN SENG BERNARD 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. Mr Yeo is a director of SHRI Academy Pte Ltd and SHRI Corporation Pte Ltd.

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 an Independent Director of Kingsmen Creatives Ltd. He will be retiring from this position when his term ends after the company's forthcoming AGM at the end of April 2013. He is also 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.

Dr Tan Jee-Theng Tony

Group CEO & Executive Director

(Please refer to page 9)

Mr Francis Chang

Vice President, Exploration and Production

MR FRANCIS CHANG is Vice President for Exploration & Production. Mr Chang's 35 years' experience with US based major and independent oil companies spans many producing basins in five continents. Prior to RH Petrogas, he also held management and executive positions with GNT International Group, Texas American Resources, Kerr McGee/Anadarko Petroleum.

Mr Chang holds a Bachelor of Science degree in Geology from National Taiwan University. He also attended graduate school in Geophysics at Harvard University. He is a member of AAPG, SEAPEX, and IPA.

Mr 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 law, 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.

Mr Samuel Cheong

Vice President, Commercial

MR SAMUEL CHEONG is Vice President for Commercial. Prior to joining the Company, he was Commercial Director of Orchard Energy Pte Ltd. Before that, he has worked with Singapore Petroleum Company Limited (SPC) for almost 18 years in both the upstream and downstream sectors. During his career with SPC, he has served in various capacities ranging from business development and new venture, upstream commercial, risk management and crude operation. He also led the company's asset team in managing its entire portfolio of upstream exploration and production assets.

Mr Cheong's past 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 grow and strengthen its oil and gas businesses.

Mr Cheong graduated with a Bachelor of Business Administration degree from the National University of Singapore.

Mr Then Guang Yaw

Vice President, Finance

MR THEN GUANG YAW is Vice President for Finance. He joined the Company in 2006 as Internal Audit Manager and was appointed as the Group Financial Controller in 2007 before assuming his current position in 2013. Mr Then has extensive experience in the areas of management, finance, accounting and audit. Prior to joining the Group, he spent 6 years in South America as the Financial Controller and later as General Manager with a company of the Rimbunan Hijau Group. Mr Then is a Fellow of the Association of Chartered Certified Accountants.

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)

Peter Ng Choong Joo
(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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Audit Partner-in-charge:
Toong Weng Sum Vincent

Date of appointment:
Since financial year ended
31 December 2009

RH Petrogas 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 policies, procedures, practices and customs, upheld by a responsible and 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**"). The Company will report on its corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012, in its Annual Report 2013. 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 Company and its subsidiaries (the "**Group**"). The primary role of the Board is to maximize 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. The key functions and responsibilities of these committees are explained in this report below.

Board Composition

With two Executive Directors having stepped down on 12 January 2013, the Board currently consists of seven 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 judgment 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.

The nature of Directors' appointments on the Board and details of their membership on Board Committees in the year 2012 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	Group CEO & Executive Director	–	–	–
Tiong Kiew Chiong[(1)]	Executive Director	–	–	–
Tiong Chiong Ee[(1)]	Executive Director	–	–	–
Peter Ng Choong Joo[(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) resigned and ceased to be an Executive Director with effect from 12 January 2013.

(2) appointed as an Executive Director with effect from 9 May 2012.

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 2012 and the attendance by each member is set out as follows:

Meeting of	**Board**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Total held for the FY2012	4	5	1	1
Tan Sri Datuk Sir Tiong Hiew King	3	–	–	–
Dato' Sri Dr Tiong Ik King	4	5	1	1
Dr Tan Jee-Theng Tony	4	–	–	–
Tiong Kiew Chiong[(1)]	4	–	–	–
Tiong Chiong Ee[(1)]	4	–	–	–
Peter Ng Choong Joo[(2)]	3	–	–	–
Abbasbhoy Haider Nakhoda	4	5	1	1
Yeo Yun Seng Bernard	4	5	1	1
Lee Hock Lye	4	5	1	1

Notes:

(1) resigned and ceased to be an Executive Director with effect from 12 January 2013.

(2) appointed as an Executive Director with effect from 9 May 2012.

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. As part of the orientation program to familarise newly appointed Directors with the role and responsibilities of a Director of a public company in Singapore, the Company arranged for Mr Peter Ng to attend the Singapore Institute of Directors' course - 'Listed Company Director Essentials: Understanding the Regulatory Environment in Singapore'.

All Directors are encouraged to keep themselves updated on changes to the financial, legal and regulatory as well as corporate governance 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 facilitate 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.

Access to Information

To enable the Board to fulfill its responsibilities, Management provides the Board with quarterly/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 25 April 2013 (the "**AGM**"):

- Tan Sri Datuk Sir Tiong Hiew King
- Abbasbhoy Haider Nakhoda
- Peter Ng Choong Joo
- Dr Tan Jee-Theng Tony

The Board has accepted the recommendations and the retiring Directors will be offering themselves for re-election. 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	25 April 2012
Dato' Sri Dr Tiong Ik King	7 March 1997	25 April 2012
Dr Tan Jee-Theng Tony	17 June 2010	28 April 2011
Tiong Kiew Chiong(1)	28 July 2009	25 April 2012
Tiong Chiong Ee(1)	27 August 2009	28 April 2010
Peter Ng Choong Joo	9 May 2012	N.A.
Abbasbhoy Haider Nakhoda	17 June 1997	25 April 2012
Yeo Yun Seng Bernard	1 November 2001	28 April 2011
Lee Hock Lye	27 November 2003	28 April 2011

Note:

(1) resigned and ceased to be an Executive Director with effect from 12 January 2013.

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 assessment was reviewed and updated in respect of the FY2012 evaluation. 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 salary 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 2012 ("**FY2012**"), the RC had met once 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;

c. the payment of Directors' Fees; and

d. the grant of awards under the RHP Option Scheme 2011.

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. Executive Directors have declined to receive Directors' fees for a number of years. For FY2011 and FY2012, the Board in consultation with the RC, has recommended the payment of Directors' fees to Executive Directors, which is considered appropriate to the level of their contribution, taking into account factors such as the effort and time spent and the responsibilities of the Executive Directors. The CEO is remunerated as a member of Management and does not receive Directors' fees.

The Company has two share plan schemes which were approved by shareholders at a general meeting held on 8 July 2011. They are the RHP Option Scheme 2011 and the RHP Performance Share Plan. Both the share plans schemes are administered by the RC. Please refer to page 27 to 29 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 remuneration payable for the FY2012 as follows:

Remuneration Bands	Salary including CPF %	Bonus/ Profit–sharing %	Allowances & Others %	Directors' Fees %	Performance Shares %	Total %
S$750,000 to S$1,000,000						
Dr Tan Jee-Theng Tony	57	34	9	–	–	100
Below S$250,000						
Tan Sri Datuk Sir Tiong Hiew King	–	–	–	100	–	100
Dato' Sri Dr Tiong Ik King	–	–	–	100	–	100
Peter Ng Choong Joo	–	–	–	100	–	100
Tiong Kiew Chiong	–	–	–	100	–	100
Tiong Chiong Ee	–	–	–	100	–	100
Abbasbhoy Haider Nakhoda	–	–	–	100	–	100
Yeo Yun Seng Bernard	–	–	–	100	–	100
Lee Hock Lye	–	–	–	100	–	100

Notes:

(1) Directors' fees totaling S$329,500 is to be tabled for shareholders' approval at the forthcoming AGM to be held on 25 April 2013.

(2) There are only four key executives (who are not directors) in the Company.

The Company believes that disclosure of the level and mix of the remuneration of individual key executives (who are not directors) is disadvantageous to the business interests of the Company, in view of the shortage of talented and experienced personnel in the upstream oil and gas industry.

The remuneration received by the top four key executives of the Company (who are not directors) is presented as follows:

Remuneration Bands	**No. of Executives**
S$250,000 to S$500,000	3
Below S$250,000	1
Total	**4**

There is no employee of the Group who is an immediate family member of any Director or CEO and whose remuneration exceeded S$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

Dato' Sri Dr Tiong Ik King continues to serve as an AC member, as the Board considers Dato' Sri Dr Tiong's contribution and support to the AC invaluable having business and finance experience and is familiar with the Group's business and operations. 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 Group, 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 Group'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 Group's affairs, as it deems necessary where such matters relate to exposure or risk of a regulatory or legal nature, and monitor the Group's compliance with its legal, regulatory and contractual obligations.

The AC met five times during the year 2012 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 Company complies with Rule 712 and 715 of the SGX-ST Listing Manual. 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 AND AUDIT

ACCOUNTABILITY

The Board is responsible for providing a balanced and understandable assessment of the Group'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 Group's performance, position and prospects on a quarterly basis.

INTERNAL CONTROLS AND INTERNAL AUDIT

The Group has a system of internal controls to monitor its operations appropriately and effectively. The framework is cognisant of the staff, operational size and resources of the Group and the cost benefit relationship of individual controls.

The Board believes in the importance of maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets. To achieve this, the Board and Management regularly keeps the system of internal controls under review to ensure that these are adequate to provide reasonable assurance that:

- the Group's assets are safeguarded against loss from unauthorized use or disposition;
- business transactions are properly authorised and executed;
- there is ongoing compliance with the financial reporting regulatory framework and environmental regulation; and
- proper and accurate financial records are maintained.

External auditors have attended the quarterly AC meetings and have also had a number of informal meetings with the AC Chairman throughout the year. They have confirmed that in the course of their annual audit, while their audit scope does not address all the financial, operational and compliance risks that is or could be faced by the Group, nevertheless they are not aware of any reason to indicate that internal controls and risk management systems were not adequately and effectively addressing financial, compliance and information technology risk which would warrant highlighting to the Board, AC, and Management.

Part of the Group's internal audit requirement in 2012 was managed by the Internal Audit Department and part of it out-sourced to a professional firm, which met standards set by internationally recognised professional bodies. The professional firm reviewed accounting compliance with the terms of the Kepala Burung Production Sharing Contact ("**Basin PSC**") and Salawati Kepala Burung Production Sharing Contract ("**Island PSC**") and the respective joint operating agreements and the examination of the transactions and activities of the Basin PSC and Island PSC. The internal auditors findings were reported to the AC were made available to the external auditors and Management.

The Board retains the responsibility for oversight of the Group's risk management responsibilities, internal controls and governance processes delegated to Management and is satisfied that Management has developed and implemented an appropriate and sound system of internal controls. Based on the internal and external audit results and discussions with Management, the Board with the concurrence of the AC is of the opinion that the Group's internal controls addressing financial, operational and compliance risks are adequate to meet the Group's needs and control objectives and provide reasonable assurance for safeguarding the Group's assets in the current business environment. The Board also notes that no system of internal controls can provide absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

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. During the year, Management reviewed and reported on the top risks faced by the Group to the Board. Key risks were discussed and prioritised.

