



**STRENGTHENED
CORE
STRONGER
FOOTING**

ANNUAL REPORT 2018



CORPORATE OVERVIEW

RH Petrogas Limited ("RHP") is an independent upstream oil and gas company headquartered in Singapore and listed on the mainboard of the Singapore Stock Exchange. It operates across the full range of upstream activities covering the exploration, development and production of oil and gas resources. Geographically, RHP is focused in the Asia region with existing assets in China, Indonesia and Malaysia.

RHP aspires to be a leading independent oil and gas company in the region and is actively looking for further growth opportunities in the sector.

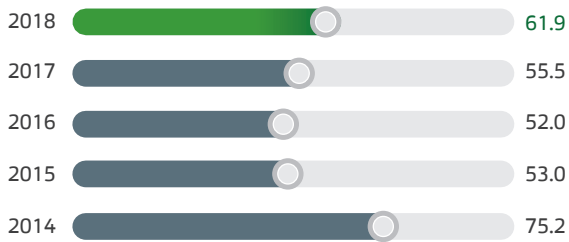
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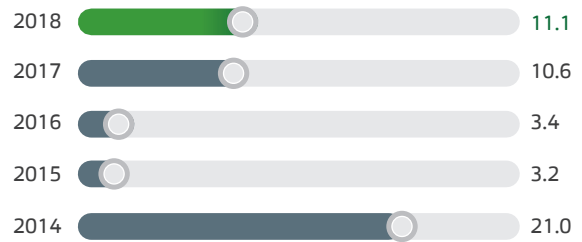
KEY STATISTICS

FINANCIAL HIGHLIGHTS

REVENUE, US\$ MILLION

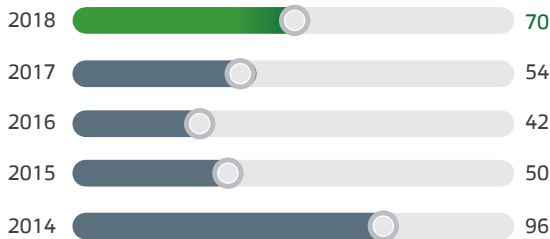


EBITDAX⁽¹⁾, US\$ MILLION

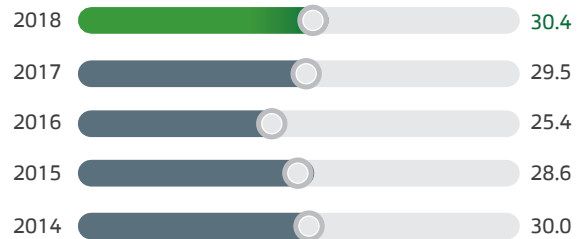


(1) EBITDAX – Earnings before interest, tax, depreciation, amortisation, exploration expenses, impairment and other non-recurring items

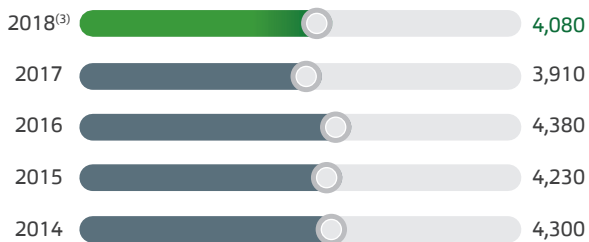
REALISED OIL PRICE, US\$ PER BARREL



PRODUCTION COST, US\$ PER BARREL



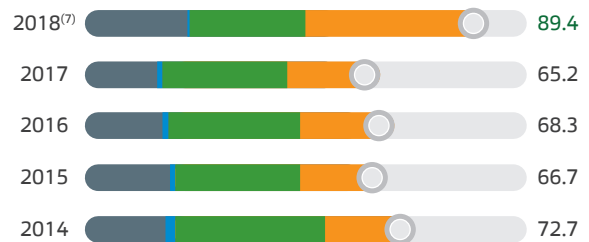
PRODUCTION, BOEPD⁽²⁾



(2) BOEPD – Barrels of Oil Equivalent Per Day

(3) Before accounting for the share of non-controlling interest

2P⁽⁴⁾ AND 2C⁽⁵⁾, MMBOE⁽⁶⁾ (AS AT 31 DECEMBER)



(4) 2P – Proved plus Probable Reserves

(5) 2C – Best Estimate of Contingent Resources

(6) MMBOE – Million Barrels of Oil Equivalent

(7) Excludes 2C of 27.2 MMBO for Fuyu 1 PSC

● 2C-Gas

● 2C-Oil

● 2P-Gas

● 2P-Oil

SUMMARY OF RESERVES AND RESOURCES

SUMMARY OF OIL AND GAS RESERVES AND RESOURCES AS AT 1 JANUARY 2019

	RESERVES					
	Gross			Effective Working Interest		
	Oil (MMB)	Gas (BCF)	Total (MMBOE)	Oil (MMB)	Gas (BCF)	Total (MMBOE)
CHINA						
1P	-	-	-	-	-	-
2P	-	-	-	-	-	-
3P	-	-	-	-	-	-
INDONESIA						
1P	25.7	5.9	26.6	14.5	3.2	15.1
2P	39.3	5.9	40.3	22.4	3.2	22.9
3P	45.3	5.9	46.3	25.9	3.2	26.4
TOTAL						
1P	25.7	5.9	26.6	14.5	3.2	15.1
2P	39.3	5.9	40.3	22.4	3.2	22.9
3P	45.3	5.9	46.3	25.9	3.2	26.4

	CONTINGENT RESOURCES					
	Gross			Effective Working Interest		
	Oil (MMB)	Gas (BCF)	Total (MMBOE)	Oil (MMB)	Gas (BCF)	Total (MMBOE)
CHINA						
1C	45.4	-	45.4	22.2	-	22.2
2C	55.4	-	55.4	27.2	-	27.2
3C	64.4	-	64.4	31.6	-	31.6
INDONESIA						
1C	39.2	283.4	86.4	22.7	163.5	49.9
2C	44.1	425.1	115.0	25.5	245.5	66.5
3C	58.2	605.8	159.2	33.7	350.0	92.0
TOTAL						
1C	84.6	283.4	131.8	44.9	163.5	72.2
2C	99.6	425.1	170.4	52.7	245.5	93.6
3C	122.6	605.8	223.6	65.3	350.0	123.6

Notes:

1P Proved Reserves

2P Proved plus Probable Reserves

3P Proved plus Probable plus Possible Reserves

1C Low Estimate of Contingent Resources

2C Best Estimate of Contingent Resources

3C High Estimate of Contingent Resources

MMB Million Barrels

BCF Billion Cubic Feet

MMBOE Million Barrels of Oil Equivalent

1 barrel of oil equivalent is approximately 6,000 cubic feet of gas

CHAIRMAN'S MESSAGE



TAN SRI DATUK SIR TIONG HIEW KING
Executive Chairman

DEAR SHAREHOLDERS,

2018 was yet another eventful year for the upstream oil and gas industry. Brent oil prices recovered from its doldrums following the downturn which began in the second half of 2014 to breach US\$86 a barrel in October 2018, its highest in the last 4 years. This was followed by a pull-back in sentiment which sent oil prices tumbling by more than 40% to end the year at around US\$50 a barrel. The drastic fall in oil prices was sparked by geopolitical concerns over increasing trade tensions between the United States and China, a rising interest rate environment and sluggish growth in the global economies. On the positive side, the industry in general was noticeably healthier in 2018 compared to 2017 and especially since the post-2014 downturn.

For 2018, the Group's most significant achievement would be the signing of the two new Indonesian production sharing contracts in July 2018, namely the new Kepala Burung Production Sharing Contract ("**New Basin PSC**") and the new Salawati Production Sharing Contract ("**New Island PSC**") (and collectively the "**New PSCs**"). These New PSCs, each for a term of 20 years, cover essentially the existing acreages of the Group's current Kepala Burung Production Sharing Contract ("**Basin PSC**") and the Salawati Kepala Burung Production Sharing Contract ("**Island PSC**") and will commence upon the expiry of these current PSCs in 2020. The Group will be the operator in each of the New PSCs. These PSCs are our key producing assets and the cornerstone of our portfolio, providing us with a strong production base and good growth potential in the long term. This significant milestone demonstrates the Group's strong execution ability and its unwavering commitment to delivering value for its stakeholders.

Operation Review

Indonesia

The Basin and Island blocks consist of mature oilfields which have long histories of production with total cumulative oil production exceeding 350 million barrels to date. Through an on-going programme of well optimisation and workovers, the Group has succeeded in maintaining a relatively stable production at the Basin block in recent years. Having successfully secured the New PSCs, the Group will invest its resources and capital to unlock their upside potential through a series of exploration and development programmes. The Group will also continue its efforts in maintaining and upgrading its facilities where necessary to improve field operations.

The Group is also pleased to have been appointed as the operator of the New Island PSC. The Group intends to build on the work done by the existing operator to further exploit the potential of the block where a large inventory of exploration prospects and leads remain. As the operator for both assets, the Group will be able to better optimise operational and cost synergies between these two contiguous blocks. To facilitate a smooth handover of operatorship with minimal disruption to operations, the Group has initiated communication with the existing operator of the Island block during the year on the process of operatorship transition.

China

In China, development of the Yongping oilfield was suspended in early 2016 after 29 development wells had been drilled

under the approved Overall Development Plan (“ODP”) due to the collapse in global oil prices. The Yongping oilfield is characterised by shallow reservoirs of heavy oil deposits, which made oil recovery with conventional technologies ineffective. The closely spaced development wells drilled following the ODP approval revealed reservoir discontinuity in the field, which impacted on the effectiveness of the steam injections during pilot production tests conducted on selected wells. Consultation with heavy oil industry experts over the years and innovative initiatives such as a trial microbial flooding conducted in 2018 over certain selected wells unfortunately did not yield sufficiently successful results. The Group had attempted to divest and farm-out its working interest in the block to mitigate the financial exposure and technical risks, but without success. Even with development activities currently being suspended, the Group continues to incur approximately US\$2.0 million annually in overhead costs including annual contractual fees of approximately US\$1.0 million payable to CNPC.

Following a full assessment of the project, factoring in the development risks, costs and the current market conditions, the Group has determined that the development of the Yongping oilfield at the Fuyu 1 PSC is no longer tenable. The Group has therefore initiated the relinquishment of its interest in the Fuyu 1 PSC. The full relinquishment of the Fuyu block is expected to be completed by the end of 2019. As of 31 December 2018, the Group has impaired and written off all the goodwill, exploration and development costs incurred for the Fuyu block since inception.

Malaysia

In Malaysia, the Group has successfully secured Petronas’s approval to further extend the exploration period for its Block SK331 exploration acreage until 5 December 2019 and to convert the outstanding commitment to drill one wildcat well under the SK311 PSC to 200 line-kilometers of new 2D seismic acquisition and processing. The Group plans to commence the seismic acquisition in the second quarter of 2019 and thereafter will review the results with its partner and submit to Petronas the reports on the seismic interpretation and prospect maturation study of the block.

Financial Review

On the financial front, the Group’s reported revenue for FY2018 was US\$61.9 million, an increase of 12% from the US\$55.5 million recorded for FY2017. The higher revenue in FY2018 was on the back of a 30% increase in average realised oil price from US\$54 per barrel in FY2017 to US\$70 per barrel in FY2018. Despite the lower production at the Island PSC, the decline was more than offset by the higher production achieved at the Basin PSC, which had also contributed to the higher revenue in FY2018. EBITDAX⁽¹⁾ had also improved from US\$10.6 million recorded in FY2017 to US\$11.1 million in FY2018.

Despite the higher revenue recorded for FY2018, the Group registered a lower net profit of US\$4.0 million for the year as compared to the US\$8.1 million recorded for FY2017. The decline was mainly due to the lower contribution from other income and the higher income tax expense recognised in FY2018. Other income in FY2018 was US\$1.0 million as compared to US\$8.0 million the year before. The decrease in other income in FY2018 was mainly due to the absence of

a US\$5.5 million write-back of accrued operating expenses and the absence of foreign exchange gain of US\$1.5 million, recorded in the previous year.

Administrative expenses for FY2018 were higher at US\$4.9 million as compared to US\$3.8 million in FY2017. This was mainly due to the recognition of full year administrative expenses arising from the Fuyu 1 PSC and higher professional fees and staff costs in FY2018. Finance costs increased from US\$0.20 million in the prior year to US\$0.45 million in FY2018, as a result of the increase in finance charges relating to decommissioning provisions. Other expenses decreased to US\$0.50 million for the year from US\$1.8 million in FY2017. The decrease was mainly due to the write-back of exploration and evaluation payables, lower impairment charges on assets as well as lower provision for doubtful trade receivables.

The Group continued to generate positive net cash flows from operations with US\$5.3 million recorded in FY2018. With no outstanding bank loan to service, the Group is able to deploy its cash flows for its operational requirements and other areas. The substantial shareholders of the Group continue to provide strong support to the Group, with one of the substantial shareholders extending a letter of financial support to the Group to meet the Group’s working capital requirement until 30 June 2020.

Oil and Gas Landscape

The upstream oil and gas landscape continues to evolve. The United States EIA (Energy Information Administration) in its Annual Energy Outlook 2019 reported that the United States could become a net energy exporter in 2020. Meanwhile, Organisation of the Petroleum Exporting Countries (OPEC), Russia and other countries, commonly referred to as OPEC-Plus, announced in December 2018 that they would continue their cooperation in supporting and stabilising oil prices with an agreement to cut oil output by 1.2 million barrels per day starting from 1 January 2019. There also appears to be a more common view developing, which recognises that after several years of oversupply, the oil and gas industry is finally moving towards equilibrium and the potential that the deferment of upstream oil and gas investments may lead to supply shortages in the longer term. Global oil price volatility is likely to continue and the industry will need to contend with this market feature. Against this backdrop, the Group will continue to exercise financial prudence and discipline in managing its portfolio and strive to adopt a balanced approach in delivering its performance in a sustainable manner while meeting the expectations of its stakeholders. The Group will also continue to seek new opportunities to enhance the value of the Group.

Note of Appreciation

In closing, on behalf of the Board, I would like to extend my appreciation to the management and staff for their dedication and commitment. I would also like to thank our shareholders for the unwavering support and confidence in the Company. We will continue to strengthen our core assets and build a stronger footing for the Group.

Tan Sri Datuk Sir Tiong Hiew King
Executive Chairman

(1) EBITDAX – Earnings before interest, tax, depreciation, amortisation, exploration expenses, impairment and other non-recurring items

ASSETS REVIEW

EXPLORATION & PRODUCTION

LPG loading terminal at the Arar block of the Basin PSC

BASIN AND ISLAND PRODUCTION SHARING CONTRACTS (“PSC”) – WEST PAPUA, INDONESIA

The Kepala Burung PSC (“**Basin PSC**”) is located onshore in the “Bird’s Head” area of West Papua in eastern Indonesia, covering an area of 872 square kilometers (“**km²**”). The Group has two subsidiaries which hold a 60% aggregate working interest (“**WI**”) in the Basin PSC. The two subsidiaries are Petrogas (Basin) Ltd (“**PBL**”), an 82.654% owned subsidiary of the Group, holding a 34.064% WI and RHP Salawati Basin BV, a wholly-owned subsidiary of the Group, holding a 25.936% WI. The other 17.346% shareholder of PBL is PT Citra Wahana Abadi (“**CWA**”). Hence, the Group’s effective working interest in the Basin PSC is 54.0913%. PBL is the operator of the Basin PSC on behalf of its partners in the Basin PSC, namely Pertamina (10% WI) and PetroChina (30% WI). The block started producing oil since the 1970s and total cumulative oil production to date has exceeded 350 million barrels. Production from the Basin PSC has remained relatively stable in recent years through an on-going programme of well optimisation and workovers, supplemented by near field exploration discoveries and in-fill development drillings. There are currently 18 active oil and gas producing fields in the Basin block, with the biggest being the Walio field, which currently accounts for more than 50% of the block’s oil production. Over the last few years, the Basin PSC has consistently contributed close to 80% of the Group’s annual oil and gas production.

The Salawati Kepala Burung PSC (“**Island PSC**”) is located next to the Basin PSC and covers an area of approximately 1,097 **km²** both onshore and offshore. The Group has two

subsidiaries which hold a 33.2142% aggregate WI in the PSC. The two subsidiaries are Petrogas (Island) Ltd (“**PIL**”), an 82.654% owned subsidiary of the Group, holding an 18.702% WI and RHP Salawati Island BV, a wholly-owned subsidiary of the Group, holding a 14.5122% WI. The other 17.346% shareholder of PIL is CWA. Hence, the Group’s effective working interest in the Island PSC is 29.9702%. The Island PSC is jointly operated by Pertamina and PetroChina through a joint operating body (“**JOB P-PS**”). Given its close proximity to the Basin PSC, the operations at the Island PSC are able to tap on the extensive facilities and infrastructure of the Basin block’s Kasim Marine Terminal (“**KMT**”) which is operated by the Group, through various facility sharing arrangements. Such arrangements help to optimise the utilisation of the capacities of the KMT and afford cost savings for both PSCs.

In July 2018, the Group further strengthened its presence in Indonesia with the signing of two new 20-year term PSCs (“**New PSCs**”), namely the Kepala Burung PSC (“**New Basin PSC**”) and the Salawati PSC (“**New Island PSC**”). Each of the New PSCs will come into effect upon the expiry of the existing Basin and Island PSCs in 2020 respectively. The New Basin PSC covers essentially the existing acreages of the Basin PSC plus newly added areas in the vicinity of the block, which yields an expanded area of around 1,030 **km²** onshore. The New Island PSC covers an area of around 1,137 **km²** onshore and offshore over essentially the existing acreages of the Island PSC. PBL and PIL have been awarded a 70% WI and operatorship in the New Basin PSC and the New Island PSC respectively, with Pertamina holding the remaining 30% WI. Under the terms of the New PSCs, a local company owned

by the local government in the respective regions where the blocks are located, has an option to participate for up to a 10% WI in the respective New PSCs, and such participation shall be contributed by all the partners of the respective PSCs, in proportion to their respective working interests in the relevant PSC.

The partners/contractors in each of the New PSCs are committed to carry out an agreed set of firm work programmes during the first five contract years of the respective PSCs, which include geological and geophysical studies, seismic acquisition and processing, exploration well drillings and pilot enhanced oil recovery projects. The gross financial commitments for the firm work programmes are US\$61.2 million and US\$36.3 million for the New Basin PSC and New Island PSC respectively.

Based on an independent third-party audit concluded in early 2019, the proved plus probable reserves (“**2P reserves**”) for the Basin PSC, the Island PSC and the New PSCs combined was 22.9 million barrels of oil equivalent (“**MMBOE**”) as at 1 January 2019 net to the Group’s effective working interests. These reserve numbers include the Indonesian Government’s share of production under the terms of the respective PSCs.

The Group’s working interest share of production (before accounting for the share of non-controlling interest) from the Basin and Island PSCs averaged around 4,080 barrels of oil equivalent per day (“**BOEPD**”) for 2018, which is higher than the 3,910 BOEPD achieved in the previous year. The improvement was contributed entirely by higher production in the Group’s operated Basin block, which more than offset the production decline in the Island block.

Basin PSC (Effective Working Interest: 54.0913%, Operator)

During the year, the Group carried out 5 well workovers and reactivated 10 previously shut-in wells, which contributed to the block’s higher production achieved for 2018. The workover and reactivation wells were selected based on the results of the multi-disciplinary study on the subsurface interpretation, which the Group had conducted over the Walio field area. The Group’s multi-disciplinary team is continuing its integrated field reviews and will be expanding the reviews to other fields in the block. In addition to well workovers, the Group has achieved encouraging results from the well services it carried out on 173 wells in the block during the year. Another important factor contributing to the better performance of the Basin block would be the continuing improvements made to the fields’ power distribution network, which reduce production loss caused by power outage.

At the Wakamuk field, a unitised field straddling the boundary between the Basin PSC and a neighbouring block operated by Pertamina, the Group has initiated pilot testing of an enhanced oil recovery (“**EOR**”) programme to improve well performance. The EOR involves the use of “huff and puff” method with chemical surfactant to enhance oil extraction and recovery from the reservoirs. Initial results have been encouraging and the production team continues to fine-tune the EOR parameters and to expand the programme to more wells in the Wakamuk field. If proven to be successful, the Group plans to expand the EOR programme to other suitable fields within the Basin block. In addition to the pilot EOR programme, the Group has undertaken debottlenecking works at the Wakamuk manifold and facilities to increase oil production from the field.