The Group's financial risk management objectives and policies are disclosed under Note 29 on pages 96 to 101 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 S$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 S$100,000)	
Tan Sri Datuk Sir Tiong Hiew King	**FY2012**	**FY2011**	**FY2012**	**FY2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
(a) Loans from RH Capital Limited (1)	Nil	780	Not applicable	Not applicable
(b) Acquisition of 50% participating interest in the Production Sharing Contract for Block M-1, Offshore Myanmar (2)	Estimated to be US$3.6 million	Nil	Not applicable	Not applicable

Notes:

(1) The aggregate value of US$780,000 is the management fee incurred for FY2011 pursuant to a loan from an interested person, RH Capital Limited (being a company controlled by Tan Sri Datuk Sir Tiong Hiew King) for the sum of US$50 million to fund the acquisition of the working interest in Basin PSC and Island PSC. The US$50 million loan was converted into 127,947,154 new ordinary shares on 13 August 2012 pursuant to the debt conversion exercise approved by the shareholders at the EGM held on 07 August 2012.

(2) As announced on 11 December 2012, the Company had on 11 December 2012 executed a farm-in option agreement with Rimbunan Petrogas Limited ("**RPL**") pursuant to which RPL has granted the Company a seismic option, to farm-in and acquire 50% of RPL's participating interest in the Production Sharing Contract for Block M-1 located offshore Myanmar. RPL is controlled by Tan Sri Datuk Sir Tiong Hiew King. The expected size of the IPT is estimated to be US$3.6 million.

MATERIAL CONTRACTS

Except for the transactions/agreements disclosed under IPTs above, there was no other material contract entered between the Company or any of its subsidiaries with any Director or controlling shareholder in FY2012.

USE OF PROCEEDS

As announced on 27 February 2013, the usage of the net placement proceeds of S$41.6 million as at 31 December 2012 from the placement of 54,500,000 new shares at S$0.80 each in the share capital of the Company completed on 29 September 2009 was as follows:-

Intended uses	Re-allocated uses	Net placement proceeds allocated	Net placement proceeds used to date	Balance
		S$'000	**S$'000**	**S$'000**
As part payment of the unpaid cash consideration for the acquisition of the entire issued share capital of Kingworld Resources Limited	Not Applicable	10,000	10,000	–
To fund the capital expenditure and operating costs in connection with the crude oil production project at Fuyu-1 Block in preparation for commercial production	To fund the capital expenditure, operating costs and other funding requirements of (a) the crude oil production project at Fuyu-1 Block in preparation for commercial production; and (b) other petroleum exploration and production projects	30,000	28,898	1,102 (1)
Working capital	Not Applicable	1,615	1,615 (2)	–
Total		**41,615**	**40,513**	**1,102**

Notes:

(1) Included in the balance is the fixed deposit of S$1,080,000 pledged as security for a performance bond given by RH Petrogas Singapore Pte Ltd (formerly known as Orchard Energy Pte Ltd) to the Central Government of the Republic of Indonesia. This is in relation to the activities as set out in the terms of the production sharing contract for exploration and production of petroleum in West Belida Block, Jambi, South Sumatra, Indonesia (the "**PSC**"). Following the fulfillment of the first three-year work commitments under the PSC, the fixed deposit pledged was released in February 2013.

(2) The breakdown of the working capital of S$1,615,000 utilised was as follows:

	S$'000
Staff costs	866
Professional fees	540
Other operating expenses	209
	1,615

FINANCIAL REPORT

Directors' Report

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 2012.

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
Peter Ng Choong Joo (Appointed on 9 May 2012)
Abbasbhoy Haider Nakhoda
Yeo Yun Seng Bernard
Lee Hock Lye

Arrangements to enable directors to acquire shares and debentures

Except as disclosed 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 and share options 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**
Ordinary shares of the Company				
Tan Sri Datuk Sir Tiong Hiew King	–	580,000	315,389,486	472,845,443
Dato' Sri Dr Tiong Ik King	–	–	202,889,486	212,073,086
Dr Tan Jee-Theng Tony	1,200,000	1,200,000	220,000	220,000
Peter Ng Choong Joo	30,000	30,000	–	–
Tiong Kiew Chiong	–	–	5,005,000	5,005,000
Share options of the Company				
Dr Tan Jee-Theng Tony	2,000,000	4,000,000	–	–
Tiong Kiew Chiong	30,000	30,000	–	–
Abbasbhoy Haider Nakhoda	10,000	10,000	–	–
Yeo Yun Seng Bernard	10,000	10,000	–	–
Lee Hock Lye	10,000	10,000	–	–

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

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's aggregate deemed interest of 472,845,443 shares comprised of (i) 212,073,086 shares held by Surreyville Pte Ltd ("Surreyville"), which arises from his shareholding in Woodsville International Limited, the holding company of Surreyville; (ii) 132,825,203 shares of the Company held by Sharptone Investments Limited ("Sharptone"), arising from his shareholding in Sharptone; and (iii) 127,947,154 shares held by RH Capital Limited ("RH Capital"), which arises from his shareholding in RH Capital. Dato' Sri Dr Tiong Ik King is also deemed to have interest in the 212,073,086 ordinary shares of the Company held by Surreyville, arising from his shareholding in Woodsville International Limited.

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 in the Company between the end of the financial year and 21 January 2013.

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 and performance share plan

The RHP Share Option Scheme 2011 (the "Scheme") and RHP Performance Share Plan (the "Share Plan") were approved by shareholders at the Company's Extraordinary General Meeting held on 8 July 2011.

The Scheme and the Share Plan are administered by the Remuneration Committee ("RC"), which comprises the following directors, with such discretion, powers and duties as are conferred on it by the Board of Directors:

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

The Scheme and the Share Plan shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing from its adoption by the shareholders and may continue beyond the stipulated period with the approval of the shareholders by an ordinary resolution passed at a general meeting and of any relevant authorities which may then be required.

Options

Under the Scheme, options to subscribe for ordinary shares in the capital of the Company are granted to selected employees and directors of the Company, its subsidiaries and associated companies.

During the financial year, the Company had granted 2,345,000 share options under the Scheme. These options expire on 1 March 2017 and are exercisable if the eligible participant remains in service for two years from the date of grant.

Options (cont'd)

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 31 December 2012 are as follows:

Date of grant of options	Expiry date	Exercise period	Exercise price (S$)	Number of options: Balance as at 01.01.12	Granted during the year	Cancelled/ lapsed during the year	Balance as at 31.12.12
22.07.2011	22.07.2016	23.07.2013 to 21.07.2016	0.59	2,437,000	–	40,000	2,397,000
02.03.2012	02.03.2017	03.03.2014 to 01.03.2017	0.37	–	2,345,000	–	2,345,000
				2,437,000	2,345,000	40,000	4,742,000

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the Scheme are as follows:

Name of director	Options granted during financial year	Aggregate options granted since commencement of the Scheme to end of financial year	Aggregate options exercised since commencement of the Scheme to end of financial year	Aggregate options outstanding as at end of financial year
Dr Tan Jee-Theng Tony	2,000,000	4,000,000	–	4,000,000
Tiong Kiew Chiong	–	30,000	–	30,000
Abbasbhoy Haider Nakhoda	–	10,000	–	10,000
Bernard Yeo Yun Seng	–	10,000	–	10,000
Lee Hock Lye	–	10,000	–	10,000
Total	2,000,000[(1)]	4,060,000	–	4,060,000

(1) These options are exercisable between the periods from 3 March 2014 to 1 March 2017 at the exercise price of S$0.37 if the vesting conditions are met.

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

a) Save as disclosed in the table above, no options have been granted to the directors of the Company and controlling shareholders of the Company and their associates;

b) No participant has received 5% or more of the total options available under the Scheme;

c) No options have been granted to directors and employees of the holding company and its subsidiaries;

d) No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted;

e) There were 2,345,000 options and 2,397,000 options granted respectively during the financial years of 2012 and 2011 at a discount of 20% and 18%, respectively, from the closing price of the Company's shares on the last trading day before the date of the grant; and

f) No options have been granted to any participants at a discount of 10% or less.

Performance share plan

Under the Share Plan, fully-paid ordinary shares in the capital of the Company, their equivalent cash value or combinations thereof will be granted, free from payment, to selected employees of the Company and/or its subsidiaries including directors of the Company, and other selected participants according to the extent to which they complete time-based service conditions or achieve their performance targets over set performance periods.

Details of the performance shares to subscribe for ordinary shares of the Company granted to director of the Company pursuant to the Share Plan are as follows:

Name of director	Share awards granted during financial year	Aggregate share awards granted since commencement of Share Plan to end of financial year	Aggregate share awards released since commencement of Share Plan to end of financial year	Aggregate share awards as not yet released at end of financial year
Dr Tan Jee-Theng Tony	–	1,000,000	1,000,000	–
Total	–	1,000,000	1,000,000	–

Since the commencement of the Share Plan till the end of the financial year:

a) Save as disclosed in the table above, no share awards were granted to the directors of the Company and controlling shareholders of the Company and their associates;

b) No participant has received 5% or more of the total shares or awards available under the Share Plan;

c) No directors and employee of the holding company and its subsidiaries had received 5% or more of the total number of shares or awards available under the Share Plan; and

d) No shares have been awarded to directors and employees of the holding company and its subsidiaries.

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:

- Reviews the audit plans and reports of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of its subsidiaries' system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

- Reviews the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Company before their submission to the Board of Directors;

- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via results of the audits performed by the in-house and outsourced internal auditors and discussion with senior management;

- Meets with the external auditors without the presence of management at least annually;

- Reviews 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;

- Reviews the cost effectiveness and the independence and objectivity of the external auditors;

- Reviews the nature and extent of non-audit services provided by the external auditors;

Audit committee (cont'd)

- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;

- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and

- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited'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 five meetings during the year with full attendance from all members. 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.

Auditor

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

On behalf of the Board of Directors:

Dr Tan Jee-Theng Tony
Director

Dato' Sri Dr Tiong Ik King
Director

Singapore

28 March 2013

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 2012 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

28 March 2013

Independent Auditor's Report

TO THE MEMBERS OF RH PETROGAS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of RH Petrogas Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 33 to 103, which comprise the balance sheets of the Group and the Company as at 31 December 2012, 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 Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the 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 2012 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.