Crude oil loading arms at the loading pier of the Kasim Marine Terminal



Drilling rig being deployed for the Basin PSC

ASSETS REVIEW

EXPLORATION & PRODUCTION

Pumpjack located at Yongping oilfield of the Fuyu 1 PSC

The Group incurred approximately US\$2,950,000 (before accounting for the share of non-controlling interest) for the above Basin block well workovers, EOR programme, addition to production facilities and other capital expenditure during the year.

Besides crude oil, the Basin PSC also produces natural gas, which is mainly used for internal power generation to meet its operational needs. In addition, gas from the block is sold into the domestic market for power generation to support the electricity needs of Sorong city, close to where the block is located. Additional gas supply to the domestic market under the agreement concluded in 2017 has commenced in 2018. This additional supply further supports the “Bright Papua” programme which is part of the Indonesia government’s efforts to improve the development of the eastern part of Indonesia, especially in the Sorong area. As economic development progresses, domestic gas demand in the region is expected to rise further. The Basin PSC is well placed to meet new and potentially substantial gas demand given its discovered gas resources in the North Klalin gas field, where a plan of development (“POD”) has been submitted and approved.

Island PSC

(Effective Working Interest: 29.9702%)

Despite the increase in well services activities, onshore oil production from the Island PSC in 2018 was lower than the previous year mainly due to natural field decline and with no well workover programme conducted during the year. The total expenditure incurred for well services was approximately US\$839,000 net to the Group’s working interest

(before accounting for the share of non-controlling interest).

Offshore oil production at the reactivated TBA field declined due to high water cut and intermittent operational and compressor issues encountered on the Floating Production Storage and Offloading (“FPSO”) vessel during the year. The Group, together with its Island PSC partners, will continue to closely monitor the performance of the TBA field and will take the appropriate measures to address the production issues, including the possibility of exercising the right to terminate the FPSO lease and shutting down TBA production if necessary.

During the year, JOB P-PS has undertaken a re-evaluation of the hydrocarbon potential on a number of undeveloped discoveries in the block and this study is expected to continue into next year. Having been appointed as the operator of the New Island PSC (which will come into effect upon the expiry of the existing Island PSC in April 2020), the Group is keen to build on the work done by the existing operator to further exploit the potential of the block where a large inventory of exploration prospects and leads remain. To facilitate a smooth handover of operatorship with minimal disruption to operations, the Group has initiated communication with JOB P-PS during the year on the process of operatorship transition.

**Fuyu 1 PSC – onshore Jilin Province, China
(Effective Working Interest: 49% post-CNPC deemed back-in, Operator)**

Fuyu 1 PSC is located in the Jilin Province in the northeastern part of China, and covers an area of approximately 255 km². Geologically, it sits at the southern fringe of the very prolific Songliao Basin where the giant Daqing oilfield is located. The Group’s wholly owned subsidiary Kingworld Resources Limited (“KRL”) is the operator of the Fuyu 1 PSC.

Following the approval of the Overall Development Plan (“ODP”) for the Yongping oilfield in late 2014, KRL had drilled 29 development wells before further development drilling and facility development was suspended in early 2016, following the collapse in oil prices in 2015 and in view of the need for the Group to conserve its financial capital. During 2018, the Group continued the small scale trial production scheme at the Yongping oilfield with a total cumulative production over 12 wells of 5,200 barrels of oil. The trial production, which started in 2017 over the closely spaced development wells revealed serious reservoir discontinuity problems, which severely impacted on the effectiveness of the steam injections. During the year, the Group incurred costs of US\$99,000 for certain additions to production facilities.

The heavy oil discovered in Fuyu 1 PSC is viscous which does not flow at reservoir temperature and requires thermal stimulation such as steam injection to mobilise the oil to wellbore for production. In addition to thermal stimulation techniques, KRL had also through the years consulted heavy oil industry experts and employed several additional state-of-the-art technologies to help improve oil recovery, including a trial microbial flooding conducted in 2018 over certain selected wells. Unfortunately, none yielded sufficiently successful results. The Group had also attempted to divest and farm-out its working interest to several interested parties in the Fuyu 1 PSC to mitigate the financial exposure and technical risks, but without success.

The development of Fuyu block is capital intensive and access to funding is critical. The current volatile oil price environment and the technical complexities of the field's development continue to pose significant challenges to the Group's ability to secure the required funding and to move forward on the project. After assessing the development risks and the market conditions, the Group determined that the development of the Yongping oilfield at the Fuyu 1 PSC was no longer tenable. The Group has therefore in the first quarter of 2019 initiated the relinquishment of its interest in the Fuyu 1 PSC with the Chinese authorities. The full relinquishment of the Fuyu block is expected to be completed by the end of 2019.

SK331 PSC – onshore Sarawak, Malaysia (Effective Working Interest: 40.8%, Operator)

The SK331 PSC is located onshore Sarawak in East Malaysia, and covers a large area of 8,963 km², after the mandatory relinquishment in 2018. The Group operates the SK331 PSC via its subsidiary RHP (Mukah) Pte Ltd ("RHPM"), which

holds an 80% WI in the PSC. Petronas Carigali Sdn Bhd, the exploration and production subsidiary of Petroliaam Nasional Berhad ("PETRONAS"), holds the remaining 20% WI. RHPM is a 51% subsidiary of the Group, with the other 49% equity interest held by Tumbuh Tiasa Enterprises Sdn Bhd. Hence, the Group's effective working interest in the SK331 PSC is 40.8%.

Since the award of the exploration block to the Group in 2012, PETRONAS has granted three extensions of the exploration period. The initial 3-year exploration period was extended by two consecutive one-year extensions until 5 December 2017. During this period, the Group had fulfilled all the minimum work commitment as required under the PSC and the extension approvals, except for the drilling of one wildcat well. In April 2018, RHPM received a further two-year extension of the exploration period until 5 December 2019. The remaining one wildcat well commitment was converted to 200 line-kilometers of new 2D seismic acquisition under the latest extension.

RHPM has completed the Environmental Impact Assessment ("EIA") in preparation of the seismic acquisition, which is targeted to commence in the second quarter of 2019. The expenditure incurred for the EIA and other evaluation activities was approximately US\$114,000 (before accounting for the share of non-controlling interest) in 2018.



BOARD OF DIRECTORS



**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 a businessman and is the Executive Chairman and Managing Director of the Rimbunan Hijau Group of Companies, a large diversified conglomerate in Malaysia with extensive businesses around the world which he founded and built up over the years.

Tan Sri Datuk Sir Tiong has vast and extensive experience in a number of industries, including timber, oil palm plantations and mills, oil and gas, media and publishing, mining, fishery, information technology and manufacturing. Currently, he is also the Non-executive Director of Media Chinese International Limited ("**Media Chinese**"), a media company publicly listed in both Hong Kong and Malaysia, a Non-executive Director of One Media Group Limited, a subsidiary of Media Chinese, which is listed in Hong Kong, and an Executive Director of Rimbunan Sawit Berhad, a publicly listed palm oil company in Malaysia. He also holds directorships in many other companies around the world.

Tan Sri Datuk Sir Tiong was bestowed the Knight Commander of the Most Excellent Order of the British Empire (K.B.E.) by Queen Elizabeth II of the United Kingdom in June 2009 in recognition of his contribution to commerce, community and charitable organisations. In 2010, he was awarded the "Malaysia Business Leadership Award 2010 – The Lifetime Achievement Award" by Kuala Lumpur Malay Chamber of Commerce in recognition of his entrepreneurship achievements and contribution to the country.



**DATO' SRI DR TIONG
IK KING**
DEPUTY CHAIRMAN,
NON-EXECUTIVE AND
NON-INDEPENDENT
DIRECTOR

DATO' SRI DR TIONG IK KING, who had been a Non-Executive Director since 7 March 1997 and Non-Executive Chairman since 31 March 2005, was re-designated as Executive Director on 13 March 2008. On 2 March 2017, he was re-designated as a Non-Executive and Non-Independent Director and on 29 March 2018, he was appointed as Deputy Chairman. 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 the Non-Executive Chairman of Media Chinese International Limited, a publicly listed media company in both Hong Kong and Malaysia, which publishes 5 Chinese-language newspapers 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.



**MR CHANG CHENG-HSING
FRANCIS**
GROUP CEO AND
EXECUTIVE DIRECTOR

MR CHANG CHENG-HSING FRANCIS was appointed as Group CEO and Executive Director effective 1 January 2014. Previously, Mr Chang held the position of Vice President of Exploration & Production of the Group. Prior to RH Petrogas, he also held management and executive positions with GNT International Group, Texas American Resources and Kerr McGee/Anadarko Petroleum. Mr Chang's over 40 years of experience with US based majors and independent oil companies spans many producing basins in five continents.

Mr Chang holds a Bachelor of Science degree in Geology from National Taiwan University. He also attended graduate school in Geophysics at Harvard University majoring in Geophysics. He is a member of American Association of Petroleum Geologists ("**AAPG**"), Southeast Asia Petroleum Exploration Society ("**SEAPEX**"), and Indonesian Petroleum Association ("**IPA**").



MR TIONG KIONG KING
NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR

MR TIONG KIONG KING was appointed as a Non-Executive and Non-Independent Director of the Company on 15 September 2016. Mr Tiong is a businessman and has over 50 years of managerial experience in the timber industry. His extensive expertise and experience in the timber industry extends over various capacities from the upstream to the downstream segments, and across a number of jurisdictions such as: Africa, Brazil, China, Indonesia, Malaysia, New Zealand, Papua New Guinea, Russia and Solomon Islands.

Mr Tiong is currently Chairman of the Board and member of the Nomination and Remuneration Committees of Subur Tiasa Holdings Berhad, and Vice Chairman of the Board as well as Chairman of the Remuneration Committee and member of the Audit and Nomination Committees of Rimbunan Sawit Berhad, two companies listed in Bursa Malaysia. In addition, he is an Executive Director of the Rimbunan Hijau Group of Companies, a conglomerate with diverse interests in mining, oil & gas, aquaculture, hotel & tourism, insurance and etc.

Mr Tiong also holds key posts in several non-government organisations, including being the Life Honorary President of SibU Chinese Chamber of Commerce and Industry, Vice President of World Federation of Fuzhou Association Limited, Life Honorary President of Persekutuan Persatuan-Persatuan Foochow Sarawak, Honorary Chairman of the World Zhang Clan Association Limited and Chairman of Persatuan Klan Zhang Negeri Sarawak.



**MR ABBASBHOY HAIDER
NAKHODA**
INDEPENDENT DIRECTOR

MR ABBASBHOY HAIDER NAKHODA was appointed as an Independent Director on 17 June 1997. He is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

Mr Nakhoda has 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 Life member of the Singapore Institute of Directors, a Life member of the Institute of Certified Public Accountants in Singapore and a Life member 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 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. He 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 and Nomination Committees.

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 the Association of Chartered Certified Accountants 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.

BOARD OF **DIRECTORS**



MR LEE HOCK LYE
INDEPENDENT DIRECTOR

MR LEE HOCK LYE was appointed as an Independent Director on 27 November 2003. He is Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Currently, Mr Lee is Business Advisor at Lombard Odier (Singapore) Ltd. He has extensive experience in banking and finance and 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.



**MR ACHMAD LUKMAN
KARTANEGARA**
INDEPENDENT DIRECTOR

MR ACHMAD LUKMAN KARTANEGARA was appointed as an Independent Director on 22 August 2014. He is a member of the Nominating Committee and the Audit Committee.

Mr Kartanegara has more than 40 years of experience in the upstream oil and gas industry. Since 1976, he had held various management and advisory roles at PT Pertamina (Persero) ("**Pertamina**"), including being the Corporate Senior Advisor to the President Director and CEO of Pertamina for the upstream business. He was also Senior Advisor to Pertamina Board of Commissioners ("**BOC**") Office. During his appointment in Pertamina BOC, he served as a member of the Investment and Business Risk Committee and Risk Management Oversight Committee.

Mr Kartanegara graduated in Geology from the Bandung Institute of Technology in Indonesia in 1976.

KEY MANAGEMENT

MR CHANG CHENG-HSING FRANCIS GROUP CEO AND EXECUTIVE DIRECTOR

Please refer to Board of Directors section on page 10.

MR SAMUEL CHEONG VICE PRESIDENT, COMMERCIAL

MR SAMUEL CHEONG is Vice President for Commercial. Prior to joining the Company, he was Commercial Director at Orchard Energy Pte Ltd, which was owned by Temasek Holdings before it was acquired by the Company. Mr Cheong started his career with Singapore Petroleum Company Limited and has worked in both its upstream and downstream divisions for over 17 years, serving 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 spread across Australia, China, Indonesia and Vietnam.

Mr Cheong has over 25 years of experience in the oil and gas industry and holds a Bachelor of Business Administration degree from the National University of Singapore.

MR EDWIN TAN VICE PRESIDENT, LEGAL

MR EDWIN TAN is Vice President for Legal. Mr Tan has a number of years of 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 ("SPC") for over 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 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 GOVERNANCE REPORT

RH Petrogas Limited (the “**Company**”) is committed to maintaining high standards of corporate governance. The Company believes that good corporate governance is about principled and prudent corporate values, practices and checks and balances. It involves 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 facilitate and 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 2012 (the “**Code**”). For the financial year ended 31 December 2018 (“**FY2018**”), the Company has complied in all material respects with the principles and guidelines as set out in the Code and will continue to review its practices on an ongoing basis. Where the Company may not have complied with any guideline, an explanation has been provided for such matters, where applicable. 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 and control of the business and corporate affairs of the Company and its subsidiaries (the “**Group**”). The primary role of the Board is to decide on strategic and material affairs of the Group, oversee the Group’s business and governance framework, set corporate values and standards and maximise long term shareholder value. The Board objectively takes decisions in the interests of the Group. In addition to Director’s statutory duties, all Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company and the Group. All Directors are to act in good faith and exercise due and reasonable care, skill, diligence and objective judgment in dealing with the business affairs of the Company and the Group. 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;
- Establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- 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;
- Monitoring the performance of Management;
- Identifying key stakeholder groups and recognise that their perceptions may affect the Company’s reputation; and
- Considering sustainability issues.

CORPORATE GOVERNANCE REPORT

The Board works with Management to achieve these objectives and Management remains accountable to the Board. Pursuant to the above oversight and strategic 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 below, in this report.

Board Composition

The Board currently consists of eight Directors four of whom are Independent Non-Executive Directors. Independent Directors make up at least one-third of the Board. The Board is of the view that:

- the current board size is appropriate, taking into account the nature and scope of the Group's operations;
- the objective judgment of the Independent Non-Executive Directors on corporate affairs and their collective experience and contributions are valuable to the Company; and
- there is a strong and independent element on the Board.

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, provide the Board with the necessary experience and expertise to direct and lead the Group. There is also a balance in the composition of the Board with the presence of Independent Non-Executive Directors of the caliber necessary to carry sufficient weight in Board decisions. Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, extensively discussed and examined, and take into account the long term interests, not only of the shareholders, but also of employees, stakeholders and the many communities in which the Group conducts business. Independent Non-Executive Directors of the Company constructively challenge and help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives, and monitor performance. The Independent Non-Executive Directors meet regularly on their own, without Management being present.

The nature of Directors' appointments on the Board and details of their membership on Board Committees in the year 2018 are set out in the table below:

Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Tan Sri Datuk Sir Tiong Hiew King	Executive Chairman	-	-	-
Dato' Sri Dr Tiong Ik King ⁽¹⁾	Deputy Chairman, Non-Executive and Non-Independent Director	Member	Member	Member
Chang Cheng-Hsing Francis	Group CEO and Executive Director	-	-	-
Tiong Kiong King	Non-Executive and Non-Independent Director	-	-	-
Abbasbhoi Haider Nakhoda	Independent Director	Chairman	Member	Member
Yeo Yun Seng Bernard	Independent Director	Member	Member	Chairman
Lee Hock Lye	Independent Director	Member	Chairman	Member
Achmad Lukman Kartanegara	Independent Director	Member	Member	-

Note:

(1) Appointed as Deputy Chairman, Non-Executive and Non-Independent Director on 29 March 2018.

CORPORATE GOVERNANCE REPORT

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 the FY2018 and the attendance by each member is set out as follows:

Meeting of	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held for the FY2018	4	4	1	1
Tan Sri Datuk Sir Tiong Hiew King	–	–	–	–
Dato' Sri Dr Tiong Ik King ⁽¹⁾	4	4	1	1
Chang Cheng-Hsing Francis	4	–	–	–
Tiong Kiong King	3	–	–	–
Abbasbhoy Haider Nakhoda	4	4	1	1
Yeo Yun Seng Bernard	4	4	1	1
Lee Hock Lye	4	4	1	1
Achmad Lukman Kartanegara	4	4	1	–

Note:

(1) Appointed as Deputy Chairman, Non-Executive and Non-Independent Director on 29 March 2018.

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

A newly-appointed Director will be provided with a formal letter setting out his key duties and responsibilities. Newly appointed Directors are provided a tailored induction and briefed by the Management on the business activities of the Group and its strategic directions, policies and procedures, governance practices as well as key business risks faced by the Group and the regulatory environment in which the Group operates. There are also orientation programmes tailored to familiarise newly appointed Directors with the statutory and fiduciary duties and responsibilities of a Director of a public company in Singapore. First-time Directors will be provided training in areas such as accounting, legal and industry-specific knowledge as may be appropriate.

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. Directors are provided with updates on and continuing education in areas such as directors' duties and responsibilities, corporate governance, revisions to the Listing Manual of the SGX-ST ("Listing Manual"), changes in financial reporting standards and the Singapore Companies Act as well as industry-related matters and developments and the Company will arrange and fund the training of Directors as necessary.

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.

CORPORATE GOVERNANCE REPORT

Access to Information

To enable the Board to make informed decisions and fulfill its duties and responsibilities, Management provides the Board with quarterly/periodic management and financial reports containing adequate, clear 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. Directors are entitled to request for such additional information as needed to assist them to make informed decisions.

The Directors have access to the Company's 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. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

Executive Chairman, Deputy 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 an important role in setting and adjusting the strategic direction and facilitating the growth of the business, encouraging constructive relations among the Directors and between the Board and Management, encouraging open and constructive debate at the Board as well as constructive relations within the Board and between the Board and Management and ensures timely flow of information between Management and the Board. The Deputy Chairman assists and supports the Executive Chairman in providing leadership to the Company and acts as an intermediary for other Non-Executive Directors when necessary. 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. Tan Sri Datuk Sir Tiong Hiew King is due for retirement by rotation at the forthcoming Annual General Meeting of the Company to be held on 26 April 2019 (the "AGM") and will not be seeking re-election as a Director. Upon his cessation as Director after the AGM, Tan Sri Datuk Sir Tiong Hiew King will also cease to be the Executive Chairman of the Company. Dato' Sri Dr Tiong Ik King, the Deputy Chairman of the Company, upon his re-election at the AGM, will succeed Tan Sri Datuk Sir Tiong Hiew King as the Company's Non-Executive and Non-Independent Chairman, following Tan Sri Datuk Sir Tiong Hiew King's retirement.

Lead Independent Director

The appointment of a Lead Independent Director has been reviewed by the Board. Taking into consideration matters including the nature and scope of the Group's current business and operations; the current Board size of eight Directors (to be reduced to seven Directors after the AGM), four of whom are Independent Directors; the independent judgement, active participation, constructive engagement and objective review by Independent Directors of strategy, business proposals, major funding proposals as well as the Company's risk management and internal control systems, the Board is of the view that the appointment of a Lead Independent Director is not necessary. The Independent Non-Executive Directors also meet regularly on their own, without the other Directors and Management, to review any matter that might be raised and if necessary, feedback is provided to the Chairman, the Deputy Chairman and the Board. Additional meetings are convened as may be warranted by circumstances. The Directors and Management are accessible to the Company's shareholders, and the Company has always responded to queries raised by its shareholders. Shareholders who have feedback for which contact through the normal channels of the Executive Chairman, the Deputy Chairman, the CEO and/or the Vice President, Finance may be inappropriate, may contact and provide such feedback to any of the Independent Non-Executive Directors. The Board will nevertheless, annually review the need for the appointment of a Lead Independent Director.