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

28 March 2013

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$'000	2011 US$'000
Revenue		86,376	89,424
Cost of sales		(54,179)	(56,810)
Gross profit		32,197	32,614
Other income		39	599
Administrative expenses		(5,319)	(5,329)
Other expenses		(8,487)	(7,293)
Finance costs		(2,222)	(1,776)
Profit before tax	4	16,208	18,815
Income tax expense	5	(10,105)	(15,883)
Profit for the year		6,103	2,932
Earnings per share (cents per share)			
Basic	6	1.18	0.64
Diluted	6	1.18	0.64

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 2012

	2012 US$'000	2011 US$'000
Profit for the year	6,103	2,932
Other comprehensive income:		
Net gain/(loss) on fair value changes of cash flow hedge	3,082	(3,082)
Foreign currency translation	17	176
Other comprehensive income for the year, net of tax	3,099	(2,906)
Total comprehensive income for the year	9,202	26

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

Balance Sheets

AS AT 31 DECEMBER 2012

		Group		Company	
		2012	2011	2012	2011
	Note	US$'000	US$'000	US$'000	US$'000
Non-current assets					
Oil and gas properties	7	67,657	64,636	–	–
Other property, plant and equipment	8	911	1,187	123	131
Exploration and evaluation assets	9	66,571	53,449	–	–
Goodwill	10	139,872	139,872	–	–
		275,011	259,144	123	131
Current assets					
Inventories	13	6,494	5,043	–	–
Other current assets	14	539	945	46	87
Trade and other receivables	15	8,816	5,535	479	396
Amounts due from subsidiaries	15	–	–	143,110	161,727
Derivatives	16	17	–	–	–
Cash and short-term deposits	17	28,615	23,623	15,991	496
		44,481	35,146	159,626	162,706
Current liabilities					
Income tax payable		2,798	2,425	118	111
Trade and other payables	18	49,403	49,152	711	738
Derivatives	16	488	3,194	–	–
Loans and borrowings	19	5,280	1,387	–	–
		57,969	56,158	829	849
Net current (liabilities)/assets		(13,488)	(21,012)	158,797	161,857
Non-current liabilities					
Provisions	20	2,371	3,046	–	–
Deferred tax liabilities	21	39,817	37,619	–	–
Loans and borrowings	19	37,006	78,628	–	53,515
Other liabilities	22	1,301	9,011	–	7,710
		80,495	128,304	–	61,225
Net assets		181,028	109,828	158,920	100,763
Equity attributable to owners of the Company					
Share capital	23	199,640	138,201	199,640	138,201
Reserves	24	(18,612)	(28,373)	(40,720)	(37,438)
Total equity		181,028	109,828	158,920	100,763

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 2012

	Attributable to owners of the Company							
Group	Share capital US$'000	Capital reduction reserve US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Cash flow hedge reserve US$'000	Employee share option reserve US$'000	Total reserves US$'000	Total equity US$'000
At 1 January 2011	137,616	2,886	(4,660)	(26,798)	–	–	(28,572)	109,044
Profit for the year	–	–	–	2,932	–	–	2,932	2,932
Other comprehensive income for the year	–	–	176	–	(3,082)	–	(2,906)	(2,906)
Total comprehensive income for the year	–	–	176	2,932	(3,082)	–	26	26
Share-based payments (Note 25)								
- Award of performance shares	585	–	–	–	–	–	–	585
- Grant of equity-settled share options	–	–	–	–	–	173	173	173
At 31 December 2011 and 1 January 2012	138,201	2,886	(4,484)	(23,866)	(3,082)	173	(28,373)	109,828
Profit for the year	–	–	–	6,103	–	–	6,103	6,103
Other comprehensive income for the year	–	–	17	–	3,082	–	3,099	3,099
Total comprehensive income for the year	–	–	17	6,103	3,082	–	9,202	9,202
Debt conversion (Note 23)	61,532	–	–	–	–	–	–	61,532
Share issuance expenses (Note 23)	(93)	–	–	–	–	–	–	(93)
Share-based payments (Note 25)								
- Grant of equity-settled share options	–	–	–	–	–	559	559	559
At 31 December 2012	199,640	2,886	(4,467)	(17,763)	–	732	(18,612)	181,028

Company	Share capital U$'000	Capital reduction reserve U$'000	Accumulated losses U$'000	Employee share option reserve US$'000	Total reserves US$'000	Total equity US$'000
At 1 January 2011	137,616	2,886	(35,846)	–	(32,960)	104,656
Loss for the year, representing total comprehensive income for the year	–	–	(4,651)	–	(4,651)	(4,651)
Share-based payments (Note 25)						
- Award of performance shares	585	–	–	–	–	585
- Grant of equity-settled share options	–	–	–	173	173	173
At 31 December 2011 and 1 January 2012	138,201	2,886	(40,497)	173	(37,438)	100,763
Loss for the year, representing total comprehensive income for the year	–	–	(3,841)	–	(3,841)	(3,841)
Debt conversion (Note 23)	61,532	–	–	–	–	61,532
Share issuance expenses (Note 23)	(93)	–	–	–	–	(93)
Share-based payments (Note 25)						
- Grant of equity-settled share options	–	–	–	559	559	559
At 31 December 2012	199,640	2,886	(44,338)	732	(40,720)	158,920

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 2012

	Note	2012 US$'000	2011 US$'000
Operating activities			
Profit before tax		16,208	18,815
Adjustments for:			
Allowance for doubtful debts	15	333	469
Allowance for inventory obsolescence	13	456	–
Amortisation of upfront fee paid for loans granted		220	264
Depletion and amortisation of oil and gas properties	7	10,389	12,975
Depreciation of other property, plant and equipment	8	437	434
Interest expense		1,811	1,472
Interest income on bank deposits		(19)	(9)
Loss on disposal of other property, plant and equipment		53	13
Net fair value loss on derivatives		1,078	112
Share-based payments	25	559	758
Unwinding of discount on decommissioning provisions	20	411	304
Unsuccessful exploration and evaluation expenditures	9	1,502	–
Write off of upfront fees upon termination of loan	19	789	–
Operating cash flows before changes in working capital		34,227	35,607
Changes in working capital			
(Increase)/decrease in inventories		(1,905)	2,280
(Increase)/decrease in trade and other receivables		(3,570)	20,477
Decrease in trade and other payables		(242)	(15,590)
Cash flows from operations		28,510	42,774
Income tax paid		(7,539)	(10,621)
Interest paid		(1,811)	(1,472)
Interest received		19	9
Net cash flows from operating activities		19,179	30,690
Investing activities			
Additions to oil and gas properties	7	(10,810)	(12,849)
Additions to exploration and evaluation assets	9	(17,169)	(15,495)
Cash call contributions for asset retirement obligations		(1,087)	(656)
Purchase of other property, plant and equipment	8	(174)	(60)
Net cash flows used in investing activities		(29,240)	(29,060)

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 2012

	Note	2012 US$'000	2011 US$'000
Financing activities			
Increase in charge over project accounts		(1,767)	(100)
Decrease on short-term deposit pledged		874	–
Net decrease in amounts due to related parties		–	(10,000)
Proceeds from loans and borrowings		44,486	31,099
Repayment of advances from a corporate shareholder		–	(4,000)
Repayment of loans and borrowings		(28,700)	–
Share issuance expenses	23	(93)	–
Upfront fee paid for loans granted		(645)	–
Net cash from financing activities		14,155	16,999
Net increase in cash and cash equivalents		4,094	18,629
Effect of exchange rate changes on cash and cash equivalents		5	(661)
Cash and cash equivalents at beginning of year		20,865	2,897
Cash and cash equivalents at end of year	17	24,964	20,865

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 ultimate controlling party is Tan Sri Datuk Sir Tiong Hiew King by virtue that he is deemed to have an interest in the Company's shares held by Surreyville Pte Ltd, RH Capital Limited and Sharptone Investment Limited.

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 11 to the financial statements.

2. Summary of significant accounting policies

2.1 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 United States Dollars ("USD" or "US$") and all values are rounded to the nearest thousand ("$'000") except when otherwise indicated.

2.2 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 that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	1 January 2013
Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

Except for the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112, 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 Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112 are described below.

<u>Amendments to FRS 1 Presentation of Items of Other Comprehensive Income</u>

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

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

2.3 Standards issued but not yet effective (cont'd)

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures* are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies proportionate consolidation for its joint arrangements. Upon adoption of FRS 111, the Group will continue to apply proportionate consolidation for its joint arrangements as they are considered to be joint operations. The Group does not expect the adoption to affect the Group's financial statement presentation.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interest in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2.4 Basis of consolidation and business combinations

A) Basis of consolidation

Basis of consolidation 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 and dividends 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

2.4 Basis of consolidation and business combinations (cont'd)

A) Basis of consolidation (cont'd)

Basis of consolidation from 1 January 2010 (cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 has not been restated.

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

2.4 Basis of consolidation and business combinations (cont'd)

B) Business combinations

Business combinations from 1 January 2010

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 a change to other comprehensive income. If the contingent consideration is classified as equity, it is not 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's 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 2.8. 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 prior to 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. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been 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 adjustments to the contingent consideration were recognised as part of goodwill.

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

2.5 Foreign currency

The Group's consolidated financial statements are presented in United States Dollars, which is also the 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) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD 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.

2.6 Oil and gas properties, and other property, plant and equipment

All items of oil and gas properties and other property, plant and equipment are initially recorded at cost. Subsequent to recognition, oil and gas properties, leasehold improvements, plant, machinery and equipment, furniture, fittings and office equipment and motor vehicles are measured at cost less accumulated depreciation and any 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 and for qualifying assets (where relevant), 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.

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

2.6 Oil and gas properties, and other property, plant and equipment (cont'd)

When a development project moves into the production stage, the capitalization of certain construction/development costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to oil and gas property asset additions, improvements or new developments.

When significant parts of property, plant and equipment 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 profit or loss as incurred.

Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Other property, plant and equipment are generally depreciatied on a straight-line basis over their estimated useful lives which are as follows:

Leasehold improvements	-	3 to 10 years
Plant, machinery and equipment	-	3 to 5 years
Furniture, 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 property, 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 property, 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.

2.7 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.

Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

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

2.7 Oil and natural gas exploration, evaluation and development expenditure (cont'd)

Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalised within intangible assets. Licence costs paid in connection with a right to explore in an existing exploration are capitalised and amortised over the term of the permit. Licence and property acquisition costs 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 or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

Exploration and evaluation costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Once the legal right to explore has been acquired, cost directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is completed and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off as dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with the appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset.

All such capitalised costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off to profit or loss.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

Farm-outs – in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

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.

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

2.8 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any 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 acquiree 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 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 2.5.

2.9 Impairment of non-financial assets

(a) Assets (excluding goodwill)

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 groups 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, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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.

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

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

(a) Assets (excluding goodwill) (cont'd)

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.

(b) 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 including goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.10 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.

2.11 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. 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 joint venture is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

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 such 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 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 and recognises any retained investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

2.12 Financial assets

Initial recognition and measurement

Financial assets are recognised 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.

(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.

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

2.12 Financial assets (cont'd)

Subsequent measurement (cont'd)

(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 assets 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.

Regular way purchase or sale of a financial asset

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.

2.13 Impairment of financial assets

The Group assesses at the end of each 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 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.

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

2.13 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised 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 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 been 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.

(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.

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

2.13 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

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, 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.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits.

2.15 Inventories

Inventories comprise raw materials and well supplies and are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first-in first-out basis.

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.

2.16 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 resources embodying economic benefits will be required to settle the obligation and the 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.

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

2.16 Provisions (cont'd)

Decommissioning liability

The Group recognises a decommissioning liability when it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of crude oil and/or gas are expensed as incurred.

Changes in the estimated timing of decommissioning or changes to the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to oil and gas assets.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with FRS 36. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability, nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

2.17 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised 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 plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

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

2.17 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 at fair value through profit or loss. 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.

2.18 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 in accordance with the terms of a debt instrument.