CORPORATE GOVERNANCE **REPORT**

NOMINATING COMMITTEE

The Nominating Committee (“NC”) comprises four Independent Directors and a Non-Executive and Non-Independent Director. The members of the NC are:

- Mr Lee Hock Lye (Chairman)
- Mr Yeo Yun Seng Bernard
- Mr Abbasbhoy Haider Nakhoda
- Mr Achmad Lukman Kartanegara
- 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 CEO and Board/Director(s) succession plans and renewal including Board composition and progressive renewal of the Board;
- 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;
- To conduct a formal assessment of the effectiveness of the Board as a whole, the Board Committees and the contribution by each Director to the effectiveness of the Board, particularly when a Director serves on multiple boards;
- To review the appointment and re-appointment of Directors; and
- To review training and professional development programmes for the Board and Director’s competencies.

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.

In accordance with the Company’s Constitution, Tan Sri Datuk Sir Tiong Hiew King, Dato’ Sri Dr Tiong Ik King and Mr Tiong Kiong King will be retiring by way of rotation at the forthcoming AGM and as explained above, Tan Sri Datuk Sir Tiong Hiew King will not be seeking re-election as a Director. The NC, as part of its annual assessment, has assessed the contribution and performance of Directors and recommended the re-appointment and re-election of the following Directors who will be retiring at the forthcoming AGM:

- Dato’ Sri Dr Tiong Ik King; and
- Mr Tiong Kiong King.

CORPORATE GOVERNANCE REPORT

The Board has accepted the recommendations and the retiring Directors will be offering themselves for re-election and re-appointment. The following is a table reflecting the date Directors were initially appointed and last re-elected:

Name ⁽¹⁾	Date of Initial Appointment	Date of Directors' Last Re-election
Tan Sri Datuk Sir Tiong Hiew King ⁽²⁾⁽³⁾	13 March 2008	29 April 2016
Dato' Sri Dr Tiong Ik King ⁽²⁾	7 March 1997	27 April 2017
Mr Chang Cheng-Hsing Francis	1 January 2014	26 April 2018
Mr Tiong Kiong King ⁽²⁾	15 September 2016	27 April 2017
Mr Abbasbhoy Haider Nakhoda	17 June 1997	26 April 2018
Mr Yeo Yun Seng Bernard	1 November 2001	27 April 2017
Mr Lee Hock Lye	27 November 2003	26 April 2018
Mr Achmad Lukman Kartanegara	22 August 2014	27 April 2017

Notes:

- (1) Please refer to the Board of Directors section of this Annual Report for information on Directors including details of Directors' current directorships in other listed companies and other principal commitments.
- (2) Tan Sri Datuk Sir Tiong Hiew King, Dato' Sri Dr Tiong Ik King and Mr Tiong Kiong King are brothers.
- (3) Tan Sri Datuk Sir Tiong Hiew King will not be seeking re-election as a Director.

In accordance with Rule 720(6) of the Listing Manual, information relating to the retiring Directors who are seeking re-election, as set out in Appendix 7.4.1 of the Listing Manual, can be found under the "Additional Information on Directors Seeking Re-election" section of this Annual Report.

As part of its annual assessment, the NC reviews the composition and balance of the Board and its Board Committees to assess and to satisfy itself that Directors as a group provide an appropriate balance and diversity of skills, experience, core competencies and knowledge required by the Group. For the appointment of new Directors, the NC, in consultation with the Board, will determine the required selection criteria and then identify candidates with the appropriate expertise and experience. The NC may obtain assistance from external consultants or tap on the resources of associations such as the Singapore Institute of Directors to source for potential candidates. The NC will meet with the short-listed candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required before nominating the most suitable candidate to the Board for appointment as Director.

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 Board has reviewed and determined not to prescribe a maximum number of listed company board representations which any Director may hold and in lieu wishes to review the matter on a case by case basis taking into account the ability, performance and capacity of each Director in his performance and discharge of his duties and responsibilities.

The independence of each Independent Non-Executive Director is reviewed by the NC on an annual basis, during which each of them will abstain from assessing his own independence. The NC adopts the provisions in the Code and the guidelines provided in the Audit Committee Guidance Committee Guidebook in respect of the concept of "independence" in relation to an independent director. In this regard, Mr Abbasbhoy Haider Nakhoda, Mr Yeo Yun Seng Bernard and Mr Lee Hock Lye have each served on the Board for more than nine years since their first appointment as Directors of the Company. The Board had reviewed the matter and has considered each of them to be independent notwithstanding that they have served on the Board beyond nine years from the date of their respective first appointment after taking into account their active participation and constructive challenge of the Management in terms of its proposal on strategy, performance targets and

CORPORATE GOVERNANCE REPORT

other business proposals, as well as their critical review of the performance of the Management both during and outside formal Board meetings. Through this, the Board has noticed that each of the Independent Directors has continued to exercise their respective independent judgement in discharging their duties as independent directors in the best interests of the Company. In addition, the long experience and deep knowledge of the current Independent Directors regarding corporate dealings is a great asset to the Company. In this light, the Board is of the view that the current four Independent Directors are strong and independent, who are able to exercise objective judgement on corporate and business affairs of the Company independently, thereby providing an effective check on the Management.

The Company has no alternate Directors on its Board.

The Board has implemented an annual performance evaluation process to assess the effectiveness of the Board as a whole, its Board Committees and for assessing the contribution of the Chairman and each individual Director. The purpose of the evaluation is to increase the overall effectiveness of the Board, Board Committees and each individual Director. 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 performance criteria for the board evaluation are in respect of the board composition and size, board processes, performance, standards of conduct, accountability and information in relation to the discharge of the Board's responsibilities and functions including the financial reporting to stakeholders. The performance assessment criteria does not change from year to year. The assessment was reviewed and last updated in respect of the FY2013 evaluation following the issue of the updated Code of 2 May 2012. No external facilitator has been used for the Board evaluation for the FY2018.

To assess Board and Board Committee performance and its overall effectiveness, Directors are requested to complete a Board Evaluation Questionnaire which the Chairman of the NC collates and presents to the NC for review. Areas for improvement of Board effectiveness and performance are deliberated by the NC before presenting to the Board for discussion and decision. To assess the individual Director's performance including the performance of the Chairman, Directors are requested to complete a Self and Peer Assessment Questionnaire covering areas such as interactive skills, knowledge, performance of duties and overall contributions. The Chairman of the NC will collate the results and will present and discuss the final report with the Board, and where necessary the required feedback is provided to the Director with a view to improving the Director's and Board's performance. The results of the evaluations are used constructively by the NC to discuss improvements with the Board.

REMUNERATION COMMITTEE

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

- Mr Yeo Yun Seng Bernard (Chairman)
- Mr Abbasbhoy Haider Nakhoda
- Mr 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 Deputy Chairman, Non-Executive and Non-Independent Director, he does not receive any salary from the Company and its subsidiaries.

CORPORATE GOVERNANCE REPORT

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 oversees remuneration strategy and framework, 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 own remuneration package.

The RC has authority to seek expert advice and views on remuneration matters of Directors from both within and outside of the Group when the need arises and as appropriate. The RC draws on a pool of independent consultants and commissioned analysis report(s) in making any recommendations. The RC ensures that existing relationship between the Group and its appointed remuneration consultants does not affect the independence and objectivity of the remuneration consultants.

During the year 2018, the RC had met once to review and recommend to the Board matters related to:

- the Group CEO and Executive Director's remuneration package and service contract;
- the remuneration packages of key management staff;
- the payment of Directors' Fees; and
- the grant of awards under the RHP Share 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 RC has engaged external consultants to provide evaluation on remuneration matters, including the evaluation of Directors' fee structure. The appointment of the external consultants ensured the continued relevance and alignment of the Group with market practices. External consultants are independent and not related to the Group or any of its Directors. The remuneration packages also 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. In addition, the Board conducts a yearly peer review evaluation exercise for Directors. The fees are subject to approval by the shareholders at each AGM. Independent Directors are eligible to participate in the RHP Share Option Scheme 2011, Independent Directors do not receive any other remuneration from the Company. For the FY2018, 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.

CORPORATE GOVERNANCE REPORT

Remuneration paid to the CEO and key executives for each financial year varies and is largely governed by the performance of the Group and the extent to which performance targets of the Group are achieved. The Group performance appraisal system is designed to measure individual performance based on a balanced scorecard approach, comprising both financial and non-financial metrics such as business strategy targets, operational and commercial performance. In addition, the executives are assessed on teamwork and collaboration across the Group.

The remuneration package of the CEO and the key executives comprises a base salary and a variable component. The base salary is approved by the Board on RC's recommendation annually, taking into account the contribution, experience and sustained long-term performance. The variable component comprises the performance bonus, and will vary according to the actual achievement of the Group and individual objectives. The RC regularly conducts benchmarking analysis of related companies in Singapore to ensure that the remuneration paid is reasonable and not overly generous.

The Company has two share plan schemes which were approved by shareholders at a general meeting held on 8 July 2011. The RHP Share Option Scheme 2011 and the RHP Performance Share Plan are structured to promote ownership and retain key talent as a long term incentive. Both the share plan schemes are administered by the RC. Please refer to pages 36 to 38 and Notes 27 and 28 on pages 117 to 119 of the Notes to the Financial Statements of this Annual Report for details of the schemes.

Remuneration of Directors and Key Executives

The Company believes that full disclosure of the remuneration and contractual terms of each individual Director and the CEO (including retirement benefits granted) on a named basis 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 and is disclosing based on level and mix of the remuneration of the Directors and CEO in bands of S\$250,000. There was no termination, retirement and post-employment benefit granted to Directors, the CEO and the top three key executives (who are not Directors) for the FY2018. The Executive Chairman does not receive a salary and as with all Non-Executive Directors (including the Deputy Chairman), is paid a fixed Directors' fees, which is determined by the Board. The Executive Chairman as with all Directors (including the Deputy Chairman), is required to retire at least once in every three years by rotation and as a retiring Director, he is eligible to offer himself for re-election.

A breakdown showing the level and mix of each individual Director's remuneration payable for the FY2018 is as follows:

Remuneration Bands	Salary including CPF %	Bonus/ Profit-sharing %	Allowances & Others %	Directors' Fees ⁽¹⁾ %	Performance Shares %	Total %
<i>S\$750,000 to S\$1,000,000</i>						
Chang Cheng-Hsing Francis	64.89	16.22	18.89	–	–	100
<i>Below S\$250,000</i>						
Tan Sri Datuk Sir Tiong Hiew King	–	–	–	100	–	100
Dato' Sri Dr Tiong Ik King ⁽²⁾	–	–	–	100	–	100
Abbasbhoy Haider Nakhoda	–	–	–	100	–	100
Yeo Yun Seng Bernard	–	–	–	100	–	100
Lee Hock Lye	–	–	–	100	–	100
Achmad Lukman Kartanegara	–	–	–	100	–	100
Mr Tiong Kiong King	–	–	–	100	–	100

Notes:

- (1) Directors' fees totaling S\$441,000 is to be tabled for shareholders' approval at the forthcoming AGM to be held on 26 April 2019.
(2) Appointed as Deputy Chairman, Non-Executive and Non-Independent Director on 29 March 2018.

CORPORATE GOVERNANCE REPORT

The Company believes that disclosure of the contractual terms, level and mix of the remuneration of individual key executives (who are not Directors or the CEO) including the aggregate of the total remuneration paid to the top three key executives of the Company (who are not Directors or the CEO) 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 Company believes that it is not in the best interest of the Company to disclose such details in view of the shortage of and competition for talented and experienced personnel in the upstream oil and gas industry and is of the view that the disadvantages of disclosure outweigh the benefits. The remuneration received by the top three key executives of the Company (who are not Directors or the CEO) is presented as follows:

Remuneration Bands	No. of Executives
S\$250,000 to S\$500,000	3
Total	3

Note:

(1) There were only three key executives (who are not Directors or the CEO) in the Company in the FY2018.

There is no employee of the Group who is an immediate family member of any Director or CEO and whose remuneration exceeded S\$50,000 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. The RC has the discretion to void unexercised and/or unvested share options that have been awarded, if an executive is involved in misconduct or fraud resulting in financial loss to the Company.

AUDIT COMMITTEE

The Audit Committee (“AC”) comprises five members, four of whom are Independent Directors. The members of the AC are:

- Mr Abbasbhoy Haider Nakhoda (Chairman)
- Mr Yeo Yun Seng Bernard
- Mr Lee Hock Lye
- Mr Achmad Lukman Kartanegara
- 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. None of the AC members has any financial interest in Messrs Ernst & Young LLP, the Company’s external auditors and no Director was a partner or director of Messrs Ernst & Young LLP or was appointed as an AC member within a period of 12 months of his ceasing to be a partner or director of Messrs Ernst & Young LLP.

CORPORATE GOVERNANCE REPORT

The AC has explicit authority delegated to it by the Board 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 external 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 significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- To review and report to the Board at least annually on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- To review the external and internal audit plans, including the nature and scope of the audit before the audit commences, the Internal Auditor's 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 quarterly and full year 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;
- To review and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors;
- To review the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function; and
- To review the assurance from the CEO and the Vice President, Finance on the financial records and financial statements.

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 four times during the year 2018 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 quarterly 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 continues to meet with the external auditors and Internal Auditor separately, at least once a year, without the presence of the Company's Management, to review any matter that might be raised.

CORPORATE GOVERNANCE REPORT

The AC has reviewed the independence and objectivity of the external auditors for the FY2018 including the non-audit services provided by the external auditors, Messrs Ernst & Young LLP as well as the relative size of audit fees and non-audit fees, and is of the opinion that the provision of such services does not affect their independence. The external auditors have also confirmed their independence. The Company complies with Rule 712 and 715 of the SGX-ST Listing Manual. For details and a breakdown of the fees paid in total for audit and non-audit services Messrs Ernst & Young LLP, please refer to Note 5 on page 86 of the Notes to the Financial Statements of this Annual Report. Accordingly, the AC has recommended to the Board the re-appointment of Messrs Ernst & Young LLP as external auditors at the forthcoming AGM.

AC members are provided with updates on changes to accounting standards and issues which have a direct impact on financial statements and attend appropriate seminars and courses.

The AC has implemented a whistle blowing policy whereby staff of the Group may, in good faith and in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters. Reporting on serious concerns relating to financial reports, unethical or illegal conduct, are to be reported in writing to the Chairman of the AC. Reporting on employment-related concerns are to be reported to normal channels such as to supervisors, the local General Manager/Operation Manager, or the Human Resources and Administrative Manager. The AC has ensured 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 govern and monitor its operations. 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, annual, periodical as well as ad hoc audits and checks are undertaken by the Internal Auditor and/or by Management. In addition, the Board and Management regularly keep the system of internal controls under review with the objective of ensuring that the internal controls are adequate to provide reasonable assurance that:

- the Group's assets are safeguarded against loss from unauthorised 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.

CORPORATE GOVERNANCE **REPORT**

The Company has an in-house internal auditor who is a Chartered Accountant of Singapore. The main role of the Internal Auditor is to provide independent and objective assurance that the Group's risk management, internal control, and governance processes are operating reliably, adequately and effectively and where appropriate to recommend improvements to the Group's operations. The Internal Auditor's primary line of reporting is to the AC Chairman and administratively to the Group CEO. The hiring and removal of the internal audit function requires AC's approval and the AC members also evaluate and review the compensation of the internal audit function. The Internal Auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. To acquire and maintain professional knowledge and skill at the level required to enable and ensure that the internal audits are effectively performed, the in-house Internal Auditor regularly attends professional courses conducted by external accredited organizations. The AC at least annually, reviews the adequacy and effectiveness of the internal audit function and the AC is satisfied with the adequacy and effectiveness of the Company's internal audit function.

The activities of the internal audit function are guided by the Internal Audit Charter approved by the AC. The Internal Auditor prepares its internal audit plan in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for review and approval prior to the commencement of the internal audit. All audit findings and recommendations of the Internal Auditor are reported to the AC. These reports are made available to the external auditors and Management. The Internal Auditor follows up on recommendations the Internal Auditor has made to ensure that Management has implemented remedial actions in a timely and appropriate manner and reports the results to the AC every quarter.

When required, the Company will outsource some functions of the internal audit activity to reputable and suitably qualified firms to obtain competent advice and assistance if the Internal Auditor lacks the knowledge, skills, or other competencies needed to perform the engagement.

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 adequate and effective to reveal and/or address and manage financial, operational, compliance and information technology risk which would otherwise warrant highlighting to the Board, AC, 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 determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. During the FY2018, the AC assisted the Board to review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Based on the review and oversight guidance by the AC, the Board is satisfied that Management has developed and implemented an appropriate and sound system of risk management and internal controls and governance processes that are designed to govern, monitor and/or reveal financial, compliance and information technology risks as well as safeguard shareholders' investments and the Group's assets. 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, compliance and information technology control risks and risk management systems of the Group are adequate and effective as at 31 December 2018 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.

CORPORATE GOVERNANCE REPORT

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 Board has received assurance from the CEO and the Vice President, Finance:

- that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2018 give a true and fair view of the Company's operations and finances; and
- on the effectiveness of the Company's risk management and internal control systems.

The Group's financial risk management objectives and policies are disclosed under Note 30 on pages 120 to 124 of the Notes to the Financial Statements of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

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

In line with the continuing disclosure obligations under the Listing Manual of the SGX-ST, all material information is disclosed and communicated to shareholders in a comprehensive, accurate and timely manner through:

- a. announcements of quarterly and full year financial results and on major developments which are published via the SGXNet and the Company's website www.rhpetrogas.com;
- b. annual reports or circulars of the Company that are prepared and published via the SGXNet and also mailed 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.

The Company's website www.rhpetrogas.com has a dedicated 'investor relations' section which provides investor-related information on the Company and the Group. It contains information such as financial results, annual reports, notices and results of general meetings, corporate presentations and announcements issued on the SGXNet. Investors are also able to sign up online for electronic mail alerts to be updated on the latest announcements and notices released by the Company. The contact details of the Investor Relations team are set out on the Company's website, providing a channel for investors to contact the Company for feedback and/or queries which they may have.

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

CORPORATE GOVERNANCE **REPORT**

If any shareholder is unable to attend the Company's general meetings, the Constitution of the Company allows shareholders to appoint up to two proxies to attend and vote on his/her behalf at the general meetings through proxy forms sent in advance. In view of the Companies (Amendment) Act 2014, intermediaries such as banks and capital markets services licence holders which provide custodial services and are shareholders of the Company may appoint more than two proxies to attend and vote at the Company's general meetings. Please refer to the Notes to the Company's AGM Proxy Form at the end of this Annual Report for explanatory guidance.

Separate resolutions are proposed at general meetings for each distinct issue. Resolutions tabled at general meetings are passed through a process of voting by poll, for which procedures are clearly explained by the scrutineers at such general meetings. The detailed results of the poll voting on each resolution tabled at the Company's general meetings, including the total number of votes cast for or against each resolution and the respective percentages, are announced at the general meetings and via the SGXNet thereafter.

All Directors endeavor to attend the Company's general meetings. The Chairmen of the committees and the external auditors (barring exigencies) are to be present at every AGM and EGM to address any relevant questions that may be raised by the shareholders.

The Company Secretary prepares the minutes of the general meetings, which incorporates key discussion points including relevant comments and queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon their request.

The Company holds analyst briefings and participates in roadshows and conferences organised by major brokerage houses. Such forums serve as a platform to solicit feedback and gain perspectives and views from the investment community and shareholders. From time to time, the CEO will also conduct media interviews with major publications and provide relevant insights on the Company's prospects to shareholders and investors.

The Company does not have a fixed dividend policy at present. Key considerations that affect dividend decisions and the level of payouts are: (i) Group's profit growth, (ii) level of cash available, (iii) projected levels of capital expenditure and investment plans and (iv) any other factors as the Board may deem appropriate. No dividend has been proposed by the Board for financial year ended 31 December 2018. The Group is conserving its cash towards funding the work programs of its assets and to grow its reserve and production base.

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 quarterly 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.

CORPORATE GOVERNANCE
REPORT**INTERESTED PERSON TRANSACTIONS ("IPT")**

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of transactions with interested persons to comply with the requirements of the Listing Manual of the SGX-ST. All IPTs are subject to review by the AC. The AC reviews the terms of the IPTs with the view that the IPTs should be on normal commercial terms and are not prejudicial to the interests of the Company's minority shareholders. As part of the Company's policy, Directors who are interested in a transaction or proposed transaction with the Company are required to disclose to the Board the nature of his interest as soon as practicable, at a meeting of the Directors of the Company.

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 ⁽¹⁾)		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)	
	FY2018 US\$'000	FY2017 US\$'000	FY2018 US\$'000	FY2017 US\$'000
Tan Sri Datuk Sir Tiong Hiew King, Dato' Sri Dr Tiong Ik King and Tiong Kiong King				
Loans from RH Petrogas Investments Pte. Ltd. to RHP (Mukah) Pte. Ltd. ⁽²⁾	2,749	330	Not applicable	Not applicable

Notes:

- (1) As announced on 7 October 2016 (SGXNET No SG1610070THR39JX), SGX-ST has granted its approval in a letter dated 4 October 2016, allowing the Company to determine the materiality of interested person transactions for the purposes of Rules 905 and 906 of the SGX-ST Listing Manual based on the Company's market capitalisation as at the previous financial year end, for so long as the Group's latest audited consolidated net tangible assets or the Group's latest audited consolidated net asset value remains negative.
- (2) Loans provided by RH Petrogas Investments Pte. Ltd. ("RHPI"), a wholly owned subsidiary of the Company, to RHP (Mukah) Pte. Ltd. ("RHP (Mukah)") following the completion of the sale (the "Sale") by RHPI of 3,184,881 ordinary shares representing 49% of the entire issued share capital of RHP (Mukah), to Tumbuh Tiasa Enterprises Sdn. Bhd. ("TTE") on 24 September 2014 (which was announced by the Company on 24 September 2014 under SGXNET Announcement No. SG140924OTHRNNKS), pursuant to the shareholders' agreement between RHPI, TTE and RHP (Mukah), under which RHPI and TTE are to provide the funding required by RHP (Mukah) for the exploration and evaluation activities under the Production Sharing Contract in respect of Block SK331 to RHP (Mukah) in proportion to their equity interest in RHP (Mukah). Tan Sri Datuk Sir Tiong Hiew King and Dato' Sri Dr Tiong Ik King, who are both Directors and Controlling Shareholders of the Company, together with Mr Tiong Kiong King and their family members, indirectly own the majority of the issued share capital of TTE.

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 the FY2018.

CORPORATE GOVERNANCE REPORT

SUSTAINABILITY REPORT SUMMARY

Background

The Group believes that sustainable business practices are important as they help to support the Group's mission to be a trusted energy partner and create value for its shareholders.

The Group understands its responsibility towards sustainability. As an upstream oil and gas company, its exploration, development and production activities can have an impact on the environment and the local communities in the places where it operates. As a responsible upstream oil and gas participant, the Group strives for excellence and takes sustainability issues seriously, endeavouring to deliver on its business objectives and performance in a sustainable manner while meeting the expectations of its stakeholders. Sustainability forms an important and integral component of the Group's operations. A balanced and commendable performance on the economic, environmental and social aspects of the business is integral to the growth of the Group.

Following the issuance of the Group's first sustainability report for FY2017, the Group will be publishing the full version its second sustainability report for FY2018 by May this year. The Group aims to provide stakeholders with an understanding of the Group's sustainability practices as well as an update in respect of the Group's environmental, social and governance ("ESG") performance on issues that are considered notably material to the Company's stakeholders. The report will outline the sustainability approaches embedded in the Group's business operations and value chain and highlight the Group's sustainability initiatives, best practices and performance in respect of ESG matters.

The full version of the report will be prepared in accordance with the Global Reporting Initiative ("GRI") standards and with reference to the primary components set out in Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Rule 711B on a 'comply or explain' basis. In line with paragraph 5.1 in Practice Note 7.6 of the SGX-ST Listing Rules, a summary of the sustainability report, which includes a summary highlight of the Group's key areas of focus and initiatives for 2018, is provided below.

Environmental and Safety Track Records

Operating in the oil and gas industry naturally means that matters relating to occupational HSE (health, safety and environment) and environmental sustainability are important to the Group. Through the years, the Group has received several occupational HSE and environmental related certifications and awards:



CORPORATE GOVERNANCE REPORT

The Group and its operating subsidiaries adopt high standards and industry practices in its daily operations. The Group requires its staff to adhere to its policies. In addition, the Group also actively encourages its contractors to adopt the policies and work hand-in-hand to cultivate a strong safety work culture.

Strategy and Key Focuses

Environment

The Group believes that conducting its operations in an environmentally responsible manner is integral to operating a successful and sustainable business. The Group is committed to complying with the relevant environmental laws and regulations in the countries where the Group operates in and seeks to conduct its business in a prudent and responsible manner. Industry best practices are adopted as applicable.

Social

The Group also believes that its people are one of the fundamental building blocks of the business. The Group conducts its business with respect and care for its people. The Group is also committed to hiring locals where it operates and strives to empower its employees with valuable skillsets, career advancement opportunities and lifelong learning.

Governance

The Group believes that good corporate governance is central to the Group's business and values. The Group is also confident that building a corporation that operates responsibly and ethically will contribute towards safeguarding and enhancing the interests of all its stakeholders. The Group has put in place a prudent governance framework that seeks to maintain integrity, responsibility, accountability and discipline in its business and operations.



CORPORATE GOVERNANCE REPORT

Stakeholders and Materiality Assessment

The Group recognises the important roles that its stakeholders have in its sustainability journey. The Group's main stakeholders are its shareholders, suppliers, customers, regulators, associates, employees and local communities. The Group's strategy is to adopt a balanced approach in delivering its performance in a sustainable manner while meeting the expectations of its stakeholders. In addressing sustainability, key areas of focus will be in managing the Group's ESG performance.

With the key areas of focus in mind, the Group engaged its stakeholders and undertook a materiality assessment to identify material ESG factors that are considered notably material to the Company's stakeholders. Below is the list of material ESG factors identified and the indicators adopted to measure their performance:

Material Aspects	GRI Standards Disclosure	Description
Economic Performance	GRI 201-1	Direct economic value generated and distributed
Anti-Corruption	GRI 205-2	Communication and training about anti-corruption policies and procedures
Effluents and Waste	GRI 306-3	Significant spills
Environmental Compliance	GRI 307-1	Non-compliance with environmental laws and regulations
Occupational Health and Safety	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities
Training and Education	GRI 404-2	Programs for upgrading employee skills and transition assistance programs
Local Communities	GRI 413-1	Operations with local community engagement, impact assessments and development programs

The Group has established sustainability policies in place to address these material ESG factors. For 2018, some of the Group's key initiatives are summarised below:

Occupational Health and Safety

In 2018, the Group achieved the target of zero incident and zero lost day due to personnel injury and occupational diseases. The Group continues to implement programmes that are in line with its occupational health and safety strategies, with the objectives of improving the performance and safety standards of the workplace environment.

CORPORATE GOVERNANCE REPORT

Local Communities

The Group recognises the need to give back to the local communities and to contribute towards the development of the areas where its operations are located. The Group also seeks opportunities to enhance community spirit and encourage communal activities.

Education

The Group continues to provide education assistance funding support for students who require financial assistance with the opportunity to pursue further education. The education assistance program goes hand-in-hand with the teachers' competency enhancement programs being conducted by the Group. In 2018, 100 teachers from Sorong Regency, a regency of West Papua Province of Indonesia, attended professional training to beef up their competencies.

Health Assistance

In 2018, the Group has a medical assistance program that rendered medical treatment to 662 people in in Mayamuk district of Sorong, consisting of adult and children, with the support of the local public health society.

Economic Development

The Group provided 462 Areca Palm seeds, agricultural equipment and an observation hut to the local community in the Kasimle Village. The Areca Palm program could potentially generate revenue for the villagers.

Infrastructure Development

In 2018, the Group was also involved in improving existing infrastructure and constructing new facilities. Learning facilities in Seget and Mayamuk districts were renovated. The Group is also progressing with the construction project of a church in the Seget district.

DIRECTORS' STATEMENT

The directors are pleased to present their statement 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 2018.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial 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.

Directors

The directors of the Company in office at the date of this statement are:

Tan Sri Datuk Sir Tiong Hiew King
Dato’ Sri Dr Tiong Ik King⁽¹⁾
Chang Cheng-Hsing Francis
Tiong Kiong King
Abbasbhoy Haider Nakhoda
Yeo Yun Seng Bernard
Lee Hock Lye
Achmad Lukman Kartanegara

Note:

(1) Appointed Deputy Chairman, Non-Executive and Non-Independent Director on 29 March 2018.

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this statement, 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' STATEMENT

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, Chapter 50, an interest in shares and share options of the Company as stated below:

Name of Director	Direct interest		Deemed interest	
	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	580,000	472,845,443	472,845,443
Dato' Sri Dr Tiong Ik King ⁽¹⁾	–	–	212,073,086	212,073,086
Share options of the Company				
Chang Cheng-Hsing Francis	2,300,000	3,200,000	–	–
Abbasbhoy Haider Nakhoda	120,000	100,000	–	–
Yeo Yun Seng Bernard	120,000	100,000	–	–
Lee Hock Lye	120,000	100,000	–	–
Achmad Lukman Kartanegara	50,000	50,000	–	–

Note:

(1) Appointed Deputy Chairman, Non-Executive and Non-Independent Director on 29 March 2018.

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 held by Sharptone Investments Limited ("**Sharptone**"), which arises from his shareholding in Sharptone; (iii) 110,347,154 shares held/owned by RH Capital Limited ("**RH Capital**"), which arises from his shareholding in RH Capital; and (iv) 17,600,000 shares held by Subur Tiasa Holdings Berhad ("**Subur Tiasa**"), which arises from his substantial shareholdings in Tiong Toh Siong Holdings Sdn. Bhd., Tiong Toh Siong Enterprises Sdn. Bhd., Tiong Toh Siong and Sons Sdn. Bhd. and Teck Sing Lik Enterprise Sdn. Bhd., which are shareholders/substantial shareholders of Subur Tiasa. 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.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, 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' STATEMENT

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 2,000,000 share options under the Scheme. These options expire on 6 March 2023 and are exercisable if the eligible participant remains in service for two years from the date of grant.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 31 December 2018 are as follows:

Date of grant of options	Expiry date	Exercise period	Exercise price (\$)	Balance as at 01.01.18	Number of options			Balance as at 31.12.18
					Granted during the financial year	Exercised during the financial year	Cancelled/lapsed during the financial year	
05.03.2013	05.03.2018	06.03.2015 to 04.03.2018	0.420	2,000,000	–	–	(2,000,000)	–
07.03.2014	07.03.2019	08.03.2016 to 06.03.2019	0.420	566,700	–	–	(16,700)	550,000
06.03.2015	06.03.2020	07.03.2017 to 05.03.2020	0.275	2,620,000	–	–	(80,000)	2,540,000
06.03.2017	06.03.2022	07.03.2019 to 05.03.2022	0.084	1,450,000	–	–	(50,000)	1,400,000
06.03.2018	06.03.2023	07.03.2020 to 05.03.2023	0.074	–	2,000,000	–	(30,000)	1,970,000
				<u>6,636,700</u>	<u>2,000,000</u>	<u>–</u>	<u>(2,176,700)</u>	<u>6,460,000</u>

DIRECTORS' STATEMENT

Options (continued)

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 beginning of financial year	Aggregate options exercised since commencement of the Scheme to end of financial year	Aggregate options cancelled/ lapsed since commencement of the Scheme to end of financial year	Aggregate options outstanding as at end of financial year
Chang Cheng-Hsing Francis	1,000,000	2,300,000	–	(100,000)	3,200,000
Abbasbhoy Haider Nakhoda	–	120,000	–	(20,000)	100,000
Yeo Yun Seng Bernard	–	120,000	–	(20,000)	100,000
Lee Hock Lye	–	120,000	–	(20,000)	100,000
Achmad Lukman Kartanegara	–	50,000	–	–	50,000
Total	1,000,000⁽¹⁾	2,710,000	–	(160,000)	3,550,000

Note:

(1) These options are exercisable between the periods from 7 March 2020 to 5 March 2023 at the exercise price of S\$0.074 if the vesting conditions are met.

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

- (a) No options have been granted to the controlling shareholders of the Company and their associates;
- (b) No participant other than one director mentioned above and one director who retired on 31 December 2013 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 2,000,000, 1,450,000, 2,950,000, 711,800 and 3,638,500 options granted respectively during the financial years of 2018, 2017, 2015, 2014 and 2013 at a discount of 19.6%, 19.2%, 19.6%, 19.7% and 20% respectively from the average of the closing prices of the Company's shares on the last three consecutive trading days before the date of grant. The 3,638,500 options granted in 2013 lapsed on 5 March 2018; and
- (f) No options have been granted to any participants at a discount of 10% or less.

DIRECTORS' STATEMENT

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.

There were no shares awarded for the financial year ended 31 December 2018 pursuant to the Performance Share Plan.

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

- (a) No share awards were granted to the controlling shareholders of the Company and their associates;
- (b) No participant other than one director who retired on 31 December 2013 has received 5% or more of the total shares or awards available under the Share Plan;
- (c) No directors and employees 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, Chapter 50, including the following:

- Reviewed the audit plans and reports of the internal and external auditors of the Group and the Company, and reviewed the internal auditor’s evaluation of the adequacy of the Group and the Company’s system of internal accounting controls and the assistance given by the Group and the Company’s management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor’s report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed effectiveness of the Group and the Company’s material internal controls, including financial, operational, compliance controls and risk management via reviews and results of the audits carried out by the internal auditor and external professional consultants and discussion with senior management;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

DIRECTORS' STATEMENT

Audit committee (continued)

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited'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 auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with external and internal 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:

Chang Cheng-Hsing Francis
Director

Dato' Sri Dr Tiong Ik King
Director

Singapore
29 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RH PETROGAS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RH Petrogas Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), which comprise the balance sheets of the Group and the Company as at 31 December 2018, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “**Act**”) and Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“**SSAs**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (“**ACRA Code**”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements. As at 31 December 2018, the Group’s current and total liabilities exceeded its current and total assets by US\$10,693,000 and US\$23,032,000 respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as going concern. The ability of the Group to continue as a going concern depends on its ability to generate sufficient cash flow to meet the Group’s short-term obligations as and when they fall due, and the financial support from a substantial shareholder to provide adequate funds to the Group till 30 June 2020 to meet the Group’s working capital needs.

If the Group is unable to continue operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RH PETROGAS LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment Assessment of Oil and Gas Properties, Development Expenditures and Exploration and Evaluation Assets

At 31 December 2018, the carrying amounts of oil and gas properties and exploration and evaluation assets were US\$9,305,000 and US\$2,536,000 respectively which represent approximately 27.7% of total assets of the Group's balance sheet.

The assessment of the carrying amount of these assets requires management to exercise judgment in identifying existence of any indicators of impairment. When such indicators are identified, management exercises further judgment in making an estimate of the recoverable amount of these assets against which to compare their carrying values. The estimation of the recoverable amount of these assets are based on management's views of variables such as long-term oil prices (considering outlook in oil prices and adjusting for discounts and/or premiums), discount rates, inflation rates, operating costs, future capital requirements, decommissioning costs and future expected production volumes (based on the estimation of its oil and gas reserves).

Our audit procedures included amongst others, evaluating the appropriateness of management's defined cash generating units ("CGUs"). We examined the Group's process for identifying impairment indicators, analysed management's assessment of impairment indicators and whether a formal estimate of recoverable amount was required for each of these CGUs.

Our audit work in assessing the reasonableness of management's estimations of the recoverable amount of those CGUs subject to impairment test included the following procedures:

- corroborated oil price assumptions to analysts' forecasts and that pricing differentials were reasonable;
- recalculation and benchmarking of discount rates and inflation rates applied against third party data;
- agreement of operating expenditure profiles and capital costs to approved operator budgets and decommissioning cost estimates to information provided by third parties;
- reconciled proved and probable reserves to third party reserve reports and assessed the objectivity, competency and capability of these external experts who are responsible for reserves estimation; and
- checked the mathematical accuracy of management's value-in-use calculations using cash flow projections from the production forecasts covering periods until the end of the production sharing contracts.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RH PETROGAS LIMITED

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RH PETROGAS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF RH PETROGAS LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Po Hsiang Jonathan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 March 2019

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$'000	2017 US\$'000
Revenue		61,918	55,457
Cost of sales		(48,589)	(48,944)
Gross profit		13,329	6,513
Other income		1,040	7,960
Administrative expenses		(4,928)	(3,768)
Other expenses		(503)	(1,827)
Finance costs		(450)	(203)
Profit before tax	5	8,488	8,675
Income tax expense	6	(4,484)	(587)
Profit for the financial year		4,004	8,088
Attributable to:			
Owners of the Company		3,753	8,533
Non-controlling interests		251	(445)
		4,004	8,088
Earnings per share (cents per share)			
Basic	7	0.51	1.16
Diluted	7	0.51	1.16

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 US\$'000	2017 US\$'000
Profit for the financial year	4,004	8,088
Other comprehensive income:		
<u>Item that may be reclassified subsequently to profit or loss:</u>		
Foreign currency translation	2,263	(2,459)
Other comprehensive income for the financial year, net of tax	2,263	(2,459)
Total comprehensive income for the financial year	6,267	5,629
Attributable to:		
Owners of the Company	6,016	6,074
Non-controlling interests	251	(445)
	6,267	5,629

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

**BALANCE
SHEETS**

AS AT 31 DECEMBER 2018

	Note	Group			Company		
		31 December 2018 US\$'000	31 December 2017 US\$'000	1 January 2017 US\$'000	31 December 2018 US\$'000	31 December 2017 US\$'000	1 January 2017 US\$'000
Non-current assets							
Oil and gas properties	8	9,305	11,649	18,373	-	-	-
Development expenditures	9	-	-	-	-	-	-
Other plant and equipment	10	24	432	476	8	25	48
Exploration and evaluation assets	11	2,536	2,536	2,536	-	-	-
Cash and bank balances	19	1,308	-	-	-	-	-
Amounts due from subsidiaries	17	-	-	-	10,778	14,153	18,648
Other non-current assets	12	2,741	-	-	-	-	-
Investment in subsidiaries	13	-	-	-	-	-	-
		<u>15,914</u>	<u>14,617</u>	<u>21,385</u>	<u>10,786</u>	<u>14,178</u>	<u>18,696</u>
Current assets							
Inventories	15	1,026	796	687	-	-	-
Other current assets	16	56	37	104	32	29	28
Trade and other receivables	17	13,336	8,985	16,025	567	512	805
Cash and bank balances	19	12,420	14,058	8,267	784	1,217	755
		<u>26,838</u>	<u>23,876</u>	<u>25,083</u>	<u>1,383</u>	<u>1,758</u>	<u>1,588</u>
Current liabilities							
Income tax payable		1,464	1,757	1,431	-	-	-
Trade and other payables	20	33,567	37,151	42,824	762	763	573
Derivatives	18	-	-	2	-	-	-
Loans and borrowings	21	2,500	2,000	6,166	2,500	2,000	-
Other liabilities	24	-	-	-	-	-	-
		<u>37,531</u>	<u>40,908</u>	<u>50,423</u>	<u>3,262</u>	<u>2,763</u>	<u>573</u>
Net current (liabilities)/assets		<u>(10,693)</u>	<u>(17,032)</u>	<u>(25,340)</u>	<u>(1,879)</u>	<u>(1,005)</u>	<u>1,015</u>
Non-current liabilities							
Provisions	22	2,189	2,378	2,916	-	-	-
Loan from non-controlling interest	20	12,724	10,083	9,765	-	-	-
Deferred tax liabilities	23	1,972	731	2,575	-	-	-
Loans and borrowings	21	11,368	14,856	16,883	8,720	12,057	14,253
Other liabilities	24	-	-	-	-	-	-
		<u>28,253</u>	<u>28,048</u>	<u>32,139</u>	<u>8,720</u>	<u>12,057</u>	<u>14,253</u>
Net (liabilities)/assets		<u>(23,032)</u>	<u>(30,463)</u>	<u>(36,094)</u>	<u>187</u>	<u>1,116</u>	<u>5,458</u>
Equity attributable to owners of the Company							
Share capital	25	258,160	258,160	258,160	258,160	258,160	258,160
Reserves	26	<u>(271,375)</u>	<u>(278,421)</u>	<u>(284,497)</u>	<u>(257,973)</u>	<u>(257,044)</u>	<u>(252,702)</u>
		(13,215)	(20,261)	(26,337)	187	1,116	5,458
Non-controlling interests		<u>(9,817)</u>	<u>(10,202)</u>	<u>(9,757)</u>	-	-	-
Total (deficit)/equity		<u>(23,032)</u>	<u>(30,463)</u>	<u>(36,094)</u>	<u>187</u>	<u>1,116</u>	<u>5,458</u>