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.

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

2.19 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") in Indonesia is required, under the guidance of Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKK MIGAS"), which replaced Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi ("BPMIGAS") pursuant to a presidential decree No. 9/2013 issued on 10 January 2013, referred to as "Tabel Besar" or the "Big Table", to provide for future pension liability, which is payable upon employee retirement, or severance payment, which is payable upon termination, whichever is applicable. A Big Table scheme is a form of defined benefit plan 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 deposits.

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

Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees for awards granted is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share option.

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

2.20 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 and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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 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 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.

2.21 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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding 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 the sale of oil and petroleum products is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or by other delivery mechanism.

Revenue from the production of oil, in which the Group has an interest with other participants, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. 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 in dealing with imbalances between actual sales and entitlements. 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 (deferred revenue) and not as revenue. Conversely, the underlift party would recognise an underlift asset (receivable) and report corresponding revenue.

Interest income

Interest income is recognised using the effective interest method.

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

2.22 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 at 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.

(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 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 the end of each 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 recovered.

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.

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

2.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

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 taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) Royalties, resource rent tax and revenue-based taxes

In addition to corporate income taxes, the Group's financial statements also include and recognise as taxes on income, other types of taxes on net income which are calculated based on 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 physical quantities produced or as a percentage of revenue - after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognised as current provisions and included in cost of sales.

(d) Production-sharing arrangements

According to the production-sharing contract, 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 amount will be paid directly by the government on behalf of the Group to the appropriate tax authorities. This portion of income tax and revenue are presented net in profit or loss.

(e) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

2.23 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 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 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.

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.

2.26 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

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

2.26 Derivative financial instruments and hedge accounting (cont'd)

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liabilities or an unrecognised firm commitment.

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

- Hedges of a net investment in foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group designates each hedge, which meet the strict criteria for hedge accounting, as a cash flow hedge and these hedges are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other expenses.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2.27 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

   (i) Has control or joint control over the Company;

   (ii) Has significant influence over the Company; or

   (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

2.27 Related parties (cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, 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 require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, 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.

3. Significant accounting judgments and estimates (cont'd)

3.1 Judgments made in applying accounting policies (cont'd)

(b) Hydrocarbon reserve and resource estimates

Oil and gas production properties are depreciated on a units of production basis at a rate calculated by reference to total proved developed and undeveloped reserves determined in accordance with Society of Petroleum Engineers rules and incorporating the estimated future cost of developing those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors 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 carrying amount of oil and gas development and production assets at 31 December 2012 is shown in Note 7.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets, oil and gas properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows

- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change

- Provisions for decommissioning may change – where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities

(c) Exploration and evaluation expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether it is likely that future economic benefits are likely, either from future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economical viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

3. Significant accounting judgments and estimates (cont'd)

3.1 Judgments made in applying accounting policies (cont'd)

(d) Units of production depreciation of oil and gas assets

Oil and gas properties are depreciated using the units of production method over total proved developed and undeveloped hydocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the units of production rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved developed and undeveloped reserves, or future capital expenditure estimates change. Changes to proved reserves could arise due to changes in factors or assumptions used in estimating reserves, including:

- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions; or
- Unforeseen operational issues

Changes are accounted for prospectively.

(e) Recoverability of oil and gas assets

The Group assesses each asset or cash generating unit (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or cash generating units.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for oil and gas assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/cash generating unit. Management has assessed its cash generating units as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets.

3. Significant accounting judgments and estimates (cont'd)

3.2 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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(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 10.

(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 15.

(c) Employee share options

The Group measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 25.

(d) 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. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently remeasured to fair value at each reporting date. 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. As part of the purchase price allocation for its acquisition of RHP Salawati Island BV, the Group identified an element of contingent consideration. The carrying amount of the contingent consideration on business combination at the end of the reporting period is disclosed in Note 22.

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(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. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can 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, extent and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

(f) 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 2012 was US$2,798,000 (2011: US$2,425,000) and US$39,817,000 (2011: US$37,619,000), respectively.

4. Profit before tax

This is stated after (crediting)/charging:

	Group	
	2012	**2011**
	US$'000	**US$'000**
Revenue		
Net revenue from crude oil and gas sales	(86,376)	(89,424)
Cost of sales		
Depletion and amortisation of oil and gas properties (Note 7)	10,389	12,975
Production cost	42,704	43,179
Termination indemnity (Note 20)	1,086	656
Other income		
Foreign exchange gain, net	–	(587)
Interest income from bank deposits	(19)	(9)
Administrative expenses:		
Audit fees:		
- Auditors of the Company	212	186
- Other auditors	156	–
Non-audit fees		
- Auditors of the Company	10	9
- Other auditors	105	–
Total audit and non-audit fees	483	195
Depreciation of other property, plant and equipment (Note 8)	437	434
Employee benefits (Note 25)	3,025	3,211
Operating lease expense (Note 27)	123	116
Overseas travel	188	247
Professional fees	775	735
Other expenses:		
Allowance for doubtful trade receivables (Note 15)	333	469
Allowance for inventory obsolescence	456	–
Cancellation fee and write off of upfront fees paid upon refinancing of bank loans	1,039	–
Directors' fees	265	216
Foreign exchange loss, net	242	–
Loss on crude oil commodity options	3,241	5,118
Loss on disposal of other property, plant and equipment	53	13
Management fees	–	780
Net fair value loss on derivatives	1,078	112
Unsuccessful exploration and evaluation expenditures (Note 9)	1,502	–
Finance costs:		
Interest on bank loans	1,811	1,472
Unwinding of discount on decommissioning provisions (Note 20)	411	304

5. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group	
	2012	2011
	US$'000	US$'000
Consolidated income statement		
Current income taxation	7,195	9,754
Under/(over) provision in respect of previous years	712	(19)
	7,907	9,735
Deferred income tax		
Origination and reversal of temporary differences	4,868	4,970
(Over)/under provision in respect of previous years	(2,670)	1,178
	2,198	6,148
Income tax expense recognised in profit or loss	10,105	15,883

(b) Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 is as follows:

	Group	
	2012	2011
	US$'000	US$'000
Profit before tax	16,208	18,815
Tax at 17%	2,755	3,199
Adjustments:		
Effect of difference between tax rates applicable to profits in the countries where the Group operates and the statutory tax rate	10,083	9,914
Non-deductible expenses	660	828
Income not subject to taxation	(407)	–
Benefits from previously unrecognised tax losses	(11)	–
Benefits from previously unrecoverable costs	(1,044)	–
Deferred tax assets not recognised	–	783
(Over)/under provision in respect of previous years	(1,958)	1,159
Others	27	–
Income tax expense recognised in profit or loss	10,105	15,883

6. Earnings per share

Basic earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2012	**2011**
	US$'000	**US$'000**
Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	6,103	2,932
	No. of Shares	**No. of shares**
Weighted average number of ordinary shares for basic earnings per share computation	517,480,705	456,268,018
Effects of dilution:		
- Share options	415,780	171,620
Weighted average number of ordinary shares for diluted earnings per share computation	517,896,485	456,439,638

2,397,000 (2011: nil) share options granted to employees and directors under the existing share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

On 5 March 2013, the Company granted 3,638,500 share options to selected employees and directors under the existing employee share option plans. These share options are exercisable between the periods from 5 March 2015 to 4 March 2018 at the exercise price of S$0.42 if vesting conditions are met. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

7. Oil and gas properties

	Group	
	2012	2011
	US$'000	US$'000
Cost:		
At 1 January	83,485	68,954
Transfer from exploration and evaluation assets (Note 9)	2,661	–
Additions	10,810	12,849
Change in decommissioning provision	(61)	1,682
At 31 December	96,895	83,485
Accumulated depletion and impairment:		
At 1 January	18,849	5,874
Charge for the year	10,389	12,975
At 31 December	29,238	18,849
Net carrying amount:		
At 31 December	67,657	64,636

The net book value at 31 December 2012 includes development assets under construction of US$1,059,000 (2011: US$2,194,000), which are not being depreciated.

Cash outflow for the purchase of oil and gas properties was US$10,810,000 (2011: US$12,849,000).

8. Other property, plant and equipment

Group	Leasehold improvements US$'000	Plant, machinery and equipment US$'000	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost:					
At 1 January 2011	24	1,242	335	621	2,222
Additions	–	–	60	–	60
Disposals	(24)	–	(1)	–	(25)
Exchange realignment	–	51	–	(8)	43
At 31 December 2011 and 1 January 2012	–	1,293	394	613	2,300
Additions	–	140	34	–	174
Disposals	–	(64)	(10)	(34)	(108)
Exchange realignment	–	2	5	36	43
At 31 December 2012	–	1,371	423	615	2,409
Accumulated depreciation and impairment loss:					
At 1 January 2011	11	309	85	257	662
Depreciation charge for the year	–	228	96	110	434
Disposals	(11)	–	(1)	–	(12)
Exchange realignment	–	16	2	11	29
At 31 December 2011 and 1 January 2012	–	553	182	378	1,113
Depreciation charge for the year	–	243	82	112	437
Disposals	–	(32)	(7)	(16)	(55)
Exchange realignment	–	1	1	1	3
At 31 December 2012	–	765	258	475	1,498
Net carrying amount:					
At 31 December 2011	–	740	212	235	1,187
At 31 December 2012	–	606	165	140	911

8. Other property, plant and equipment (cont'd)

Company	Leasehold improvements US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Cost:			
At 1 January 2011	24	58	82
Additions	–	107	107
Disposals	(24)	(1)	(25)
At 31 December 2011 and 1 January 2012	–	164	164
Additions	–	34	34
At 31 December 2012	–	198	198
Accumulated depreciation and impairment loss:			
At 1 January 2011	11	5	16
Depreciation charge for the year	–	29	29
Disposals	(11)	(1)	(12)
At 31 December 2011 and 1 January 2012	–	33	33
Depreciation charge for the year	–	42	42
At 31 December 2012	–	75	75
Net carrying amount:			
At 31 December 2011	–	131	131
At 31 December 2012	–	123	123

9. Exploration and evaluation assets

	Group	
	2012 US$'000	**2011 US$'000**
Cost:		
At 1 January	53,449	37,018
Additions	17,169	15,495
Transfer to oil & gas properties (Note 7)	(2,661)	–
Unsuccessful exploration and evaluation expenditures	(1,502)	–
Change in decommissioning provision	61	68
Exchange realignment	55	868
At 31 December	66,571	53,449

Cash outflow for additions to exploration and evaluation assets was US$17,169,000 (2011: US$15,495,000).

10. Goodwill

Goodwill arises principally because of the following factors:

a) The going concern value implicit in the Group's ability to sustain and/or grow its business by increasing reserves and resources through new discoveries;

b) The ability to capture unique synergies that can be realised from managing a portfolio of both acquired and existing fields; and

c) The requirement to recognise deferred income tax assets and liabilities for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value.

Impairment testing of goodwill

For impairment testing purposes, goodwill acquired through business combinations has been allocated as follows:

	Group	
	2012	**2011**
	US$'000	**US$'000**
Basin and Island PSC	49,232	49,232
Fuyu 1 Block	90,355	90,355
West Belida Block	285	285
	139,872	139,872

The recoverable amount of each field is determined based on a value-in-use calculation.

The calculation of value in use of the oil exploration and production cash-generating unit 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.

The Group generally estimates value in use for the oil exploration and production cash generating unit using a discount cash flow model. The future cash flows are discounted to their present value using a pre-tax discount rate of 10% (2011: 10%) that reflects current market assessments of the time value of money and the risks specific to the asset.

The discount rate is derived from the Group's weighted average cost of capital, with appropriate adjustments made to reflect the risks specific to the asset/cash generating unit. The weighted average cost of capital takes into account both debt and equity, weighted debt to equity in the ratio of approximately 2:3. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowing the Group is obliged to service. The beta factors are evaluated annually based on publicly available market data.

Management believes that, currently, there is no reasonably possible change in the production assumptions or discount rates or crude oil prices which would cause the carrying amount of goodwill and/or other non-current assets to exceed their recoverable amount.

11. Investment in subsidiaries

	Company 2012 US$'000	Company 2011 US$'000
Unquoted shares, at cost	9,740	9,740
Impairment losses	(9,740)	(9,740)
	–	–

Details of subsidiaries are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost of investment 2012 US$'000	Cost of investment 2011 US$'000	Proportion of ownership interest 2012 %	Proportion of ownership interest 2011 %
Held by the Company					
RH Petrogas Investments Pte. Ltd.[(1)] (Singapore)	Oil and gas exploration and production (Singapore)	#	#	100	100
Tri-M Technologies Inc.[(4)] (United States of America)	Dormant (United States of America)	30	30	100	100
Tri-M Technologies (Philippines) Inc.[(5)] (Philippines)	Dormant (Philippines)	262	262	100	100
TRIM Technologies (M) Sdn Bhd[(5)] (Malaysia)	Dormant (Malaysia)	9,448	9,448	100	100
		9,740	9,740		

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2012 %	Proportion of ownership interest 2011 %
Held by subsidiaries			
Mastique Investments Limited[(4)] (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100
Kingworld Resources Limited[(3)] (British Virgin Islands)	Oil and gas exploration and production (China)	100	100
Great Prime Investments Limited[(4)] (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100

11. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2012 %	2011 %
Held by subsidiaries (cont'd)			
RH Petrogas Singapore Pte. Ltd.[(1)] (Singapore)	Investment holding (Singapore)	100	100
RH Petrogas Holdings Pte. Ltd.[(1)] (Singapore)	Investment holding (Singapore)	100	100
RH Petrogas Global Ventures Limited[(3)] (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100
RH Petrogas Indonesia Holding Limited[(4)] (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100
Orchard Energy (West Belida) Limited[(3)] (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	100	100
RHP (Mukah) Pte. Ltd.[(1)(6)] (Singapore)	Oil and gas exploration and production (Malaysia)	100	–
RHP Salawati Holdings BV[(3)] (The Netherlands)	Investment holding (The Netherlands)	100	100
Petrogas Basin Holding BV[(3)] (The Netherlands)	Investment holding (The Netherlands)	100	100
Petrogas Island Holding BV[(3)] (The Netherlands)	Investment holding (The Netherlands)	100	100
RHP Salawati Basin BV[(2)] (The Netherlands)	Oil and gas exploration and production (Indonesia)	100	100
RHP Salawati Island BV[(2)] (The Netherlands)	Oil and gas exploration and production (Indonesia)	100	100
Petrogas (Basin) Ltd[(3)] (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	100	100
Petrogas (Island) Ltd[(3)] (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	100	100

11. Investment in subsidiaries (cont'd)

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firms of Ernst & Young Global in the respective countries.

(3) Not required to be audited by law in its country of incorporation. These entities are audited by member firms of Ernst & Young Global for group reporting purposes.

(4) Not required to be audited by law in its country of incorporation. These entities are not material to the Group and are not required to be disclosed under SGX Listing Rule 717.

(5) This subsidiary is in process of being or has been liquidated.

(6) This subsidiary was incorporated on 10 October 2012.

Cost of investment is less than US$1,000.

12. Interests in joint ventures

Contract area (Date of expiry)	Held by (Place of operation)	Description	Group's effective working interest 2012 %	2011 %
Fuyu 1 Block (9 January 2038)	Kingworld Resources Limited (Jilin Province, People's Republic of China)	Oil and gas exploration	49	49
West Belida Block (4 May 2039)	Orchard Energy (West Belida) Limited (Jambi, Indonesia)	Oil and gas exploration	94	94
Basin PSC (15 October 2020)	RHP Salawati Basin BV and Petrogas (Basin) Ltd (West Papua, Indonesia)	Oil and gas exploration and production	60	60
Island PSC (22 April 2020)	RHP Salawati Island BV and Petrogas (Island) Ltd (West Papua, Indonesia)	Oil and gas exploration and production	33	33
SK331 Onshore Sarawak Block (5 Dec 2039)	RHP (Mukah) Pte. Ltd. (Malaysia)	Oil and gas exploration	80	–

Fuyu 1 Block

On 12 November 2007, Kingworld Resources Limited ("KRL"), a wholly-owned subsidiary, 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.

12. Interests in joint ventures (cont'd)

Fuyu 1 Block (cont'd)

Duration of the PSC

The PSC is being implemented in 3 phases, namely an evaluation phase, a development phase and a production phase.

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 ("ODP"). The evaluation period under the PSC commenced on 1 February 2008 and has since been extended twice by CNPC and the relevant authorities. The Group is to bear all costs required for the evaluation operations during the evaluation period.

CNPC has approved the ODP of the phased development of the Yongping Field in the Fuyu 1 Block and submitted the ODP to National Development and Reform Commission. Development drilling and commercial production at Yongping Field will commence after such approval is granted. With the approval of CNPC, pre-development preparation has commenced.

Development Period: The development period shall commence after obtaining the government approval for the ODP 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 total duration of the PSC shall not exceed 30 years from the approval of the Ministry of Commerce for 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.

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.

12. Interests in joint ventures (cont'd)

Fuyu 1 Block (cont'd)

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 Block

Orchard Energy (West Belida) Limited ("OE West Belida"), together with its joint venture partner, P.T. BEL West Belida ("JV Partner"), 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 PSC was awarded to OE West Belida and JV Partner (collectively, the "Contractor") in May 2009. OE West Belida has 94% interest in the PSC. The Contract Area currently covers an area of approximately 1,046.28 square kilometres following relinquishment in 2012 under the terms of the PSC.

Contractual commitment

Under the terms of the PSC, the Contractor must carry out exploration of the Contract Area under an agreed minimum work program over the first three-year exploration period ("Work Program") with an estimated financial commitment of US$5,760,000 ("Contractual Commitment"). 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, the Group has furnished a performance bond of an aggregate amount of US$1,500,000 to the Central Government of the Republic of Indonesia. Following the fulfilment of the Work Program, the performance bond was released in February 2013.

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"). 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 SKK MIGAS, according to an agreed mechanism as stated in the PSC.

12. Interests in joint ventures (cont'd)

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.

Production and reserve

The assets are primarily oil-weighted with oil, gas and liquefied petroleum gas production from the two PSCs averaging around 4,300 (2011: 4,600) barrels of oil equivalent per day net to the Group's working interests.

Based on an assessment performed by an international energy technical advisor specialising in petroleum reservoir evaluation and economic analysis in 2012, the gross proved plus probable ("2P") reserves as of 1 January 2012 for the Basin PSC and Island PSC combined is around 20.8 million barrels of oil, 14.7 billion cubic feet of gas and 3,624 metric tons of liquefied petroleum gas. These work out to around 12.5 million barrels of oil equivalent net to the Group based on its working interests in the respective PSCs. The above 2P reserve numbers include the Indonesian Government's profit share of production under the terms of the PSCs.

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.

SK331 Onshore Sarawak Block

On 6 December 2012, the Group through its wholly owned subsidiary, RHP (Mukah) Pte. Ltd., entered into a Petroleum Production Sharing Contract ("PSC") with Petroliam Nasional Berhad ("PETRONAS") for Block SK331 onshore Sarawak (the "Block"). The Company will operate the Block with an 80% participating interest, with the remaining 20% owned by its partner, Petronas Carigali Shd Bhd, the exploration and production subsidiary of PETRONAS.

The Block is located onshore Sarawak and covers an area of approximately 11,600 square kilometres. Geologically, the Block is the onshore extension of the Balingian Basin which contains several oil and gas field in the offshore area.

12. Interests in joint ventures (cont'd)

SK331 Onshore Sarawak Block (cont'd)

Contractual commitment

Under the PSC, the Group is committed to a three-year work program which includes seismic reprocessing, new seismic acquisition, exploration drilling, and specialised geological and geophysical studies.

Duration of the PSC

The PSC shall be for a term of 27 years commencing from 6 December 2012. Production of crude oil and associated natural gas can be carried out for a period of 20 years commencing from the date of first commercial production of crude oil or till the expiry of the term of the PSC, whichever is earlier. For projects involving the development of non-associated natural gas, the production of non-associated natural gas can be carried out for a period of 20 years commencing from the date of first commercial production of natural gas or till the expiry of the term of the PSC plus an additional 5 years, whichever is earlier.

13. Inventories

	Group	
	2012	**2011**
	US$'000	**US$'000**
Balance sheet:		
Raw materials	207	371
Well supplies	6,287	4,672
Total inventories at lower of cost and net realisable value	6,494	5,043
Income statement:		
Inventories recognised as an expense in cost of sales	659	2,265
Inclusive of the following charge:		
- Allowance for inventory obsolescence	456	–

14. Other current assets

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Prepaid operating expenses	62	104	46	87
Upfront fees paid for loans granted	477	841	–	–
	539	945	46	87

15. Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Trade receivables	1,420	1,510	–	–
Share of joint venture receivables	5,963	2,833	–	–
Refundable deposits	423	413	397	390
Sundry receivables	1,010	779	82	6
Total trade and other receivables	8,816	5,535	479	396
Add:				
Amounts due from subsidiaries	–	–	143,110	161,727
Cash and short-term deposits (Note 17)	28,615	23,623	15,991	496
Total loans and receivables	37,431	29,158	159,580	162,619

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

Included in share of joint venture receivables is value added tax receivable of US$3,963,000 (2011: US$1,894,000).

Amounts due from subsidiaries

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 US$566,000 (2011: US$633,000) 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	
	2012	2011
	US$'000	US$'000
Trade receivables past due but not impaired:		
More than 120 days	566	633

15. Trade and other receivables (cont'd)

Receivables that are impaired

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

	Group	
	2012	2011
	US$'000	US$'000
Trade receivables-nominal amounts	802	469
Less: Allowance for impairment	(802)	(469)
	–	–
Movements in allowance accounts:		
At 1 January	(469)	–
Charge during the year	(333)	(469)
At 31 December	(802)	(469)

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.