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Attributable to owners of the Company								
	Share capital US\$'000	Capital reduction reserve US\$'000	Foreign currency translation reserve US\$'000	Accumulated losses US\$'000	Equity reserve US\$'000	Employee share option reserve US\$'000	Total reserves US\$'000	Non- controlling interests US\$'000	Total deficit US\$'000
Opening balance at 1 January 2017 (FRS framework and SFRS(I) framework)	258,160	2,886	1,890	(291,078)	795	1,010	(284,497)	(9,757)	(36,094)
Profit for the financial year	–	–	–	8,533	–	–	8,533	(445)	8,088
Other comprehensive income for the financial year	–	–	(2,459)	–	–	–	(2,459)	–	(2,459)
Total comprehensive income for the financial year	–	–	(2,459)	8,533	–	–	6,074	(445)	5,629
<u>Contributions by and distributions to owners</u>									
Share-based payments (Note 27)									
– Grant of equity- settled share options	–	–	–	–	–	2	2	–	2
– Expiry of employee share options	–	–	–	62	–	(62)	–	–	–
As at 31 December 2017	258,160	2,886	(569)	(282,483)	795	950	(278,421)	(10,202)	(30,463)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group (continued)	Attributable to owners of the Company								
	Share capital US\$'000	Capital reduction reserve US\$'000	Foreign currency translation reserve US\$'000	Accumulated losses US\$'000	Equity reserve US\$'000	Employee share option reserve US\$'000	Total reserves US\$'000	Non- controlling interests US\$'000	Total deficit US\$'000
Opening balance at 1 January 2018 (FRS framework)	258,160	2,886	(569)	(282,427)	795	950	(278,365)	(10,202)	(30,407)
Cumulative effects of adopting SFRS(I)	-	-	-	(56)	-	-	(56)	-	(56)
Opening balance at 1 January 2018 (SFRS(I) framework)	258,160	2,886	(569)	(282,483)	795	950	(278,421)	(10,202)	(30,463)
Profit for the financial year	-	-	-	3,753	-	-	3,753	251	4,004
Other comprehensive income for the financial year	-	-	2,263	-	-	-	2,263	-	2,263
Total comprehensive income for the financial year	-	-	2,263	3,753	-	-	6,016	251	6,267
<u>Contributions by and distributions to owners</u>									
Share-based payments (Note 27)									
- Grant of equity- settled share options	-	-	-	-	-	61	61	-	61
- Expiry of employee share options	-	-	-	415	-	(415)	-	-	-
<u>Change in ownership interest in subsidiaries</u>									
Issuance of new shares in subsidiaries to non- controlling interest	-	-	-	-	969	-	969	134	1,103
At 31 December 2018	258,160	2,886	1,694	(278,315)	1,764	596	(271,375)	(9,817)	(23,032)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Share capital US\$'000	Capital reduction reserve US\$'000	Accumulated losses US\$'000	Employee share option reserve US\$'000	Total reserves US\$'000	Total equity US\$'000
At 1 January 2017	258,160	2,886	(256,598)	1,010	(252,702)	5,458
Loss for the financial year, representing total comprehensive income for the financial year	–	–	(4,344)	–	(4,344)	(4,344)
<u>Contributions by and distributions to owners</u>						
Share-based payments (Note 27)						
– Grant of equity-settled share options	–	–	–	2	2	2
– Expiry of employee share options	–	–	62	(62)	–	–
At 31 December 2017 and 1 January 2018	258,160	2,886	(260,880)	950	(257,044)	1,116
Loss for the financial year, representing total comprehensive income for the financial year	–	–	(990)	–	(990)	(990)
<u>Contributions by and distributions to owners</u>						
Share-based payments (Note 27)						
– Grant of equity-settled share options	–	–	–	61	61	61
– Expiry of employee share options	–	–	415	(415)	–	–
At 31 December 2018	258,160	2,886	(261,455)	596	(257,973)	187

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$'000	2017 US\$'000
Operating activities			
Profit before tax		8,488	8,675
Adjustments for:			
– Allowance for doubtful trade receivables	17	54	981
– Amortisation of upfront fee paid for loans granted		–	168
– Depletion and amortisation of oil and gas properties	8	4,479	7,473
– Depreciation of other plant and equipment	10	28	112
– Impairment loss on development expenditures	9	73	1,176
– Impairment loss on exploration and evaluation assets	11	114	295
– Interest expense from bank loans	5	–	88
– Interest income on bank deposits	5	(46)	(18)
– Net fair value gain on derivatives	5	–	(2)
– Other plant and equipment written off	5	418	1
– Settlement of disallowed cost by partner	5	–	(5,462)
– Share-based payments	27	61	2
– Unrealised foreign exchange (gain)/loss		(270)	898
– Unwinding of discount on decommissioning provision	22	450	115
– Write back of inventory obsolescence	15	(76)	(235)
– Write back of exploration and evaluation payables and accrued plug and abandonment costs	5	(2,550)	(1,869)
Operating cash flows before changes in working capital		11,223	12,398
Changes in working capital			
(Increase)/Decrease in inventories		(216)	146
(Increase)/Decrease in trade and other receivables		(4,192)	7,325
Increase/(Decrease) in trade and other payables		1,958	(916)
Cash flows from operations		8,773	18,953
Income tax paid		(3,536)	(1,970)
Interest paid		–	(88)
Interest received		46	18
Net cash flows from operating activities		5,283	16,913
Investing activities			
Additions to development expenditures	9	(44)	(1,176)
Additions to exploration and evaluation assets	11	(62)	(295)
Additions to oil and gas properties	8	(2,988)	(1,690)
Cash call contributions for termination liabilities and decommissioning provision	22	(844)	(1,143)
Payment for signature bonus and related costs		(2,741)	–
Purchase of other plant and equipment	10	(30)	(38)
Net cash flows used in investing activities		(6,709)	(4,342)

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$'000	2017 US\$'000
Financing activities			
Decrease in charge over project accounts	19	–	2,767
Increase in deposits pledged	19	(6,308)	–
Loan from non-controlling interest		2,641	317
Proceeds from issuance of new shares in subsidiaries to non-controlling interests	13	1,103	–
Repayment of advances to related parties	21	(2,641)	(917)
Repayment of loans and borrowings	21	–	(6,166)
Net cash flows used in financing activities		<u>(5,205)</u>	<u>(3,999)</u>
Net (decrease)/increase in cash and cash equivalents		(6,631)	8,572
Effect of exchange rate changes on cash and cash equivalents		(7)	(14)
Cash and cash equivalents at beginning of the financial year		<u>14,058</u>	<u>5,500</u>
Cash and cash equivalents at end of the financial year	19	<u>7,420</u>	<u>14,058</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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, Sharptone Investments Limited and Subur Tiasa Holdings Berhad.

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

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

2. FUNDAMENTAL ACCOUNTING CONCEPTS

For the financial year ended 31 December 2018, the Group recorded net profit of US\$4,004,000 (2017:US\$8,088,000) and generated positive operating cash flows of US\$5,283,000 (2017: US\$16,913,000).

As at 31 December 2018, the Group’s current and total liabilities exceeded its current and total assets by US\$10,693,000 (2017: US\$17,032,000) and US\$23,032,000 (2017: US\$30,463,000), respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis as the Group believes that its business operations would be able to generate sufficient cash flow to meet its short-term obligations as and when they fall due. In addition, the Group has received a letter of financial support from a substantial shareholder to provide continuing financial support to the Group till 30 June 2020 to meet the Group’s working capital needs.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (“**FRS**”). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 3.3 for information on how the Group adopted SFRS(I).

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.

3.2 Changes in accounting policies

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

3.3 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 January 2017, the Group’s and the Company’s date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the exemption that the comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 First-time adoption of (SFRS(I)) (continued)

SFRS(I) 9 Financial instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. There is no significant impact arising from impairment measurement of these instruments under SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 First-time adoption of (SFRS(I)) (continued)

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and is in the business of a trading company, investment holding, and exploration and production of oil and gas. The key impact of adopting SFRS(I) 15 is detailed below.

Previously, 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, using the entitlement method. Under this method, revenue reflected the participant's share of production regardless of which participant has actually made the sale and invoiced the production. This was achieved by adjusting revenue in dealing with imbalances between actual sales and entitlements, and recognising a corresponding underlift asset or overlift liability in the balance sheet.

Under SFRS(I) 15, a participant in a joint operation should recognise revenue from contracts with customers based on its actual sales to customers in that period. No adjustments should be recorded in revenue to account for any variance between the actual share of production volumes sold to date and the share of production which the party has been entitled to sell to date. Entities may then adjust production costs to align to the volumes sold.

Upon the adoption of SFRS(I) 15, the Group applied the changes in accounting policies retrospectively to each of the year presented, using the full retrospective method, resulting in the following impact:

(a) Under/Over-lifted hydrocarbons

Under/Over-lifted hydrocarbons refer to the shortfall/excess in the amount of production that the Group has taken during the period over the Group's ownership share of the production from Basin and Island PSCs. On adoption of SFRS(I) 15, the Group reclassified over-lifted hydrocarbons (trade and other payables) of US\$294,000 to over-lifted liabilities (trade and other payables) as at 1 January 2017. There is no impact to accumulated losses as at 1 January 2017 as a result of these adjustments.

The Group recorded an adjustment to reduce revenue by US\$860,000, with a corresponding decrease in trade and other receivables for the financial year ended 31 December 2017.

(b) Accrue or defer expenses

An over-lift participant should accrue for future expenses that are not matched by corresponding future revenues. Conversely, an under-lift participant should defer expenses and match them against future catch-up production. On adoption of SFRS(I) 15, the Group recorded an adjustment to reduce cost of sales by US\$804,000, with a corresponding increase in trade and other receivables for the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 First-time adoption of (SFRS(I)) (continued)

SFRS(I) 15 Revenue from Contracts with Customers (continued)

(c) Under/Over-lifting settlement

The settlement of prior periods' under-lifting would be recognised as other income, rather than revenue from contracts with customers under SFRS(I) 15. Conversely, the settlement of prior periods' over-lifting would be recognised as other expense. On adoption of SFRS(I) 15, the Group recorded an adjustment to reduce revenue by US\$524,000, with a corresponding increase in other income for the financial year ended 31 December 2017.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group			
	1 January 2017 (FRS) US\$'000	SFRS(I) 15 US\$'000	adjustments US\$'000	
Non-current assets				
Oil and gas properties	18,373	-	-	18,373
Other plant and equipment	476	-	-	476
Exploration and evaluation assets	2,536	-	-	2,536
	<u>21,385</u>	<u>-</u>	<u>-</u>	<u>21,385</u>
Current assets				
Inventories	687	-	-	687
Other current assets	104	-	-	104
Trade and other receivables	16,025	-	-	16,025
Cash and bank balances	8,267	-	-	8,267
	<u>25,083</u>	<u>-</u>	<u>-</u>	<u>25,083</u>
Current liabilities				
Income tax payable	1,431	-	-	1,431
Trade and other payables	42,824	(294)	294	42,824
Derivatives	2	-	-	2
Loans and borrowings	6,166	-	-	6,166
	<u>50,423</u>	<u>(294)</u>	<u>294</u>	<u>50,423</u>
Net current liabilities	<u>(25,340)</u>	<u>(294)</u>	<u>294</u>	<u>(25,340)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 First-time adoption of (SFRS(I)) (continued)

	Group			1 January 2017 (SFRS(I)) US\$'000
	1 January 2017 (FRS) US\$'000	SFRS(I) 15 US\$'000	adjustments US\$'000	
Non-current liabilities				
Provisions	2,916	-	-	2,916
Loan from non-controlling interest	9,765	-	-	9,765
Deferred tax liabilities	2,575	-	-	2,575
Loans and borrowings	16,883	-	-	16,883
	<u>32,139</u>	<u>-</u>	<u>-</u>	<u>32,139</u>
Net liabilities	<u>(36,094)</u>	<u>(294)</u>	<u>294</u>	<u>(36,094)</u>
Equity attributable to owners of the Company				
Share capital	258,160	-	-	258,160
Reserves	(284,497)	(294)	294	(284,497)
	<u>(26,337)</u>	<u>(294)</u>	<u>294</u>	<u>(26,337)</u>
Non-controlling interest	(9,757)	-	-	(9,757)
Total deficit	<u>(36,094)</u>	<u>(294)</u>	<u>294</u>	<u>(36,094)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 First-time adoption of (SFRS(I)) (continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	Group			
	31 December 2017 (FRS) US\$'000	SFRS(I) 15 US\$'000	adjustments US\$'000	
Non-current assets				
Oil and gas properties	11,649	–	–	11,649
Other plant and equipment	432	–	–	432
Exploration and evaluation assets	2,536	–	–	2,536
	<u>14,617</u>	<u>–</u>	<u>–</u>	<u>14,617</u>
Current assets				
Inventories	796	–	–	796
Other current assets	37	–	–	37
Trade and other receivables	9,041	(860)	804	8,985
Cash and bank balances	14,058	–	–	14,058
	<u>23,932</u>	<u>(860)</u>	<u>804</u>	<u>23,876</u>
Current liabilities				
Income tax payable	1,757	–	–	1,757
Trade and other payables	37,151	–	–	37,151
Loans and borrowings	2,000	–	–	2,000
	<u>40,908</u>	<u>–</u>	<u>–</u>	<u>40,908</u>
Net current liabilities	(16,976)	(860)	804	(17,032)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 First-time adoption of (SFRS(I)) (continued)

	Group			1 January 2018 (SFRS(I)) US\$'000
	31 December 2017 (FRS) US\$'000	SFRS(I) 15 US\$'000	adjustments US\$'000	
Non-current liabilities				
Provisions	2,378	-	-	2,378
Loan from non-controlling interest	10,083	-	-	10,083
Deferred tax liabilities	731	-	-	731
Loans and borrowings	14,856	-	-	14,856
	<u>28,048</u>	<u>-</u>	<u>-</u>	<u>28,048</u>
Net liabilities	<u>(30,407)</u>	<u>(860)</u>	<u>804</u>	<u>(30,463)</u>
Equity attributable to owners of the Company				
Share capital	258,160	-	-	258,160
Reserves	(278,365)	(860)	804	(278,421)
	<u>(20,205)</u>	<u>(860)</u>	<u>804</u>	<u>(20,261)</u>
Non-controlling interest	(10,202)	-	-	(10,202)
Total deficit	<u>(30,407)</u>	<u>(860)</u>	<u>804</u>	<u>(30,463)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 First-time adoption of (SFRS(I)) (continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the comprehensive income the Group for the year ended 31 December 2017.

	2017 (FRS) US\$'000	SFRS(I) 15 adjustments US\$'000	2017 SFRS(I) US\$'000
Revenue	56,841	(1,384)	55,457
Cost of sales	(49,748)	804	(48,944)
Gross profit	7,093	(580)	6,513
Other income	7,436	524	7,960
Administrative expenses	(3,768)	-	(3,768)
Other expenses	(1,827)	-	(1,827)
Finance costs	(203)	-	(203)
Profit before tax	8,731	(56)	8,675
Income tax expense	(587)	-	(587)
Profit for the financial year	<u>8,144</u>	<u>(56)</u>	<u>8,088</u>
Attributable to:			
Owners of the Company	8,589	(56)	8,533
Non-controlling interest	(445)	-	(445)
	<u>8,144</u>	<u>(56)</u>	<u>8,088</u>
Earnings per share (cents per share)			
Basic	1.17	(0.01)	1.16
Diluted	1.17	(0.01)	1.16

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendment to SFRS(I) 1-28 <i>Long-term Interest in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between and Investor and its Associate or Joint Venture</i>	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described in the following below.

SFRS(I) 16 *Leases*

SFRS(I) 16 require lessees to recognise most leases on balance sheet. The standard include two recognition exemption for lessees – lessees of ‘low value’ assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying assets during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has performed a preliminary assessment of the adoption of SFRS(I) 16 and expects that the adoption of SFRS(I) 16 will result in increase in total assets and total liabilities, earnings before interest, tax, depreciation and amortisation (EBITDA) and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS(I) 16 and assessing the possible impact of adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Basis of consolidation and business combinations

(a) Basis of consolidation

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.

(b) Business combinations and goodwill

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.

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 profit or loss.

Non-controlling interest in the acquire, that are present ownership interest and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or 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. 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Basis of consolidation and business combinations (continued)

(b) Business combinations and goodwill (continued)

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 the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have 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 to which the goodwill relates.

3.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

3.7 Foreign currency

The financial statements are presented in USD, 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 measured.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Foreign currency (continued)

(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.

3.8 Oil and gas properties, and other plant and equipment

All items of oil and gas properties and other plant and equipment are initially recorded at cost. Subsequent to recognition, oil and gas properties and other plant and equipment 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 plant and equipment.

When a development project moves into the production stage, the capitalisation 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 capitalisation relating to oil and gas property asset additions, improvements or new developments.

When significant parts of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Oil and gas properties, and other plant and equipment (continued)

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

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 plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

3.9 Oil and gas exploration, evaluation and development expenditure

Oil and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Oil and gas exploration, evaluation and development expenditure (continued)

Licence and property acquisition costs (continued)

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 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.

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 the delineation wells, is capitalised within oil and gas properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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

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

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

3.11 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal 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.

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.

3.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint operations

The Group recognises in relation to its interest in a joint operation,

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

3.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

(a) Financial assets (continued)

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) *Amortised cost*

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) *Fair value through profit or loss*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

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 for debt instruments is recognised in profit or loss.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

(b) Financial liabilities (continued)

Subsequent measurement

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

(i) Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. 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.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest 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. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

3.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Impairment of financial assets (continued)

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

3.17 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.

3.18 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Provisions (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 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.

3.20 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 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 and Pension Fund Financial Institution.

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 and performance share plan

Certain employees of the Company, including directors, receive remuneration in the form of share options and/or shares of the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Employee benefits (continued)

Employee share option plans and performance share plan (continued)

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.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

3.22 Leases

As lessee

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.

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.

3.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Revenue (continued)

(i) Sales of natural gas:

Revenue from the sale of natural gas is recognised when the product is physically transferred into a vessel, pipe or by other delivery mechanism.

(ii) Production of oil:

Revenue from the production of oil is recognised based on its actual sales to customers in that period. No adjustments should be recorded in revenue to account for any variance between the actual share of production volumes sold to date and the share of production which the party has been entitled to sell to date, based on the Group's working interest and the terms of the relevant production sharing contracts. Entities may then adjust production costs to align to the volumes sold.

Under/Over-lifted hydrocarbons refer to the shortfall/excess in the amount of production that the Group has taken during the period over the Group's ownership share of the production from Basin and Island PSCs. An over-lift participant should accrue for future expenses that are not matched by corresponding future revenues. Conversely, an under-lift participant should defer expenses and match them against future catch-up production.

The settlement of prior periods' under-lifting would be recognised as other income, rather than revenue from contracts with customers under SFRS(I) 15. Conversely, the settlement of prior periods' over-lifting would be recognised as other expense.

3.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Taxes (continued)

(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.

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.

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 is incurred during the measurement period or in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Taxes (continued)

(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 SFRS(I) 1-12 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.26 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.

3.27 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.28 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.28 Related parties (continued)

- (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); and
 - (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).

4. 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. 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.

4.1 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

4.1 Judgments made in applying accounting policies (continued)

(a) Hydrocarbon reserve and resource estimates

Oil and gas production properties are depreciated on 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 2018 is shown in Note 8.

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, other 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; and
- 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

4.1 Judgments made in applying accounting policies (continued)

(b) Exploration and evaluation expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely from either 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, in itself, an estimation process that involves varying degrees of uncertainty depending on how 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.

(c) 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 hydrocarbon 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

4.1 Judgments made in applying accounting policies (continued)

(d) Recoverability of oil and gas assets

The Group assesses each asset or cash generating unit (“CGU”) (excluding goodwill, which is assessed annually regardless of indicators) at 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 of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices (taking into account current and historical prices, price trends and related factors), discount rates, production and sales volumes, operating costs, future capital requirements, decommissioning costs and exploration potential. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances may result in deviation from these projections, which may in turn impact on the recoverable amount of the assets and/or CGUs.

The cash flows for the Basin Block and Island Block CGUs were projected up to the expiry dates of their current PSCs in October 2020 and April 2020 respectively.

(e) Joint arrangements

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work program and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity’s joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries, as set out in Note 3.13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period 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 key assumptions applied in the determination of the value in use are disclosed and further explained in Note 8 to the financial statements.

(b) 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.

(c) Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgment 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 2018 was US\$1,464,000 (31 December 2017: US\$1,757,000, 1 January 2017: US\$1,431,000) and US\$1,972,000 (31 December 2017: US\$731,000, 1 January 2017: US\$2,575,000), respectively.

For items (b) and (c), these estimates, assumptions and judgments are however not expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities as disclosed in the notes to the financial statements within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. PROFIT BEFORE TAX

This is stated after (crediting)/charging:

	Note	Group	
		2018 US\$'000	2017 US\$'000
Revenue from crude oil and gas sales		(61,918)	(55,457)
Cost of sales:			
Depletion and amortisation of oil and gas properties	8	4,479	7,473
Operating lease expense	29	341	429
Production costs		42,925	39,899
Termination indemnity	22	844	1,143
Other income:			
Foreign exchange gain, net		-	(1,497)
Interest income from bank deposits		(46)	(18)
Management fees		(535)	(451)
Net fair value gain on derivatives		-	(2)
Settlement of disallowed cost by partner		-	(5,462)
Underlift income		(454)	(524)
Administrative expenses:			
Audit fees:			
– Auditors of the Company		162	160
– Other auditors		105	87
Non-audit fees:			
– Auditors of the Company		11	12
– Other auditors		17	18
Total audit and non-audit fees		295	277
Depreciation of other plant and equipment	10	28	112
Employee benefits expense	27	2,386	2,113
Operating lease expense	29	179	181
Overseas traveling expenses		35	40
Professional fees		514	300
Other expenses:			
Allowance for doubtful trade receivables	17	54	981
Directors' fees		327	320
Foreign exchange loss, net		1,850	-
Impairment loss on development expenditures	9	73	1,176
Impairment loss on exploration and evaluation assets	11	114	295
Other plant and equipment written off	10	418	1
Write back of inventory obsolescence	15	(76)	(235)
Write back of exploration and evaluation payables and accrued plug and abandonment costs		(2,550)	(1,869)
Finance costs:			
Interest expense on bank loans		-	88
Unwinding of discount on decommissioning provisions	22	450	115

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. PROFIT BEFORE TAX (continued)

Settlement of disallowed cost by partner

In December 2017, the Group wrote-back US\$5,462,000 of accrued operating expenses (Note 20), following the settlement of the disapproved cost allocation to the Island PSC by its partner.

6. INCOME TAX

(a) Major components of income tax

The major components of income tax for the financial years ended 31 December 2018 and 2017 are:

	Group	
	2018 US\$'000	2017 US\$'000
Current income tax:		
– Current income taxation	3,243	2,296
– Under provision in respect of previous years	–	135
	3,243	2,431
Deferred income tax:		
– Origination and reversal of temporary differences	(173)	(1,436)
– Under/(Over) provision in respect of previous years	1,414	(408)
	1,241	(1,844)
Income tax expense recognised in profit or loss	4,484	587

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. INCOME TAX (continued)

(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 financial years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018 US\$'000	2017 US\$'000
Profit before tax	8,488	8,675
Tax at 17%	1,443	1,475
Adjustments:		
Effect of difference between tax rates applicable to profits in the countries where the Group operates and the statutory tax rate	3,042	2,563
Non-deductible expenses	1,978	2,196
Income not subject to taxation	(3,320)	(5,310)
Benefits from previously unrecognised tax losses	(76)	(63)
Under/(Over) provision in respect of previous years	1,414	(273)
Others	3	(1)
Income tax expense recognised in profit or loss	4,484	587

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing earnings, 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 is calculated by dividing earnings, 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 earnings and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2018 US\$'000	2017 US\$'000
Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share	3,753	8,533

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. EARNINGS PER SHARE (continued)

	Group	
	2018 No. of Shares	2017 No. of shares
Weighted average number of ordinary shares for basic earnings per share computation	734,277,400	734,277,400
Effects of dilution:		
– Share options	132,899	–
Weighted average number of ordinary shares for diluted earnings per share computation	<u>734,410,299</u>	<u>734,277,400</u>

4,490,000 (2017: 6,636,700) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

On 5 March 2019, the Company granted 3,060,000 share options to selected employees and a director under the RHP Share Option Scheme 2011. These share options are exercisable between the periods from 6 March 2021 to 4 March 2024 at the exercise price of S\$0.044 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.

8. OIL AND GAS PROPERTIES

	Group	
	2018 US\$'000	2017 US\$'000
Cost:		
At 1 January	136,412	135,663
Additions	2,135	749
At 31 December	<u>138,547</u>	<u>136,412</u>
Accumulated depletion and impairment:		
At 1 January	124,763	117,290
Charge for the financial year (Note 5)	4,479	7,473
At 31 December	<u>129,242</u>	<u>124,763</u>
Net carrying amount:		
At 31 December	<u>9,305</u>	<u>11,649</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. OIL AND GAS PROPERTIES (continued)

The net book value at 31 December 2018 includes development assets under construction of US\$3,208,000 (2017: US\$3,224,000), which are not being depreciated.

Cash outflow for the development of oil and gas properties was US\$2,988,000 (2017: US\$1,690,000). There is US\$853,000 (2017: US\$941,000) cash outflow for accruals made in prior years for unbilled costs for the wells in Basin PSC.

Impairment of assets

During the financial year, certain subsidiaries of the Group carried out a review of recoverable amount of its oil and gas properties. There was no impairment loss recognised during the financial year ended 31 December 2018 (2017: Nil). The recoverable amount of the oil and gas properties was determined by management based on its value in use and the pre-tax discount rate used was 11.0% (2017: 10.5%).

The recoverable amount of the assets is determined based on value in use calculations using cash flow projections from the production forecasts approved by management, covering periods until the end of the production sharing contract. The calculations of the value in use of the assets are most sensitive to the following assumptions:

(i) *Production volume*

The production volumes are estimated based on the 2019 resource evaluation report appraised by independent qualified valuer and the development and production plans of the Operator for the contract area. The resources are categorised as proved and probable reserves, and contingent resources. When necessary, risk factors are applied to the extraction of contingent resources which are forecasted to be extracted during the current term of the PSC.

(ii) *Crude oil price and production cost*

The future oil prices for 2019 to 2020 are forecasted based on data obtained from external pricing data providers as well as management's view for crude oil, and extrapolated beyond that for forecasted inflation. The production cost is estimated based on the actual production cost incurred in 2018 where applicable, the forecast from the Operator and the independent qualified valuer, and adjusted for forecasted inflation.

(iii) *Discount rate*

Discount rate represents the current market assessment of the risks specific to the assets, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the assets and derived from weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. 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 borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. The future cash flows are discounted to their present value using a pre-tax discount rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. OIL AND GAS PROPERTIES (continued)

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

9. DEVELOPMENT EXPENDITURES

	Group	
	2018 US\$'000	2017 US\$'000
Cost:		
At 1 January	-	-
Additions	44	1,176
Transfer from inventory	29	-
Impairment loss on development expenditures (Note 5)	(73)	(1,176)
At 31 December	-	-

Cash outflow for the development expenditures was US\$44,000 (2017: US\$1,176,000).

Impairment of assets

During the financial year, certain subsidiaries of the Group carried out a review of recoverable amount of its development expenditures. An impairment loss of US\$73,000 (2017: US\$1,176,000), representing the write down of these development expenditures to the recoverable amount was recognised in "Other expenses" (Note 5) line item of profit or loss for the financial year. The recoverable amount of the development expenditures was based on its value in use and the pre-tax discount rate used was 11.0% (2017: 11.0%).

Apart from the pre-tax discount rate, the other key assumptions applied in the determination of the value in use are disclosed and further explained in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. OTHER PLANT AND EQUIPMENT

Group	Plant, machinery and equipment US\$'000	Furniture, fittings and office equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
Cost:				
At 1 January 2017	2,176	654	595	3,425
Additions	30	8	-	38
Written Off (Note 5)	(9)	-	-	(9)
Disposal	-	(6)	-	(6)
Exchange realignment	157	(7)	40	190
At 31 December 2017 and 1 January 2018	2,354	649	635	3,638
Additions	3	5	22	30
Written Off (Note 5)	(2,357)	(59)	(656)	(3,072)
Exchange realignment	-	2	(1)	1
At 31 December 2018	-	597	-	597
Accumulated depreciation and impairment loss:				
At 1 January 2017	1,897	532	520	2,949
Charge for the financial year (Note 5)	35	77	-	112
Written off (Note 5)	(8)	-	-	(8)
Disposal	-	(6)	-	(6)
Exchange realignment	82	42	35	159
At 31 December 2017 and 1 January 2018	2,006	645	555	3,206
Charge for the financial year (Note 5)	-	28	-	28
Written off (Note 5)	(2,001)	(99)	(554)	(2,654)
Exchange realignment	(5)	(1)	(1)	(7)
At 31 December 2018	-	573	-	573
Net carrying amount:				
At 1 January 2017	279	122	75	476
At 31 December 2017	348	4	80	432
At 31 December 2018	-	24	-	24

Cash outflow for the purchase of other plant and equipment was US\$30,000 (2017: US\$38,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. OTHER PLANT AND EQUIPMENT (continued)

	Furniture, fittings and office equipment US\$'000
Company	
Cost:	
At 1 January 2017	285
Additions	8
Disposal	(6)
At 31 December 2017 and 1 January 2018	287
Additions	4
Written off	(6)
At 31 December 2018	285
Accumulated depreciation and impairment loss:	
At 1 January 2017	237
Charge for the financial year	31
Written off	(6)
At 31 December 2017 and 1 January 2018	262
Charge for the financial year	21
Written off	(6)
At 31 December 2018	277
Net carrying amount:	
At 1 January 2017	48
At 31 December 2017	25
At 31 December 2018	8

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. EXPLORATION AND EVALUATION ASSETS

	Group	
	2018 US\$'000	2017 US\$'000
At 1 January	2,536	2,536
Additions	114	295
Change in decommissioning provision (Note 22)	-	20
Exchange realignment	-	(20)
Impairment loss on exploration and evaluation assets (Note 5)	(114)	(295)
At 31 December	2,536	2,536

Cash outflows for additions of exploration and evaluation assets during the financial year ended 31 December 2018 was US\$62,000 (2017: US\$295,000). There is US\$52,000 accruals made for unpaid costs for the exploration and evaluation expenses in SK331 PSC.

Impairment of exploration and evaluation assets

During the financial year, certain subsidiaries of the Group carried out a review of recoverable amount of its exploration and evaluation assets. An impairment loss of US\$114,000 (2017: US\$295,000), representing the write down of these exploration and evaluation assets to the recoverable amount was recognised in "Other expenses" (Note 5) line item of profit or loss for the financial year ended 31 December 2018. The recoverable amount of the exploration and evaluation assets were based on its value in use and the pre-tax discount rate used was 11.0% (2017: 10.5%).

12. OTHER NON-CURRENT ASSETS

	Group		
	2018 US\$'000	31 December 2017 US\$'000	1 January 2017 US\$'000
Signature bonuses	1,400	-	-
Upfront fees	1,341	-	-
	2,741	-	-

Other non-current assets of US\$2,741,000 comprised signature bonuses and upfront fees paid for the issuance of performance bonds in relation to the signing of new 20-year PSCs for the Basin and Island blocks beyond their current contract expiry in 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT IN SUBSIDIARIES

	Group 31 December 2017 US\$'000	1 January 2017 US\$'000
Unquoted shares, at cost	303	303
Impairment losses	(303)	(303)
	<u>-</u>	<u>-</u>

Details of subsidiaries are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost of investment		Proportion of ownership interest	
		2018 US\$'000	2017 US\$'000	2018 %	2017 %
<i>Held by the Company</i>					
RH Petrogas Investments Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding (Singapore)	273	273	100	100
Tri-M Technologies Inc. ⁽⁴⁾ (United States of America)	Dormant (United States of America)	30	30	100	100
		<u>303</u>	<u>303</u>		

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2018 %	2017 %
<i>Held by subsidiaries</i>			
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
RH Petrogas Singapore Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding (Singapore)	100	100
RH Petrogas Holdings Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding (Singapore)	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT IN SUBSIDIARIES (continued)

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2018 %	2017 %
<i>Held by subsidiaries (continued)</i>			
RH Petrogas Global Ventures Limited ⁽⁴⁾ (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 ⁽⁴⁾ (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	100	100
RHP (Mukah) Pte. Ltd. ⁽¹⁾ (Singapore)	Oil and gas exploration and production (Malaysia)	51	51
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 ⁽³⁾ (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)	82.65	100
Petrogas (Island) Ltd ⁽³⁾ (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	82.65	100

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT IN SUBSIDIARIES (continued)

(a) Subscription of new shares in subsidiaries

On 6 July 2018, the Company signed the following subscription and shareholders' agreement with PT Citra Wahana Abadi ("CWA"):

- i. the Company together with Petrogas Basin Holding B.V. ("PBHBV") (an indirect wholly-owned subsidiary of the Company) and Petrogas (Basin) Ltd. ("PBL") (a direct wholly-owned subsidiary of PBHBV), have signed a subscription and shareholders' agreement with CWA, under which CWA has agreed to subscribe for 314,800 new Class B Shares in PBL representing 17.35% of the Class B Shares in PBL in issue immediately after the completion of such subscription ("PBL Subscription").

PBL currently holds a 34.06% participating interest in, and is the operator of, the Kepala Burung Production Sharing Contract located in West Papua, Indonesia ("Basin PSC"). The PBL Subscription involves the re-designation of 1,500,000 existing ordinary shares in PBL held by PBHBV, as 1,500,000 PBL Class A Shares and 1,500,000 PBL Class B Shares.

Immediately after the completion of the PBL Subscription, PBHBV would hold 100% of PBL Class A Shares and 82.65% of PBL Class B Shares. CWA would hold 17.35% of PBL Class B Shares. The aggregate consideration that PBL received from the PBL Subscription is USD1,001,000 in cash.

- ii. the Company together with Petrogas Island Holding B.V. ("PIHBV") (an indirect wholly-owned subsidiary of the Company), and Petrogas (Island) Ltd. ("PIL") (a wholly-owned subsidiary of PIHBV), have signed a subscription and shareholders' agreement with CWA, under which CWA has agreed to subscribe for 944,400 new Class B Shares in PIL representing 17.35% of the Class B Shares in PIL in issue immediately after the completion of such subscription ("PIL Subscription").

PIL currently holds a non-operating 18.70% participating interest in the Salawati Kepala Burung Production Sharing Contract located in West Papua, Indonesia ("Island PSC"). The PIL Subscription involves the re-designation of 4,500,000 existing ordinary shares in PIL held by PIHBV, as 4,500,000 PIL Class A Shares and 4,500,000 PIL Class B Shares.

Immediately after the completion of the PIL Subscription, PIHBV would hold 100% of PIL Class A Shares and 82.65% of PIL Class B Shares. CWA would hold 17.35% of PIL Class B Shares. The aggregate consideration that PIL received from the PIL Subscription is USD102,000 in cash.

Following the change in the ownership interest, the Company still controls PBL and PIL, retaining 82.65% of the ownership interest in both subsidiaries, resulting in:

	Group	
	2018 US\$'000	2017 US\$'000
Proceeds from issue of new shares	1,103	-
Net assets attributable to non-controlling interests	(134)	-
Increase in equity attributable to parent	969	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INTERESTS IN JOINT OPERATIONS

Contract area (Date of expiry)	Held by (Place of operation)	Description	Company's effective working interest	
			2018 %	2017 %
Fuyu 1 Block (9 January 2038) ⁽¹⁾	Kingworld Resources Limited (Jilin Province, People's Republic of China)	Oil and gas exploration and production	49 ⁽²⁾	49 ⁽²⁾
West Belida Block (4 May 2015) ⁽³⁾	Orchard Energy (West Belida) Limited (Jambi, Indonesia)	Oil and gas exploration	94	94
Basin Block (15 October 2020)	RHP Salawati Basin BV and Petrogas (Basin) Ltd (West Papua, Indonesia)	Oil and gas exploration and production	54.09 ⁽⁴⁾	60
Island Block (22 April 2020)	RHP Salawati Island BV and Petrogas (Island) Ltd (West Papua, Indonesia)	Oil and gas exploration and production	29.97 ⁽⁵⁾	33
SK331 Block (5 December 2017) ⁽⁶⁾	RHP (Mukah) Pte. Ltd. (Sarawak, Malaysia)	Oil and gas exploration	40.8 ⁽⁷⁾	40.8 ⁽⁷⁾

(1) The Fuyu 1 PSC expires after 20 years of production, or 9 January 2038, whichever is earlier.

(2) Under the Fuyu 1 PSC, even though KRL contractually owns 100% working interest ("WI") in the Fuyu 1 Block, CNPC is deemed to have backed in for a 51% WI once commercial production commences based on the sharing of operating costs and profit oil by the partners under the terms of the PSC, leaving KRL with a 49% WI. The PSC enters into the development & production phase following the receipt of the final approval of the Overall Development Plan for the phased development and production of the Yongping field from the National Development and Reform Commission of PRC on 16 October 2014. The Group has reflected the 49% as its effective WI in Fuyu 1 Block since 2009.

(3) The West Belida PSC has expired on 4 May 2015 and is in the process of being relinquished.

(4) Petrogas (Basin) Ltd ("PBL") and RHP Salawati Basin BV ("RHPSB") hold an aggregate of 60% WI in the Basin PSC. PBL is a 82.65% subsidiary of the Group which holds a 34.06% WI, and RHPSB is a wholly-owned subsidiary of the Group which holds a 25.94% WI. The other 17.35% shareholder of PBL is PT Citra Wahana Abadi ("CWA") (Note 13). Hence, the Group's effective WI in the Basin PSC is 54.09%.

(5) Petrogas (Island) Ltd ("PIL") and RHP Salawati Island BV ("RHPSI") hold an aggregate of 33.21% WI in the Island PSC. PIL is a 82.65% subsidiary of the Group which holds a 18.70% WI, and RHPSI is a wholly-owned subsidiary of the Group which holds a 14.51% WI. The other 17.35% shareholder of PBL is CWA (Note 13). Hence, the Group's effective WI in the Island PSC is 29.97%.

(6) The initial three-year exploration period of the PSC expired on 5 December 2015 and this was followed by two consecutive one-year extensions, namely the First Exploration Period Extension and the Second Exploration Period Extension, with the latter having expired on 5 December 2017. In April 2018, PETRONAS approved a further two-year extension, the Third Exploration Period Extension, which extended the exploration period to 5 December 2019.

(7) RHP (Mukah) Pte. Ltd. holds an 80% WI in SK331 Block. The Company holds a 51% equity interest in RHP (Mukah) Pte. Ltd. through its wholly owned subsidiary RH Petrogas Investments Pte. Ltd., with the remaining 49% equity interest held by Tumbuh Tiasa Enterprises Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INTERESTS IN JOINT OPERATIONS (continued)

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 the right to operate the assets and receive production and/or revenue from the sale of oil and gas in accordance with the PSC.

Duration of the PSC

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

Evaluation Period: The evaluation period is for 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 Plan (“ODP”). The evaluation period under the PSC commenced on 1 February 2008 and was extended twice by CNPC and the relevant authorities pending the final approval of the ODP from the relevant authorities. The Group is to bear all costs required for the evaluation operations during the evaluation period.

On 16 October 2014, the National Development and Reform Commission (“NDRC”) approved the ODP for the first phase development of the Yongping oilfield in the Fuyu 1 Block. With the NDRC approval, the Fuyu 1 Block has progressed from the evaluation period to the development period.

Development Period: The development period shall commence after obtaining the government approval of the ODP for 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. Following the receipt of the final ODP approval from NDRC on 16 October 2014, KRL has commenced development at the Yongping oilfield, and has drilled and completed 29 wells in 2015. Further development drilling was suspended due to capital constraints caused by the oil industry downturn which began in late 2014. The approved ODP entails the drilling of up to 1,008 wells over 5 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INTERESTS IN JOINT OPERATIONS (continued)

Fuyu 1 Block (continued)

Duration of the PSC (continued)

Production Period: The production period of the oilfield(s) shall be 20 consecutive production years from the commencement of commercial production of the relevant oilfield. Production from the Yongping oilfield is expected to come on stream progressively as more development wells are being drilled and completed over the development period. While development drilling has been suspended, small-scale oil production is being carried out on selected wells at the Yongping oilfield which yielded around 1,900 barrels of heavy oil during 2018 (2017: 6,200 barrels). The oil produced was delivered to the contracted buyer, CNPC, under an existing sales agreement.

The total duration of the PSC shall not exceed 30 years from the approval of the Ministry of Commerce for the PSC, or latest by 9 January 2038.

Financing and cost recovery

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

Application of proceeds from crude oil production

Under the terms of the PSC, the Contractor, which is KRL, pays 100% of evaluation costs, development costs and 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 partners 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 crude oil will be sold at the agreed point of delivery either in United States Dollars (**US\$**) or in Renminbi (**RMB**), at the election of the Contractor. The selling price of the crude oil produced shall be made with reference to the monthly price of similar quality crude oil prevailing in PRC.