16. Derivatives

		Group	
	Contract/ Notional Amount	Assets US$'000	Liabilities US$'000
2012:			
Crude oil commodity options	120,050 barrels	17	–
Interest rate swaps	US$33,386,000	–	(488)
Total derivatives, representing total financial assets/(liabilities) at fair value through profit or loss		17	(488)
2011:			
Crude oil commodity options	134,268 barrels	–	(3,194)
Total derivatives, representing total financial liabilities at fair value through profit or loss		–	(3,194)

As required under certain banking facilities granted (Note 19), the Group entered into crude oil commodity options. The put options entered into on 4 July 2012, for which an option premium of US$720,000 was paid, is to hedge over a portion of the Group's net entitlements for a period of 12 months and subject to annual hedging at each anniversary of the hedging agreement. The Group has not designated these put options as hedges. The resulting US$17,000 fair value of these contracts has been recognised in the balance sheet as derivative assets. The change in the fair value of these put options of US$703,000 loss has been recognised in profit or loss during the year as net fair value loss on derivatives.

16. Derivatives (cont'd)

The crude oil commodity options entered on 10 January 2011 were expected to reduce the volatility of cash flows in respect of highly probable forecasted crude oil sales. As at 31 December 2011, the Group held crude oil commodity options, designed as hedges of expected future sales to customers for which the Group had highly probable forecasted transactions. The crude oil commodity options were being used to hedge the commodity price risk of the highly probable forecasted transactions. The terms of the crude oil commodity options had been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred. As at 31 December 2011, fair value of outstanding crude oil commodity options amounted to a liability of US$3,194,000. The ineffectiveness recognised in "Other expenses" in profit or loss for the year ended 31 December 2011 was US$112,000. The cumulative effective portion of US$3,082,000 was reflected in other comprehensive income. The contracts were terminated on 13 July 2012. Accordingly, fair value gain of US$3,082,000 on the effective portion of the cash flow hedge is recognised in other comprehensive income and fair value gain of US$121,000 on the ineffective portion recognised in profit or loss as net fair value gain on derivatives.

The interest rate swaps receive floating interest equal to one month LIBOR + 3% per annum (2011: nil), pay a fixed rate ranging from 3.8% to 3.9% (2011: nil) per annum and mature in 2017.

17. Cash and short-term deposits

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	27,722	21,849	15,991	496
Short-term deposits	893	1,774	–	–
Cash and short-term deposits	28,615	23,623	15,991	496

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one to six months, depending on the immediate cash requirements of the Group, and earn interests at 1% (2011: 1%) per annum.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
United States Dollar (US$ or USD)	136	4	–	–
Singapore Dollar (S$ or SGD)	1,035	2,080	139	301
Euro (€ or EUR)	100	75	–	–

The Group has pledged S$1,080,000 (2011: S$2,280,000), equivalent to US$884,000 (2011: US$1,758,000), 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 12).

A fixed charge over all amounts standing to the credit of a collection account, a debt service reserve account and operating accounts held with a bank (2011: a collection account, a debt service reserve account, a junior debt service reserve account, and a distribution account) (collectively, the "project accounts"), totalling US$2,767,000 (2011: US$1,000,000) as at 31 December 2012, was provided to a bank to fulfil collateral requirements of banking facilities granted by the bank (Note 19).

17. Cash and short-term deposits (cont'd)

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

	Group	
	2012	2011
	US$'000	US$'000
Cash and short-term deposits	28,615	23,623
Less:		
Short-term deposits pledged	(884)	(1,758)
Charge over project accounts	(2,767)	(1,000)
Cash and cash equivalents	24,964	20,865

18. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Trade payables	23,220	11,603	–	–
Amounts due to related parties	2,887	2,877	–	–
Accrued operating expenses	1,076	3,544	711	738
Accruals for over-claimed cost recovery	8,788	9,412	–	–
Proportionate share of joint venture's other payables	7,431	9,728	–	–
Over-lifted hydrocarbons	5,707	11,251	–	–
Payable relating to exploration and evaluation expenditures	282	723	–	–
Sundry payables	12	14	–	–
Total trade and other payables	49,403	49,152	711	738
Loans and borrowings (Note 19)	42,286	80,015	–	53,515
Deferred cash settlement (Note 22)	–	7,710	–	7,710
Total financial liabilities carried at amortised cost	91,689	136,877	711	61,963

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

Accruals for over-claimed cost recovery arose from net working capital adjustments on acquisition of RHP Salawati Basin BV, Petrogas (Basin) Ltd, RHP Salawati Island BV and Petrogas (Island) Ltd in 2010. These amounts relate to the vendors' share of accumulated cost recovery from an oil field, which the joint venture partners of the Basin PSC will be required to refund to the Indonesia Government. In addition, the amounts include potential over-claim cost recovery in 2006 and 2007, which joint venture partners of the Basin and Island PSC will be required to refund SKK MIGAS.

Amounts due to related parties are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. Related parties are companies in which a director has a substantial interest.

18. Trade and other payables (cont'd)

Trade and other payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar	719	8,245	711	8,238

19. Loans and borrowings

		Group		Company	
		2012	2011	2012	2011
	Maturity	US$'000	US$'000	US$'000	US$'000
Current					
USD Term Loan 1 (current portion)	2013	5,280	–	–	–
USD revolving loan (current portion)	–	–	1,387	–	–
		5,280	1,387	–	–
Non-current					
USD Term Loan 1	2014-2017	17,906	–	–	–
USD Term Loan 2	2014-2017	19,100	–	–	–
USD revolving loan	–	–	15,613	–	–
USD term loan	–	–	9,500	–	–
Loan from a corporate shareholder	–	–	3,515	–	3,515
Loan from a related party	–	–	50,000	–	50,000
		37,006	78,628	–	53,515
Total loans and borrowings		42,286	80,015	–	53,515

USD Term Loan 1 and Term Loan 2

The facilities are granted by a bank in Malaysia to RHP Salawati Holdings BV, a wholly owned subsidiary. Term Loan 1 is to refinance the subsidiary's revolving loan and term loan facility with another bank (see below). Term Loan 2 is to part finance working capital, operating expenditure, capital expenditure requirements in relation to the exploration and development activities of the Group. The rate of interest on each loan for each interest period is the aggregate of the Bank's cost of funds + 3% per annum. Term Loan 1 shall be repayable over 59 monthly equal instalments of US$440,000 and a final instalment in June 2017. Term Loan 2 is repayable in 42 equal instalments from January 2014 and a final instalment in June 2017.

The loans are secured by way of a fixed charge over certain of the subsidiaries' operating accounts held with the bank and all amounts standing to the credit of these accounts (Note 17), a share charge over the Group's shares in Petrogas (Basin) Ltd, Petrogas (Island) Ltd, RHP Salawati Basin BV, RHP Salawati Island BV and RHP Salawati Holdings BV, debentures creating fixed and floating charge over all present and future assets of Petrogas (Basin) Ltd and Petrogas (Island) Ltd, omnibus pledge creating security over receivables, moveables and bank accounts of RHP Salawati Basin BV and RHP Salawati Island BV, corporate guarantee provided by the Company and personal guarantee provided by Tan Sri Datuk Sir Tiong Hiew King.

19. Loans and borrowings (cont'd)

USD Term Loan 1 and Term Loan 2 (cont'd)

The facility requires mandatory commodity hedge over a portion of the Group's net entitlements for a period of 12 months and subject to annual hedging at each anniversary of the hedging agreement.

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 in Basin and Island PSCs.

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

The loans were secured by way of a fixed charge over the subsidiary's bank accounts and all amounts standing to the credit of these accounts (Note 17), a pledge of shares in RHP Salawati Holdings BV, Petrogas Basin Holding BV, Petrogas Island Holding BV, RHP Salawati Basin BV, RHP Salawati Island BV, Petrogas (Basin) Ltd, Petrogas (Island) Ltd and RH Petrogas Global Ventures Limited, and guarantees provided by the Company and certain subsidiaries of the Group.

As part of the requirements of the loan agreement, the Group signed a master hedging agreement with the bank in December 2010, which included oil price hedging and interest rate hedging. On 10 January 2011, the Group entered into crude oil commodity options with the Bank.

The master hedging agreement was terminated on 13 July 2012 and the loans were fully repaid on 16 July 2012.

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, were unsecured, non-interest bearing and were to be settled in cash.

On 22 May 2012, the Company entered into a conditional debt conversion deed with RH Capital Limited, Sharptone Investments Limited and Surreyville Pte Ltd, pursuant to which the Company will issue an aggregate of 157,455,957 new ordinary shares in the capital of the Company ("Debt Conversion Shares") to RH Capital Limited, Sharptone Investments Limited and Surreyville Pte Ltd as full and final satisfaction of an aggregate sum of US$61,531,637, being outstanding debts owing to RH Capital Limited, Sharptone Investments Limited and Surreyville Pte Ltd by the Company (Note 23) at the conversion price of Singapore Dollar 0.492 for each Debt Conversion Share. The Debt Conversion Shares will be credited as fully paid-up and when allotted and issued will rank, pari passu, in all respects with the then existing ordinary shares for any dividends, rights, allotments or other distributions. The debt conversion exercise was approved by the shareholders of the Company at an extraordinary general meeting held on 7 August 2012 and completed on 13 August 2012.

20. Provisions

	Group 2012 US$'000	Group 2011 US$'000
Termination liabilities	12,912	13,587
Decommissioning provision	5,314	4,902
	18,226	18,489
Less: Cash calls contributed for		
- Termination liabilities	(12,912)	(13,587)
- Decommissioning provision	(2,943)	(1,856)
	(15,855)	(15,443)
	2,371	3,046

<u>Termination liabilities</u>

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. Cash calls were made by the PSCs to satisfy this obligation and are specifically set aside in United States Dollar time deposit accounts to cover this liability. The fund set aside cannot be used for other purposes.

	Group 2012 US$'000	Group 2011 US$'000
At 1 January	13,587	15,159
Utilisation	(1,761)	(2,228)
Charge for the year	1,086	656
At 31 December	12,912	13,587

<u>Decommissioning provision</u>

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 SKK MIGAS, 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 specifically set aside in United States Dollar deposit accounts for future costs related to assets retirement obligations. The fund set aside cannot be used for other purposes. If SKK MIGAS 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 SKK MIGAS.

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.

20. Provisions (cont'd)

Decommissioning provision (cont'd)

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 for Basin PSC and Island PSC and up to 2038 for Fuyu 1 Block. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes 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. The discount rates used in the calculation of the provision as at 31 December 2012 range from 7% to 15% (2011: 9% to 15%).

	Group	
	2012	**2011**
	US$'000	**US$'000**
At 1 January	4,902	2,848
Arising during the year	1	1,750
Unwinding of discount	411	304
At 31 December	5,314	4,902

21. Deferred tax

Deferred tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated Income statement	
	2012	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax liabilities				
Differences in depreciation for tax purposes	31,028	28,830	2,198	7,227
Fair value adjustments on acquisition of subsidiaries	8,789	8,789	–	(1,079)
	39,817	37,619		
Deferred tax expenses			2,198	6,148

Unrecognised tax losses

At the end of the reporting period, the Group and the Company have tax losses of approximately US$37,795,493 (2011: US$46,592,000) and US$37,795,493 (2011: US$42,390,000), respectively, 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.