Operator

The Group shall act as the operator for the production operations within the PSC area during the production period. After the Group has recovered all of the development costs incurred, CNPC shall, at any time, have the right to take over as operator by giving written notice to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INTERESTS IN JOINT OPERATIONS (continued)

Fuyu 1 Block (continued)

Reserve

Based on an independent audit performed by an international energy technical advisor specialising in petroleum reservoir evaluation and economic analysis in 2019, the aggregate proved plus probable (“2P”) reserves attributable to Group’s working interests in the Fuyu 1 Block of 12.9 million barrels of oil (“MMBO”) as of 1 January 2018 has been reclassified to best estimate contingent (“2C”) resources. As a result, no 2P reserve was reported for the Fuyu 1 Block as of 1 January 2019, while the 2C resources attributable to the Group’s working interests increased from 14.3 MMBO as of 1 January 2018 to 27.2 MMBO as of 1 January 2019. The reclassification was made in view of the continued suspension of development activities in the block since early 2016 due to uncertainties in the global economies and crude oil price outlook.

Relinquishment

As announced on 8 March 2019, KRL has notified CNPC of its intention to relinquish its working interest in the Fuyu 1 PSC. The current volatile oil price environment and the technical complexities of the field’s development continue to pose significant challenges to the Group’s ability to secure the required funding and to move forward on the project. After assessing the development risks and current market conditions, the Group considers that development of the Yongping oilfield at the Fuyu 1 PSC is no longer tenable. The full relinquishment of the Fuyu 1 block is expected to be completed before the end of 2019.

West Belida Block

Orchard Energy (West Belida) Limited (“OE West Belida”), together with its joint venture partner, P.T. BEL West Belida, were awarded a production sharing contract (“PSC”) in relation to the exploration and production of petroleum in West Belida Block, Jambi, South Sumatra, Indonesia in May 2009. OE West Belida was the operator of the block with a 94% working interest. The PSC had expired on 4 May 2015 and is in the process of being relinquished. All the firm work commitments under the exploration phase of the PSC have been fulfilled.

Basin PSC and Island PSC

The Basin PSC dated October 15, 1970 was renewed on October 7, 1996 (effective October 15, 2000) among 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 International (Bermuda) Ltd, PearlOil (Basin) Ltd (now renamed as Petrogas (Basin) Ltd) (“PBL”), Lundin International S.A. (for which the working interest was transferred to Lundin Salawati Basin B.V. and which is now renamed as RHP Salawati Basin B.V.) and BPMIGAS.

On 6 July 2018, the Group have signed a subscription and shareholders’ agreement with PT Citra Wahana Abadi (“CWA”), under which CWA has agreed to subscribe for 314,800 new Class B Shares in PBL representing 17.35% of the Class B Shares in PBL (“PBL Subscription”) (Note 13). After the completion of PBL Subscription, the Company’s effective working interest in the Basin PSC was reduced from 60% to 54.09%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INTERESTS IN JOINT OPERATIONS (continued)

Basin PSC and Island PSC (continued)

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 (now renamed as Petrogas (Island) Ltd (“PIL”)) and Lundin Indonesia BV (now renamed as RHP Salawati Island B.V.).

On 6 July 2018, the Group have signed a subscription and shareholders’ agreement with CWA, under which CWA has agreed to subscribe for 944,400 new Class B Shares in PIL representing 17.35% of the Class B Shares in PIL (“PIL Subscription”) (Note 13). After the completion of PIL Subscription, the Company’s effective working interest in the Island PSC was reduced from 33.21% to 29.97%.

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 onshore area of 872 km², while the Island PSC covers an area of 1,097 km² including both onshore and offshore areas.

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.

On 11 July 2018, the Group signed two new 20-year production sharing contracts over the existing acreages of each of the Basin PSC (the “New Basin PSC”) and the Island PSC (the “New Island PSC”) which will come into effect upon the expiry of the existing Basin and Island PSCs in 2020. The New Basin PSC and the New Island PSC (collectively the “New PSCs”) were executed by the Company’s subsidiaries Petrogas (Basin) Ltd. and Petrogas (Island) Ltd. respectively with Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (“SKK MIGAS”).

The Group has 70% participating interest in each of the New Basin PSC and the New Island PSC, with the remaining 30% participating interest awarded to Pertamina, the national oil company of Indonesia. Under the New PSCs, a local company owned by the Regional Government in the area where the blocks are located has an option to become a partner (with up to a maximum of 10% participating interest) in each of the blocks and the participants of each block must accommodate such participation in proportion to their respective participation interests.

The New PSCs are based on the gross split model implemented by the Indonesian Government in 2017 to replace the cost recovery regime in existing PSCs. Under the existing cost recovery regime, PSC contractors are entitled to recover their cost of operations in-kind out of gross production before any remaining “profit” production is shared with the Indonesian Government, and PSC contractors are liable to pay tax on their share of such “profit”. Under the gross split regime of the New PSCs, the Indonesian Government and PSC contractors shall share the gross production based on an agreed split, and PSC contractors are liable to pay tax on any profit after deducting the cost of operations incurred from their share of gross production. A signature bonus of US\$1,000,000 for each of the New PSCs has been paid by the Group and Pertamina in proportion to their participating interests upon signing of the New PSCs. Under the New PSCs, contractors are committed to carry out an agreed set of firm work programs during the first five contract years which include geological and geophysical studies, seismic acquisition and processing, exploration well drillings and pilot enhanced oil recovery projects. The gross financial commitment for the firm work programs are US\$61.2 million and US\$36.3 million for the Basin and Island blocks respectively under the New PSCs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INTERESTS IN JOINT OPERATIONS (continued)

Basin PSC and Island PSC (continued)

Production and reserve

The assets are primarily oil-weighted with production from the two PSCs averaging around 4,080 barrels of oil equivalent per day (boepd) net to the Group's working interests (before accounting for the share of non-controlling interest) in 2018 (2017: 3,910 boepd).

Based on an independent audit performed by an international energy technical advisor specialising in petroleum reservoir evaluation and economic analysis in 2019, the proved plus probable ("2P") reserves as of 1 January 2019 for the Basin PSC, the Island PSC and the New PSCs combined was 22.9 million barrels of oil equivalent net to the Group based on its effective working interests in the respective PSCs. The above 2P reserve numbers include the Indonesian Government's share of production under the terms of the PSCs.

SK331 Block Onshore Sarawak

On 6 December 2012, the Group through its then wholly owned subsidiary, RHP (Mukah) Pte. Ltd. ("**RHP (Mukah)**"), entered into a Petroleum Production Sharing Contract ("**PSC**") with Petroliam Nasional Berhad ("**PETRONAS**") for SK331 Block onshore Sarawak covering an area of approximately 8,963 km². The Group operates the SK331 Block with an 80% participating interest, with the remaining 20% owned by its partner, Petronas Carigali Sdn. Bhd., the exploration and production subsidiary of PETRONAS. In 2014, the Company divested 49% of its shareholding interest in RHP (Mukah) to Tumbuh Tiasa Enterprises Sdn. Bhd. The divestment was completed on 24 September 2014 with the Company's effective working interest in the PSC being reduced from 80% to 40.8%.

Contractual commitment

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

The Group has completed all the work commitments under the PSC except for the drilling of one exploration well. The initial 3-year exploration period of the PSC ended on 5 December 2015 and PETRONAS has since approved two consecutive one-year extensions of the exploration period, with the last extension having expired on 5 December 2017. In April 2018, PETRONAS approved a further two-year extension of the exploration period to 5 December 2019 with the outstanding work commitment to drill one wildcat well replaced with 200 line-kilometres of new 2D seismic acquisition and processing program, and the corresponding financial commitment reduced from US\$10 million to US\$5 million.

Duration of the PSC

The PSC shall be for a term of 27 years commencing from 6 December 2012. At the end of the exploration period, if no commercial discovery was made, the PSC would be relinquished. If commercial discoveries of oil and gas were found in any sub-areas within the PSC Contract Area, such area will be converted into development areas, while other areas with no commercial discovery will cease to be part of the Contract Area. 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 or till the expiry of the term of the PSC, whichever is earlier. For projects involving the development of non-associated natural gas, production can be carried out for a period of 20 years commencing from the date of first commercial production or till the expiry of the term of the PSC plus an additional 5 years, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INVENTORIES

	2018 US\$'000	Group 31 December 2017 US\$'000	1 January 2017 US\$'000
Balance sheet:			
Drilling supplies and materials	–	275	265
Well supplies	1,026	521	422
Total inventories at lower of cost and net realisable value	1,026	796	687

	2018 US\$'000	Group 2017 US\$'000
Income statement:		
Inventories recognised as an expense in cost of sales	1,741	126
Write back of inventory obsolescence (Note 5)	(76)	(235)

16. OTHER CURRENT ASSETS

	2018 US\$'000	Group 31 December 2017 US\$'000	1 January 2017 US\$'000	2018 US\$'000	Company 31 December 2017 US\$'000	1 January 2017 US\$'000
Prepaid operating expenses	56	37	34	32	29	28
Upfront fees paid for banking facilities granted	–	–	70	–	–	–
	56	37	104	32	29	28

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 December 2017 US\$'000	1 January 2017 US\$'000	1 January 2017 US\$'000	2018 US\$'000	31 December 2017 US\$'000	1 January 2017 US\$'000
Trade receivables	7,997	5,133	11,520	-	-	-
Share of joint venture receivables	2,795	1,835	3,037	-	-	-
Refundable deposits	404	403	450	398	397	397
Under-lift assets	1,516	803	-	-	-	-
Sundry receivables	624	811	1,018	169	115	408
Total trade and other receivables	13,336	8,985	16,025	567	512	805
Add:						
Amounts due from subsidiaries	-	-	-	10,778	14,153	18,648
Cash and bank balances (Note 19)	13,728	14,058	8,267	784	1,217	755
Less:						
Value added tax receivables	(1,710)	(891)	(1,617)	-	-	-
Under-lift assets	(1,516)	(803)	-	-	-	-
Total financial assets at amortised cost	23,838	21,349	22,675	12,129	15,882	20,208

Trade receivables are non-interest bearing and are generally on 15 to 30 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 are value added tax receivables of US\$1,710,000 (31 December 2017: US\$891,000, 1 January 2017: US\$1,617,000), after allowances of US\$1,228,000 (31 December 2017: US\$1,351,000, 1 January 2017: US\$1,928,000).

Under-lift assets refer to the shortfall in the amount of production that the Group has taken during the period over the Group's ownership share of the production from Basin and Island PSCs. Under-lift assets are measured at fair value through profit or loss using a valuation technique with market observable inputs (Level-2 fair value hierarchy).

Amounts due from subsidiaries

These amounts are non-trade related, unsecured, non-interest bearing and are to be settled in cash. These amounts are stated after allowances of US\$199,205,000 (31 December 2017: US\$199,205,000, 1 January 2017: US\$196,855,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. TRADE AND OTHER RECEIVABLES (continued)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$563,000 (2017: US\$72,000) 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	
	31 December 2017 US\$'000	1 January 2017 US\$'000
Trade receivables past due but not impaired:		
31 to 60 days	72	2
61 to 90 days	-	-
91 to 120 days	-	3
More than 120 days	-	159
	72	164

Receivables that are impaired

The Group's trade receivables, including share of joint venture 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	
	31 December 2017 US\$'000	1 January 2017 US\$'000
Trade receivables-nominal amounts	4,999	4,018
Less: Allowance for impairment	(4,999)	(4,018)
	-	-
Movements in allowance accounts:		
At 1 January	(4,018)	
Charge during the financial year (Note 5)	(981)	
At 31 December	(4,999)	

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. TRADE AND OTHER RECEIVABLES (continued)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group 2018 US\$'000
Movements in allowance accounts:	
At 1 January	(4,999)
Charge during the financial year (Note 5)	(54)
At 31 December	<u>(5,053)</u>

18. DERIVATIVES

	Contract/ Notional Amount	2018 US\$'000	Group 31 December 2017 US\$'000	1 January 2017 US\$'000
Interest rate swaps	US\$6,166,408	-	-	2
Total financial liabilities at fair value through profit or loss		-	-	2

The Group carries its derivatives at fair value, with changes in fair values being recognised in profit or loss. The Group relied on the valuation done by financial institution to assess the fair value as at 1 January 2017. As the Group had fully repaid its outstanding bank loans in June 2017, there is no derivatives liability in the balance sheet as at 31 December 2018 and 2017.

Interest rate swaps

In 2016, the interest rate swaps received floating interest equal to one month LIBOR + 3% per annum, paid fixed rate ranging from 3.8% to 3.9% per annum and matured in 2017. The change in the fair value of these interest rate swaps of US\$2,000 gain (2016: US\$30,000 gain) has been recognised in profit or loss during the year ended 31 December 2017 as part of the net fair value gain on derivatives.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. CASH AND BANK BALANCES

	Group			Company		
	31	1		31	1	
	December	January		December	January	
	2017	2017	2018	2017	2017	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Cash at banks and on hand	7,420	14,058	8,267	784	1,217	755
Short-term deposits pledged	5,000	-	-	-	-	-
	12,420	14,058	8,267	784	1,217	755
Long-term deposits pledged	1,308	-	-	-	-	-
	13,728	14,058	8,267	784	1,217	755

Cash at banks earn interest at floating rates based on daily bank deposit rates.

Cash at banks and on hand denominated in foreign currencies at 31 December are as follows:

	Group			Company		
	31	1		31	1	
	December	January		December	January	
	2017	2017	2018	2017	2017	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
United States Dollar (US\$ or USD)	5,161	140	19	-	-	-
Singapore Dollar (S\$ or SGD)	201	173	96	192	163	87
Euro (€ or EUR)	-	-	6	-	-	-

The Group has short-term deposits pledged of US\$5,000,000 (2017: Nil) to fulfil collateral requirement in relation to the issuance of the bank guarantee to PETRONAS for SK331 PSC and long-term deposits pledged of US\$1,308,000 (2017: Nil) for cash collateral requirement placed with the issuing bank of the performance bonds in relation to the signing of new 20-year PSCs for the Basin and Island blocks beyond their current contract expiry in 2020.

In 2016, there was 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 (collectively, the "project accounts"), totalling US\$2,767,000 as at 31 December 2016. The fixed charge was provided to a bank to fulfil collateral requirements of banking facilities granted by the bank (Note 21). The charge was lifted in 2017 subsequent to the full repayment of such banking facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. CASH AND BANK BALANCES (continued)

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

	2018 US\$'000	Group 31 December 2017 US\$'000	1 January 2017 US\$'000
Cash and bank balances	13,728	14,058	8,267
Less:			
Short-term deposits pledged	(5,000)	-	-
Long-term deposit pledged	(1,308)	-	-
Charge over project accounts	-	-	(2,767)
Cash and cash equivalents	<u>7,420</u>	<u>14,058</u>	<u>5,500</u>

20. TRADE AND OTHER PAYABLES

	2018 US\$'000	Group 31 December 2017 US\$'000	1 January 2017 US\$'000	2018 US\$'000	Company 31 December 2017 US\$'000	1 January 2017 US\$'000
Trade payables	5,231	5,132	3,758	-	-	-
Accrued operating expenses	13,175	14,365	18,081	760	761	571
Accruals for potential cost recovery claims	7,764	7,764	7,764	-	-	-
Proportionate share of joint venture's other payables	4,487	4,487	6,473	-	-	-
Accrued plug and abandonment costs	-	-	1,051	-	-	-
Over-lift liabilities	-	-	294	-	-	-
Payable relating to exploration and evaluation expenditures	2,626	5,307	5,110	-	-	-
Sundry payables	284	96	293	2	2	2
Total trade and other payables	<u>33,567</u>	<u>37,151</u>	<u>42,824</u>	<u>762</u>	<u>763</u>	<u>573</u>
Add:						
Loans and borrowings (Note 21)	13,868	16,856	23,049	11,220	14,057	14,253
Loan from non-controlling interest	12,724	10,083	9,765	-	-	-
Less:						
Over-lift liabilities	-	-	(294)	-	-	-
Total financial liabilities carried at amortised cost	<u>60,159</u>	<u>64,090</u>	<u>75,344</u>	<u>11,982</u>	<u>14,820</u>	<u>14,826</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. TRADE AND OTHER PAYABLES (continued)

Accruals for potential cost recovery claims arose from net working capital adjustments on the 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 potential claims by Indonesia Government subject to the audit of certain cost recovery claims in both the Basin and Island PSCs.

Over-lift liabilities refer to the excess in the amount of production that the Group has taken during the period over the Group's ownership share of the production from Basin and Island PSCs. Over-lift liabilities are measured at fair value through profit or loss using a valuation technique with market observable inputs (Level-2 fair value hierarchy).

The loan from non-controlling interest represents the funds contributed by Tumbuh Tiasa Enterprises Sdn. Bhd. for cash calls for SK331 block.

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

	Group			Company		
	31	1		31	1	
	December	January		December	January	
	2017	2017	2018	2017	2017	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Singapore Dollar (SGD)	767	768	573	763	573	
Malaysian Ringgit (MYR)	252	220	38	-	-	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. LOANS AND BORROWINGS

	Maturity	Group				Company	
		2018 US\$'000	31 December 2017 US\$'000	1 January 2017 US\$'000	2018 US\$'000	31 December 2017 US\$'000	1 January 2017 US\$'000
Current							
USD Term Loan 1	2017	-	-	2,066	-	-	-
USD Term Loan 2	2017	-	-	4,100	-	-	-
Loans from related parties	2018	2,500	2,000	-	2,500	2,000	-
		<u>2,500</u>	<u>2,000</u>	<u>6,166</u>	<u>2,500</u>	<u>2,000</u>	<u>-</u>
Non-current							
Loans from related parties		11,368	14,856	16,883	8,720	12,057	14,253
		<u>11,368</u>	<u>14,856</u>	<u>16,883</u>	<u>8,720</u>	<u>12,057</u>	<u>14,253</u>
Total loans and borrowings		<u>13,868</u>	<u>16,856</u>	<u>23,049</u>	<u>11,220</u>	<u>14,057</u>	<u>14,253</u>

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 58 monthly equal instalments of US\$440,000 and a final instalment in May 2017. Term Loan 2 is repayable in 43 equal instalments of US\$700,000 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 19), 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 a director, Tan Sri Datuk Sir Tiong Hiew King.

The bank loans had been fully repaid on 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. LOANS AND BORROWINGS (continued)

Loans from related parties

During the financial year, the Group has made a net repayment of advances of US\$2,641,000 (2017: US\$917,000) to its related parties which two directors have a substantial interest.

During the financial year, interest free loans of US\$2,500,000 from related parties are classified as current liabilities as the Group intends to repay this amount in 2019.

Loan from related parties denominated in foreign currencies at 31 December are as follows:

	Group			Company		
	31	1		31	1	
	December	January		December	January	
	2017	2017	2018	2017	2017	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Singapore Dollar (SGD)	6,818	7,514	8,792	6,818	8,792	
Renminbi (RMB)	2,648	2,799	2,630	-	-	

A reconciliation of liabilities arising from financing activities is as follows:

	2017	Cash flows	Non-cash changes		2018
			Foreign exchange movement	Others	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loans from related parties					
- current	2,000	(2,000)	-	2,500	2,500
- non-current	14,856	(641)	(347)	(2,500)	11,368
	16,856	(2,641)	(347)	-	13,868

The 'others' column relates to reclassification of US\$2,500,000 from non-current to current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. LOANS AND BORROWINGS (continued)

A reconciliation of liabilities arising from financing activities is as follows:

	2016 US\$'000	Cash flows US\$'000	Non-cash changes		2017 US\$'000
			Foreign exchange movement US\$'000	Others US\$'000	
USD Term Loan 1	2,066	(2,066)	-	-	-
USD Term Loan 2	4,100	(4,100)	-	-	-
Loans from related parties					
– current	-	-	-	2,000	2,000
– non-current	16,883	(917)	890	(2,000)	14,856
	<u>23,049</u>	<u>(7,083)</u>	<u>890</u>	<u>-</u>	<u>16,856</u>

The 'others' column relates to reclassification of US\$2,000,000 from non-current to current liabilities.