22. Other liabilities

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Deferred cash settlement	–	7,710	–	7,710
Contingent consideration for business combination (Note 28)	1,301	1,301	–	–
	1,301	9,011	–	7,710

Deferred cash settlement

Pursuant to provisions of the Sale and Purchase Agreement ("SPA") dated 18 August 2008, the Company had requested the vendors, and the vendors accepted, for an extension of time to pay the cash consideration of S$20,000,000 (US$15,560,000), being the balance of purchase consideration payable under the SPA for the acquisition of Kingworld Resources Limited. Payment of the said balance purchase consideration in cash would be made when the Company procured the necessary funding for the same. On 13 October 2009, the Company paid S$10,000,000 (US$7,780,000) being partial payment to the vendors. The amount was fully settled on 13 August 2012 by way of a debt conversion exercise (Note 19).

Contingent consideration for business combination

As part of the purchase agreement with the previous owner of RHP Salawati Island BV, a contingent consideration has been agreed. The considered is dependent upon the appraisal and final approval of the plan of the development for an oil field within the Island PSC contract area.

23. Share capital

	Group and Company			
	2012		2011	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid				
At 1 January	456,821	138,201	455,821	137,616
Debt conversion (Note 19)	157,456	61,532	–	–
Share issue expenses	–	(93)	–	–
Share-based payment - award of Performance Shares (Note 25)	–	–	1,000	585
At 31 December	614,277	199,640	456,821	138,201

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 restrictions. The ordinary shares have no par value.

The Company has a share option plan under which options to subscribe for the Company's ordinary shares have been granted to employees and directors of the Group.

24. Reserves

(a) Capital reduction reserve

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

(b) Foreign currency translation reserve

The foreign currency translation reserve represents 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.

(d) Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationship incurred as at the reporting date.

(e) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to selected directors and employees (Note 25). The reserve is made up the cumulative value of services received from directors and employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

25. Employee benefits

	Group	
	2012	**2011**
	US$'000	**US$'000**
Employee benefits expense (including directors):		
Salaries and bonus	2,009	1,989
Central Provident Fund contributions	90	132
Share-based payments		
- Performance share plan	–	585
- Employee share-option plan	559	173
Other short-term benefits	367	332
	3,025	3,211

Performance share plan

Under the RHP Performance Share Plan, fully-paid ordinary shares in the capital of the Company, their equivalent cash value or combinations thereof will be granted, free from payment, to selected employees of the Company and/or its subsidiaries including directors of the Company, and other selected participants according to the extent to which they complete time-based service conditions or achieve their performance targets over set performance periods.

On 22 July 2011, the Company awarded Dr Tan Jee-Theng Tony, a director and Chief Executive Officer, 1,000,000 ordinary shares and credited as fully paid under the RHP Performance Share Plan. The fair value of each share is S$0.72, which was the published closing price of the share on the business day immediately before the award.

25. Employee benefits (cont'd)

Employee share option plan

Under the RHP Share Option Scheme 2011, share options are granted to selected employees and directors of the Company, its subsidiaries and associated companies. The exercise price of the options is set at a discount of no more than 20% to the average of the last dealt prices for a share, as determined by reference to the daily official list published by the SGX-ST for a period of 3 consecutive market days immediately prior to the relevant date of grant of the option. Eligible participants must remain in service for a period of two years from the date of the grant. The contractual life of the options is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement of these awards.

There has been no cancellation or modification of the share option plan since its inception in 2011.

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the financial year:

	2012		2011	
	Number	**WAEP**	**Number**	**WAEP**
	'000	**S$**	**'000**	**S$**
Outstanding at 1 January	2,437	0.59	–	–
- Granted	2,345	0.37	2,437	0.59
- Forfeited	(40)	0.39	–	–
Outstanding at 31 December	4,742	0.48	2,437	0.59
Exercisable at 31 December	–	–	–	–

No (2011: no) share options were exercised or expired during the year.

The weighted average fair value of the option granted during the year was S$0.34 (2011: S$0.27)

The range of exercise prices for options outstanding at the end of the year was S$0.37 to $0.59 (2011: S$0.59). The weighted average remaining contractual life for these options is 3.83 years (2011: 4.50 years).

25. Employee benefits (cont'd)

Fair value of share options granted

The fair value of the share options granted under the RHP Share Option Scheme 2011 is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The following table lists the inputs to the option pricing model for the year ended 31 December 2012 and 2011:

	2012	2011
Dividend yield (%)	0.00	0.00
Expected volatility (%)	66.70	47.00
Risk-free interest rate (% p.a.)	0.63	0.55
Expected life of option (years)	5.00	5.00
Share price (S$)	0.46	0.72
Exercise price (S$)	0.37	0.59

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

26. Related party transactions

a) Sales and purchases of goods and services

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.

	Group	
	2012 US$'000	2011 US$'000
Management fee pursuant to loan from a company controlled by a director	–	780
Acquisition of 50% participating interest in PSC for Block M-1, Offshore Myanmar[1]	–	–

[1] The Company had on 11 December 2012 executed a farm-in option agreement with Rimbunan Petrogas Limited ("RPL") pursuant to which RPL has granted the Company a seismic option, to farm in and acquire 50% of RPL's participating interest in the Production Sharing Contract ("PSC") for Block M-1 located offshore Myanmar. RPL is controlled by a director. The estimated size of the transaction is estimated to be US$3.6 million.

26. Related party transactions (cont'd)

b) Compensation of key management personnel

	Group	
	2012	2011
	US$'000	US$'000
Short-term employee benefits	1,665	1,272
Central Provident Fund contributions	38	29
Other short-term benefits	203	173
Share-based payments	527	746
Total compensation paid to key management personnel	2,433	2,220
Comprise amounts paid to:		
- Directors of the Company	1,386	1,374
- Other key management personnel	1,047	846
	2,433	2,220

Directors' interests in employee share option plan

During the financial year, 2,000,000 options were granted to an executive director of the Company under the RHP Share Option Scheme 2011 (Note 25) at an exercise price of S$0.37 each.

In 2011, 2,030,000 options and 30,000 options were granted to two of the Company's executive directors and three of the Company's non-executive directors, respectively, under the RHP Share Option Scheme 2011 at an exercise price of S$0.59 each.

At the end of the reporting period, the number of outstanding share options granted by the Company to the abovementioned directors under the RHP Share Option Scheme 2011 was 4,060,000 (2011: 2,060,000).

27. Commitments

a) Capital commitments

	Group	
	2012	2011
	US$'000	US$'000
Contractual commitments in respect of evaluation and exploration expenditures	19,400	2,700

27. Commitments (cont'd)

b) Operating lease commitments

The Group and the Company entered in commercial leases on certain properties. These leases have remaining non-cancellable lease terms of between 1 to 3 years.

Minimum lease payments recognised as an expense in profit or loss for the year ended 31 December 2012 amounted to US$123,000 (2011: US$116,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Not later than one year	289	209	140	75
Later than one year but not later than five years	131	98	114	–
	420	307	254	75

28. Fair value of financial instruments

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

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group US$'000			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2012				
Financial assets				
Derivatives (Note 16)				
- Crude oil commodity options	–	17	–	17
At 31 December 2012	–	17	–	17
Financial liabilities:				
Derivatives (Note 16)				
- Interest rate swaps	–	488	–	488
Contingent consideration for business combination (Note 22)	–	–	1,301	1,301
At 31 December 2012	–	488	1,301	1,789

28. Fair value of financial instruments (cont'd)

A. Fair value of financial instruments that are carried at fair value (cont'd)

	Group US$'000			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2011				
Financial liabilities:				
Derivatives (Note 16)				
- Crude oil commodity options	–	3,194	–	3,194
Contingent consideration for business combination (Note 22)	–	–	1,301	1,301
At 31 December 2011	–	3,194	1,301	4,495

Fair value hierarchy

The Group classifies 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)

There have been no transfers between fair value measurement levels during the financial years ended 2012 and 2011.

Determination of fair value

Derivatives (Note 16): Crude oil commodity option and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, spot and forward commodity prices, interest rate curves, foward rate curves and yield curve of the duration of the instruments for non-optional derivatives, and option-pricing for optional derivatives.

28. Fair value of financial instruments (cont'd)

A. Fair value of financial instruments that are carried at fair value (cont'd)

Determination of fair value (cont'd)

Contingent consideration for business combination (Note 22): As part of the purchase agreement with the previous owner of RHP Salawati Island BV ("RHPSIBV"), a contingent consideration has been agreed on. Additional cash payments shall be due to the previous owner of RHPSIBV upon the appraisal and final approval of the plan of the development for a new oil field located within the offshore area of the Island PSC. The payment amount is determined based on the fields' proved and probable reserves. The fair value of the contingent consideration was assessed at US$1,301,000 at the date of acquisition. This fair value was calculated with reference to RHPSIBV's net share of the estimated proved and probable reserves under the said plan of development. The contingent consideration as at 31 December 2012 and 2011 remains the same as the circumstances giving rise to the contingent liability have not changed.

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 at floating rates.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that 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

At 31 December 2012, the Group does not have any financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

Non-current loans from a corporate shareholder and a related party (Note 19) and deferred cash settlement (Note 22) at 31 December 2011 had no fixed repayment terms and were repayable only when the cash flow of the Group permitted. Accordingly, these amounts were carried at cost because their fair values were not determinable as the timing of the future cash flow arising from the amounts could not be estimated reliably.

29. 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 risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price 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, except for the use as hedging instruments where appropriate and cost-efficient.

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.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

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

(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. For other financial assets (including cash and short-term deposits and derivatives), 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 a nominal amount of US$42,286,000 (2011: US$26,500,000) relating to guarantees provided by the Company and certain of its subsidiaries to a bank on a subsidiary's bank loan (Note 19).

Credit risk concentration profile

At the end of the reporting period, 100% (2011: 100%) of the Group's trade receivables were due from 2 (2011: 2) major customers who are in the oil and gas industry located in Indonesia (2011: Indonesia).

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and derivatives are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15.

(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 is mainly from share placements 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 liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

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

(b) Liquidity risk (cont'd)

	Group			
	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
2012				
Financial liabilities:				
Trade and other payables	49,403	–	–	49,403
Loans and borrowings	5,280	42,286	–	47,566
Contingent consideration for business combination	–	1,301	–	1,301
Derivatives	488	–	–	488
Total undiscounted financial liabilities	55,171	43,587	–	98,758

	Group			
	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
2011				
Financial liabilities:				
Trade and other payables	49,152	–	–	49,152
Loans and borrowings	1,897	11,682	70,293	83,872
Deferred cash settlement	–	–	7,710	7,710
Contingent consideration for business combination	–	1,301	–	1,301
Derivatives	3,194	–	–	3,194
Total undiscounted financial liabilities	54,243	12,983	78,003	145,229

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

(b) Liquidity risk (cont'd)

	Company			
	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
2012				
Financial liabilities:				
Trade and other payables	711	–	–	711
Total undiscounted financial liabilities	711	–	–	711
2011				
Financial liabilities:				
Trade and other payables	737	–	–	737
Loans and borrowings	–	–	53,515	53,515
Deferred cash settlement	–	–	7,710	7,710
Total undiscounted financial liabilities	737	–	61,225	61,962

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Group			Company		
	1 year or less US$'000	1 to 5 years US$'000	Total US$'000	1 year or less US$'000	1 to 5 years US$'000	Total US$'000
2012						
Financial guarantee	5,280	37,006	42,286	5,280	37,006	42,286
Contractual commitments (Note 27(a))	4,300	15,100	19,400	–	–	–
	9,580	52,106	61,686	5,280	37,006	42,286
2011						
Financial guarantee	–	26,500	26,500	–	26,500	26,500
Contractual commitments (Note 27(a))	2,700	–	2,700	–	–	–
	2,700	26,500	29,200	–	26,500	26,500

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2011: less than 6 months) from the end of the reporting period.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD interest rates had been 75 (2011: 75) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been US$317,000 (2011: US$199,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(d) Foreign currency risk

The Group has minimal transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD, Malaysian Ringgit ("MYR") and Renminbi ("RMB") (2011: USD, MYR and RMB). The foreign currencies in which these transactions are denominated are mainly in SGD (2011: SGD). The Group's trade receivables are in USD. The Group's and the Company's exposure to foreign currency denominated trade payables at the end of the reporting period is disclosed in Note 18.

The Group and the Company also hold cash denominated in foreign currencies for working capital purposes. Details of such foreign currency balances are set out in Note 17.

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 is also exposed to currency translation risk arising from its net investments in foreign operations, principally in PRC (2011: Malaysia and PRC).

Sensitivity analysis for foreign currency risk

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

		Group	
		2012 US$'000 Profit before tax	2011 US$'000 Profit before tax
USD / SGD	- strengthened 3% (2011: 3%)	+ 13	– 184
	- weakened 3% (2011: 3%)	– 13	+ 184

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

(e) Commodity price risk

The Group is exposed to the risk of fluctuation in prevailing market commodity prices on the mix of oil and gas products it produces. The Group's policy is to manage these risks through the use of derivative commodity contracts.

The table below summaries the impact on profit before tax as well as the impact on equity for changes in commodity prices on the fair value of derivative financial instruments as certain of these derivative financial instruments have been designated as cash flow hedges.

The analysis is based on the assumption that the crude oil price move 10% resulting in a change of US$10.97 (2011: US$10.74) per barrel ("bbl"), with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the last two years' historical prices and economic forecasters' expectation.

	Group			
	Effect on profit before tax Increase/(decrease)		Effect on equity Increase/(decrease)	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Increase US$10.97/bbl (2011: US$10.74/bbl)	2	(406)	–	(3,331)
Decrease US$10.97/bbl (2011: US$10.74/bbl)	(1)	(692)	–	2,390

30. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios 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. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

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 short-term deposits. Capital includes equity attributable to the owners of the Company.

30. Capital management (cont'd)

	Group 2012 US$'000	Group 2011 US$'000
Loans and borrowings (Note 19)	42,286	80,015
Trade and other payables (Note 18)	49,403	49,152
Other liabilities (Note 22)	1,301	9,011
Less: Cash and short-term deposits (Note 17)	(28,615)	(23,623)
Net debt	64,375	114,555
Equity attributable to the owners of the Company, representing total capital	181,028	109,828
Capital and net debt	245,403	224,383
Gearing ratio	26%	51%

31. Segment information

For management purposes, the Group is organised into business units based on their products and services and has only one reportable segment which is exploration and production of oil and gas (oil and gas business).

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

There are no inter-segment transactions.

	Oil and gas		Adjustments and eliminations			Per consolidated financial statements	
(US$'000)	**2012**	**2011**	**2012**	**2011**	**Notes**	**2012**	**2011**
Revenue	86,376	89,424	–	–		86,376	89,424
Results:							
Interest income	19	9	–	–		19	9
Finance costs	(2,222)	(1,776)	–	–		(2,222)	(1,776)
Depreciation and amortisation	(10,826)	(13,409)	–	–		(10,826)	(13,409)
Other non-cash expenses	(1,637)	(870)	–	–	A	(1,637)	(870)
Segment profit	16,208	18,815	–	–		16,208	18,815
Assets							
Total capital expenditure	28,153	28,404	–	–		28,153	28,404
Segment assets	319,492	294,290	–	–		319,492	294,290
Segment liabilities	95,849	144,418	42,615	40,044	B	138,464	184,462

31. Segment information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Other non-cash expenses consist of share-based payments and net fair value loss on derivatives.

B The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2012 US$'000	2011 US$'000
Income tax payable	2,798	2,425
Deferred tax liabilities	39,817	37,619
	42,615	40,044

Geographical information

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	
(US$'000)	2012	2011	2012	2011	2012	2011	2012	2011
By geographical market								
Indonesia	86,376	89,424	184,495	176,968	25,899	25,457	10,414	13,029
People's Republic of China	–	–	118,351	116,206	2,221	2,887	370	351
Singapore	–	–	16,642	1,110	33	60	42	29
Malaysia	–	–	4	6	–	–	–	–
	86,376	89,424	319,492	294,290	28,153	28,404	10,826	13,409

32. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 28 March 2013.

Statistics of Shareholdings

as at 15 March 2013

Issued and fully paid share capital	:	246,854,046.28
Total number of shares in issue	:	614,277,400
Class of shares	:	Ordinary shares
Voting rights	:	On show of hands – each member present in person or by proxy shall have one vote.
	:	On poll – every member present 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 17.65% of the issued ordinary shares of the Company were held in the hands of the public as at 15 March 2013 and therefore Rule 723 of the Listing Manual is complied with.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	9	0.65	3,979	0.00
1,000 - 10,000	1,131	81.96	2,962,026	0.48
10,001 - 1,000,000	224	16.23	19,557,500	3.19
1,000,001 AND ABOVE	16	1.16	591,753,895	96.33
TOTAL :	1,380	100.00	614,277,400	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	SURREYVILLE PTE LTD	212,073,086	34.52
2.	SHARPTONE INVESTMENTS LIMITED	132,825,203	21.62
3.	RH CAPITAL LIMITED	127,947,154	20.83
4.	DMG & PARTNERS SECURITIES PTE LTD	33,316,795	5.42
5.	MAYBANK KIM ENG SECURITIES PTE LTD	31,116,000	5.07
6.	CITIBANK NOMINEES SINGAPORE PTE LTD	18,852,000	3.07
7.	RAFFLES NOMINEES (PTE) LTD	11,513,000	1.87
8.	PHILLIP SECURITIES PTE LTD	6,065,000	0.99
9.	GREENDALE INVESTMENTS PTE LTD	4,629,657	0.75
10.	WONG YIING NGIIK	3,750,000	0.61
11.	SAI YEE @ SIA SAY YEE	2,468,000	0.40
12.	TING SIE TECK	2,108,000	0.34
13.	HL BANK NOMINEES (S) PTE LTD	1,799,000	0.29
14.	TAN JEE-THENG TONY	1,200,000	0.20
15.	TAN YEW CHYE	1,063,000	0.17
16.	UOB KAY HIAN PTE LTD	1,028,000	0.17
17.	LIM HEE LIAT	848,000	0.14
18.	HENG YONG SENG	740,000	0.12
19.	LIN TING YIE @ LAM TIN YIE	656,000	0.11
20.	OCBC SECURITIES PRIVATE LTD	654,000	0.11
	TOTAL :	594,651,895	96.80

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name	Number of Shares	%	Number of Shares	%
Tan Sri Datuk Sir Tiong Hiew King [(1)]	580,000	0.09	472,845,443	76.98
Dato' Sri Dr Tiong Ik King [(2)]	0	0	212,073,086	34.52
The Estate of Tiong Kiu King, Deceased [(3)]	0	0	132,825,203	21.62
Sharptone Investments Limited [(1), (3)]	132,825,203	21.62	0	0
Surreyville Pte Ltd [(1), (2)]	212,073,086	34.52	0	0
Woodsville International Limited [(1), (2)]	0	0	212,073,086	34.52
RH Capital Limited [(1)]	127,947,154	20.83	0	0
Maybank Kim Eng Securities Pte. Ltd. [(4)]	30,984,000	5.04	0	0
Maybank Kim Eng Holdings Limited [(4)]	0	0	30,984,000	5.04
Maybank IB Holdings Sdn. Bhd. [(4)]	0	0	30,984,000	5.04
Malayan Banking Berhad [(4)]	0	0	30,984,000	5.04

Notes:

1. Tan Sri Datuk Sir Tiong Hiew King's aggregate deemed interest of 472,845,443 shares comprised of (i) 212,073,086 shares held by Surreyville Pte Ltd ("Surreyville"), which arises from his shareholding in Woodsville International Limited, the holding company of Surreyville; (ii) 132,825,203 shares held by Sharptone Investments Limited ("Sharptone"), which arises from his shareholding in Sharptone; and (iii) 127,947,154 shares held by RH Capital Limited which arises from his shareholding in RH Capital Limited.

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

3. The Estate of Tiong Kiu King Deceased's deemed interest arises from his shareholding in Sharptone.

4. These companies are deemed to be interested in the 30,984,000 shares held by Maybank 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 20 Harbour Drive, PSA Vista, #06-03, Singapore 117612 on Thursday, 25 April 2013 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 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$329,500 for the financial year ended 31 December 2012. (2011: S$275,000) **(Resolution 2)**

3. To re-elect Mr Peter Ng Choong Joo, 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 Dr Tan Jee-Theng Tony, 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. **(Resolution 4)**

5. 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. **(Resolution 5)**
   (see explanatory note 1)

6. 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 6)**

7. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS:

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

8. **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 8)**

   (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 2)

9. 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

9 April 2013

EXPLANATORY NOTES:

1. 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 considered by the Nominating Committee to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

2. The Ordinary Resolution 8, 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/she shall specify the proportion of his/her 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 20 Harbour Drive, PSA Vista, #06-03, Singapore 117612 on Thursday, 25 April 2013 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' and Auditors' Reports, Audited Accounts		
2.	Approval of Directors' fees amounting to S$329,500		
3.	Re-election of Mr Peter Ng Choong Joo as a Director		
4.	Re-election of Dr Tan Jee-Theng Tony as a Director		
5.	Re-appointment of Mr Abbasbhoy Haider Nakhoda as a Director		
6.	Re-appointment of Tan Sri Datuk Sir Tiong Hiew King as a Director		
7.	Re-appointment of Messrs Ernst & Young LLP as Auditors		
	Special Business		
8.	Authority to allot and issue new shares in the Company and make/grant/offer Instruments		

* Delete accordingly

Dated this ____________ day of ______________ 2013

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

____

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 deposit 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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