22. PROVISIONS

	2018 US\$'000	Group 31 December 2017 US\$'000	1 January 2017 US\$'000
Termination liabilities	2,824	1,899	842
Decommissioning provision	10,392	9,942	9,807
	<u>13,216</u>	<u>11,841</u>	<u>10,649</u>
Less: Cash calls contributed for			
– Termination liabilities	(2,074)	(1,354)	(767)
– Decommissioning provision	(8,953)	(8,109)	(6,966)
	<u>(11,027)</u>	<u>(9,463)</u>	<u>(7,733)</u>
	<u>2,189</u>	<u>2,378</u>	<u>2,916</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. PROVISIONS (continued)

Termination liabilities

The Basin PSC and Island PSC have defined termination and repatriation indemnities plans covering all national employees who meet eligibility requirements in accordance with Indonesian laws. 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	
	2018	2017
	US\$'000	US\$'000
At 1 January	1,899	842
Addition/(utilisation)	81	(86)
Charge for the financial year (Note 5)	844	1,143
At 31 December	<u>2,824</u>	<u>1,899</u>

Decommissioning provision

The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities.

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties and exploration and evaluation assets, 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 Operator and 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 2018 range from 5% to 10% (2017: 5% to 10%).

For Basin and Island PSCs, funds are specifically set aside in United States Dollar time deposit accounts for the future costs related to assets retirement obligations. The funds set aside cannot be used for other purposes. If any area or field was taken over prior to its abandonment, the existing PSC contractors 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 the new PSC contractors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. PROVISIONS (continued)

Decommissioning provision (continued)

	Group	
	2018 US\$'000	2017 US\$'000
At 1 January	9,942	9,807
Changes in decommissioning provision	–	20
Unwinding of discount (Note 5)	450	115
At 31 December	10,392	9,942
The changes in decommissioning provisions are related to:		
– Exploration and evaluation assets (Note 11)	–	20

23. DEFERRED TAX

Deferred tax at 31 December relates to the following:

	Consolidated balance sheet			Consolidated income statement	
	2018 US\$'000	31 December 2017 US\$'000	1 January 2017 US\$'000	2018 US\$'000	2017 US\$'000
<i>Deferred tax liabilities:</i>					
Differences in depreciation for tax purposes	10,674	12,739	16,264	(2,065)	(3,525)
Fair value adjustments on acquisition of subsidiaries	3,805	4,445	4,986	(640)	(541)
Impairment of oil and gas properties	(12,507)	(16,453)	(17,759)	3,946	1,306
	1,972	731	3,491		
<i>Deferred tax assets:</i>					
Provisions	–	–	(916)	–	916
	1,972	731	2,575		
Deferred tax expense/(credit)				1,241	(1,844)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. DEFERRED TAX (continued)

Unrecognised tax losses

At the end of the reporting period, the Group and the Company have tax losses of approximately US\$33,876,000 (2017: US\$33,690,000) and US\$33,876,000 (2017: US\$33,690,000) 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.

24. OTHER LIABILITIES

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 field's 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.

As at 31 December 2018 and 2017 and 1 January 2017, the fair value of the contingent liabilities is Nil, as the Group does not expect to develop the field due to a sustained low crude oil price environment.

25. SHARE CAPITAL

	Group and Company			
	2018		2017	
	No. of shares '000	US\$'000	No. of shares '000	US\$'000
Issued and fully paid:				
At beginning and end of the reporting year	<u>734,277</u>	<u>258,160</u>	<u>734,277</u>	<u>258,160</u>

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.

26. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. RESERVES (continued)

(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.

(c) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to selected directors and employees (Note 27). 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.

(d) Equity reserve

Equity reserve represents the difference paid by minority interests over its proportionate share of assets/liabilities acquired.

27. EMPLOYEE BENEFITS

	Group	
	2018 US\$'000	2017 US\$'000
Employee benefits expense (including directors):		
Salaries and bonus	1,922	1,713
Central Provident Fund contributions	137	148
Share-based payments:		
– Employee share-option plan	61	2
Other short-term benefits	266	250
	2,386	2,113

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 except for general offer in the event of a take-over being made for the Company's shares. 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 during both year 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. EMPLOYEE BENEFITS (continued)

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:

	2018		2017	
	Number	WAEP S\$	Number	WAEP S\$
Outstanding at 1 January	6,636,700	0.289	5,725,700	0.347
– Granted	2,000,000	0.074	1,450,000	0.084
– Forfeited	(176,700)	0.201	(255,000)	0.329
– Expired	(2,000,000)	0.420	(284,000)	0.370
Outstanding at 31 December	6,460,000	0.185	6,636,700	0.289
Exercisable at 31 December	3,090,000	0.301	5,186,700	0.347

The weighted average fair value of the option granted during the financial year was S\$0.068 (2017: S\$0.069). The range of exercise prices for options outstanding at the end of the financial year was S\$0.074 to S\$0.420 (2017: S\$0.084 to S\$0.420). The weighted average remaining contractual life for these options is 2.43 years (2017: 1.93 years).

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 financial year ended 31 December 2018 and 2017:

	2018	2017
Dividend yield (%)	0.00	0.00
Expected volatility (%)	94.50	77.30
Risk-free interest rate (% p.a.)	2.04	1.25
Expected life of option (years)	5.00	5.00
Share price (S\$)	0.092	0.105
Exercise price (S\$)	0.074	0.084

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Group	
	2018 US\$'000	2017 US\$'000
Short-term employee benefits	1,479	1,253
Central Provident Fund contributions	39	31
Other short-term benefits	183	180
Share-based payments	56	53
Total compensation paid to key management personnel	1,757	1,517
Comprise amounts paid to:		
– Directors of the Company	978	849
– Other key management personnel	779	668
	1,757	1,517

Directors' interests in employee share option plan

At the end of the reporting period, the number of outstanding share options granted to the Company's directors under the RHP Share Option Scheme 2011 was 3,550,000 (2017: 2,710,000 options).

29. COMMITMENTS

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 5 years.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to US\$520,000 (2017: US\$610,000).

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

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Not later than one year	436	515	89	136
Later than one year but not later than five years	512	966	–	91
	948	1,481	89	227

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. COMMITMENTS (continued)

Capital commitments

	Group	
	2018 US\$'000	2017 US\$'000
Contractual commitments in respect of evaluation and exploration expenditures	56,411	–

30. 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, foreign currency risk and commodity price risk. The Board of Directors reviews and agrees on 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 trading in 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.

(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 bank balances), 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.

The Group's lifetime expected credit losses for all trade receivables is minimal, as they are secured by letters of credit and are generally collected within 30 days and there has been no history of default.

The Company assessed the latest performance and financial position of the subsidiaries, adjusted for the future outlook of the industry in which the subsidiaries operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month expected credit loss ("ECL") and determined that the ECL is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Exposure to credit risk

As at 1 January 2017, the Company's maximum exposure to credit risk is represented by a nominal amount of US\$6,166,000 relating to guarantees provided by the Company and certain of its subsidiaries to a bank on a subsidiary's bank loan. As the bank loans had been fully repaid on 30 June 2017, there is no exposure to credit risk as at 31 December 2017 and 2018 (Note 21).

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring its trade receivables by contract area on an on-going basis. At the end of the reporting period, the Group's trade receivables are mainly from Basin and Island PSCs as the other contract areas are still in exploration and development stage.

86% (2017: 94%) of the Group's trade receivables were due from one major customer (2017: one major customer) who is in the oil and gas industry located in Indonesia (2017: Indonesia). The Group's revenue is mainly contributed by this one customer (2017: one customer).

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 bank balances are placed 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 17.

(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 interest free loans from related parties.

Analysis of financial instruments by remaining contractual maturities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	Group			Total US\$'000
	1 year or less US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000	
2018				
Financial assets:				
Trade and other receivables	11,626	–	–	11,626
Cash and bank balances	12,420	1,308	–	13,728
Total undiscounted financial assets	24,046	1,308	–	25,354
Financial liabilities:				
Trade and other payables	33,567	–	–	33,567
Loans and borrowings	2,500	11,368	–	13,868
Loan from non-controlling interest	–	12,724	–	12,724
Total undiscounted financial liabilities	36,067	24,092	–	60,159
Net undiscounted financial liabilities	(12,021)	(22,784)	–	(34,805)
	Group			Total US\$'000
	1 year or less US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000	
2017				
Financial assets:				
Trade and other receivables	8,094	–	–	8,094
Cash and bank balances	14,058	–	–	14,058
Total undiscounted financial assets	22,152	–	–	22,152
Financial liabilities:				
Trade and other payables	37,151	–	–	37,151
Loans and borrowings	2,000	14,856	–	16,856
Loan from non-controlling interest	–	10,083	–	10,083
Total undiscounted financial liabilities	39,151	24,939	–	64,090
Net undiscounted financial liabilities	(16,999)	(24,939)	–	(41,938)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(b) Liquidity risk (continued)**

Analysis of financial instruments by remaining contractual maturities (continued)

	Company			Total US\$'000
	1 year or less US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000	
2018				
Financial assets:				
Trade and other receivables	567	-	-	567
Amounts due from subsidiaries	-	-	10,778	10,778
Cash and bank balances	784	-	-	784
Total undiscounted financial assets	1,351	-	10,778	12,129
Financial liabilities:				
Trade and other payables	762	-	-	762
Loans and borrowings	2,500	8,720	-	11,220
Total undiscounted financial liabilities	3,262	8,720	-	11,982
Net undiscounted financial (liabilities)/assets	(1,911)	(8,720)	10,778	147
2017				
Financial assets:				
Trade and other receivables	512	-	-	512
Amounts due from subsidiaries	-	-	14,153	14,153
Cash and bank balances	1,217	-	-	1,217
Total undiscounted financial assets	1,729	-	14,153	15,882
Financial liabilities:				
Trade and other payables	763	-	-	763
Loans and borrowings	2,000	12,057	-	14,057
Total undiscounted financial liabilities	2,763	12,057	-	14,820
Net undiscounted financial (liabilities)/assets	(1,034)	(12,057)	14,153	1,062

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) 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") (2017: USD, MYR, RMB). The foreign currencies in which these transactions are denominated are mainly in SGD and RMB (2017: SGD and RMB). The Group's trade receivables are denominated 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 20.

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 19.

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 (2017: PRC).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit (2017: profit) before tax to a reasonably possible change in the SGD and RMB exchange rates against USD, with all other variables held constant.

		Group	
		2018	2017
		US\$'000	US\$'000
		<u>Profit before tax</u>	<u>Profit before tax</u>
USD/SGD	– strengthened 3% (2017: 3%)	+235	+241
	– weakened 3% (2017: 3%)	-235	-241
USD/RMB	– strengthened 3% (2017: 3%)	+78	+73
	– weakened 3% (2017: 3%)	-78	-73

(d) Commodity price risk

The Group is exposed to the risk of fluctuations 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 contract-based prices with customers. In both 2017 and 2018, the Group did not enter into derivative commodity contracts to hedge against its commodity price risk arising from the sale of oil and gas products.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. 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, issue new shares or to obtain loans from related parties. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

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 bank balances. Capital includes equity attributable to the owners of the Company.

	Group	
	2018 US\$'000	2017 US\$'000
Loans and borrowings (Note 21)	13,868	16,856
Trade and other payables (Note 20)	33,567	37,151
Less: Cash and bank balances (Note 19)	(13,728)	(14,058)
<i>Net debt</i>	33,707	39,949
Equity attributable to the owners of the Company, representing total capital	(13,215)	(20,261)
Capital and net debt	N.M.	N.M.
Gearing ratio	N.M.	N.M.

N.M.: not meaningful

NOTES TO THE FINANCIAL STATEMENTS

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32. 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).

No operating segments have been aggregated to form the above reportable operating segment.

(US\$'000)	Oil and gas		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2018	2017	2018	2017		2018	2017
Revenue	<u>61,918</u>	<u>55,457</u>	<u>-</u>	<u>-</u>		<u>61,918</u>	<u>55,457</u>
Results:							
Allowance for doubtful trade receivables	(54)	(981)	-	-		(54)	(981)
Depreciation and amortisation	(4,507)	(7,585)	-	-		(4,507)	(7,585)
Finance costs	(450)	(203)	-	-		(450)	(203)
Impairment loss on development expenditures	(73)	(1,176)	-	-		(73)	(1,176)
Impairment loss on exploration and evaluation assets	(114)	(295)	-	-		(114)	(295)
Interest income	46	18	-	-		46	18
Net fair value gain on derivatives	-	2	-	-		-	2
Segment profit before tax	8,488	8,675	-	-		8,488	8,675
Settlement of disallowed cost by partner	-	5,462	-	-		-	5,462
Share-based payments	(61)	(2)	-	-		(61)	(2)
Write back of inventory obsolescence	76	235	-	-		76	235
Write back of exploration and evaluation payables and accrued plug and abandonment costs	<u>2,550</u>	<u>1,869</u>	<u>-</u>	<u>-</u>		<u>2,550</u>	<u>1,869</u>
Assets							
Total capital expenditure	3,205	3,199	-	-	A	3,205	3,199
Segment assets	<u>42,752</u>	<u>38,493</u>	<u>-</u>	<u>-</u>		<u>42,752</u>	<u>38,493</u>
Segment liabilities	<u>62,348</u>	<u>66,468</u>	<u>3,436</u>	<u>2,488</u>	B	<u>65,784</u>	<u>68,956</u>

Note: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. SEGMENT INFORMATION (continued)

(A) Total capital expenditure is consisted of the following additions:

	Group	
	2018 US\$'000	2017 US\$'000
Additions in:		
– Oil and gas properties	2,988	1,690
– Exploration and evaluation assets	114	295
– Development expenditures	73	1,176
– Other plant and equipment	30	38
	3,205	3,199

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

	2018 US\$'000	2017 US\$'000
Income tax payable	1,464	1,757
Deferred tax liabilities	1,972	731
	3,436	2,488

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	
	2018	2017	2018	2017	2018	2017	2018	2017
(US\$'000)								
By geographical market								
Indonesia	61,808	55,182	36,091	35,496	2,988	1,690	4,479	7,473
People's Republic of								
China	110	275	195	1,171	99	1,206	–	36
Singapore	–	–	1,390	1,784	4	8	20	32
Malaysia	–	–	5,076	42	114	295	8	44
	61,918	55,457	42,752	38,493	3,205	3,199	4,507	7,585

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. SEGMENT INFORMATION (continued)

Information about major customer

The Group derives revenue from one major customer (2017: one major customer) as follows:

	2018	2017
	US\$'000	US\$'000
Customer A	<u>55,615</u>	<u>49,338</u>

33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 29 March 2019.

SUMMARY OF RESERVES AND RESOURCES

NAME OF ASSET/COUNTRY: CHINA

Asset Name	Issuer's Effective Working Interest	Development Status	Licence Expiry Date	Licence Area	Type of mineral, oil or gas deposit
Fuyu 1 PSC	49%	Development	9 January 2038	255 km ²	Oil

Category	Gross Attributable to Licence (MMbbl/Bcf) ⁽¹⁾⁽⁴⁾	Net Attributable to Issuer ⁽²⁾		Risk Factors ⁽⁵⁾	Remarks
		(MMbbl/Bcf) ⁽¹⁾⁽⁴⁾	Change from previous update (%) ⁽³⁾		
RESERVES					
OIL RESERVES					
1P	N/A	N/A	-100% ⁽⁶⁾		
2P	N/A	N/A	-100% ⁽⁶⁾		
3P	N/A	N/A	-100% ⁽⁶⁾		
NATURAL GAS RESERVES					
1P	N/A	N/A	N/A		
2P	N/A	N/A	N/A		
3P	N/A	N/A	N/A		
NATURAL GAS LIQUIDS RESERVES					
1P	N/A	N/A	N/A		
2P	N/A	N/A	N/A		
3P	N/A	N/A	N/A		
CONTINGENT RESOURCES					
OIL					
1C	45.4	22.2	81% ⁽⁶⁾	40%	
2C	55.4	27.2	90% ⁽⁶⁾	40%	
3C	64.4	31.6	95% ⁽⁶⁾	40%	
NATURAL GAS					
1C	N/A	N/A	N/A		
2C	N/A	N/A	N/A		
3C	N/A	N/A	N/A		
NATURAL GAS LIQUIDS					
1C	N/A	N/A	N/A		
2C	N/A	N/A	N/A		
3C	N/A	N/A	N/A		

SUMMARY OF RESERVES AND RESOURCES

Category	Gross Attributable to Licence (MMbbl/Bcf) ⁽¹⁾⁽⁴⁾	Net Attributable to Issuer ⁽²⁾		Risk Factors ⁽⁵⁾	Remarks
		(MMbbl/Bcf) ⁽¹⁾⁽⁴⁾	Change from previous update (%) ⁽³⁾		
PROSPECTIVE RESOURCE					
OIL					
Low Estimate	N/A	N/A	N/A		
Best Estimate	N/A	N/A	N/A		
High Estimate	N/A	N/A	N/A		
NATURAL GAS					
Low Estimate	N/A	N/A	N/A		
Best Estimate	N/A	N/A	N/A		
High Estimate	N/A	N/A	N/A		

Notes:

N/A – Not applicable

- (1) The volumes reported under these columns are as of 1 January 2019.
- (2) Net Attributable to Issuer means the Company's effective working interest share under the PSC. The Company is entitled to a share of these volumes after considering the Chinese Government's share pursuant to the terms of the PSC.
- (3) Previous evaluation was conducted by RPS Energy Consultants Limited with an effective date of 1 January 2018.
- (4) The volumes presented in this report have been estimated using the March 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System ("SPE PRMS") as the standard for classification and reporting.
- (5) Applicable to Resources. "Risk Factor" for Contingent Resources means the estimated chance, or probability, that the volumes will be commercially extracted.
- (6) As RH Petrogas has advised RPS that the development of the Yongping oilfield is currently on hold due to uncertainties in global economies and crude oil price outlook, and the Company is also unable to confirm the start date of the recommencement of the field development programme, RPS has changed the classification of all recoverable volumes that were previously classified as Reserves to Contingent Resources.

1P : Proved
 2P : Proved + Probable
 3P : Proved + Probable + Possible
 1C : Low Estimate Contingent Resource
 2C : Best Estimate Contingent Resource
 3C : High Estimate Contingent Resource

MMbbl : Million barrels
 Bcf : Billion cubic feet

Name of Qualified Person : Gordon Taylor of RPS Energy Consultants Limited
 Date : 14th Feb 2019
 Professional Society Affiliation/Membership : Fellow, Geological Society, Chartered Geologist (C. Geol)
 Member, Institute Materials, Minerals & Mining, Chartered Engineer (C.Eng)

SUMMARY OF RESERVES AND RESOURCES

NAME OF ASSET/COUNTRY: INDONESIA

Asset Name	Issuer's Effective Working Interest	Development Status	Licence Expiry Date	Licence Area	Type of mineral, oil or gas deposit
Basin PSC	54.0913%	Production	15 October 2020	872 km ²	Oil and Gas
Island PSC	29.9702%	Production	22 April 2020	1,097 km ²	Oil and Gas
New Basin PSC [#]	57.8578%	Production	15 October 2040	1,030 km ²	Oil and Gas
New Island PSC [#]	57.8578%	Production	22 April 2040	1,137 km ²	Oil and Gas

The New Basin PSC and New Island PSC will come into effect upon the expiry of the existing Basin PSC and Island PSC in 2020 respectively.

Category	Gross Attributable to Licence (MMbbl/Bcf) ⁽¹⁾⁽⁴⁾	Net Attributable to Issuer ⁽²⁾		Risk Factors ⁽⁵⁾	Remarks
		(MMbbl/Bcf) ⁽¹⁾⁽⁴⁾	Change from previous update (%) ⁽³⁾		
RESERVES					
OIL RESERVES					
1P	25.7	14.5	433% ⁽⁶⁾		
2P	39.3	22.4	627% ⁽⁶⁾		
3P	45.3	25.9	665% ⁽⁶⁾		
NATURAL GAS RESERVES					
1P	5.9	3.2	-41% ⁽⁷⁾		
2P	5.9	3.2	-41% ⁽⁷⁾		
3P	5.9	3.2	-41% ⁽⁷⁾		
NATURAL GAS LIQUIDS RESERVES					
1P	N/A	N/A	N/A		
2P	N/A	N/A	N/A		
3P	N/A	N/A	N/A		
CONTINGENT RESOURCES					
OIL					
1C	39.2	22.7	170% ⁽⁶⁾	70%	
2C	44.1	25.5	93% ⁽⁶⁾	70%	
3C	58.2	33.7	80% ⁽⁶⁾	70%	
NATURAL GAS					
1C	283.4	163.5	123% ⁽⁶⁾	70%	
2C	425.1	245.5	96% ⁽⁶⁾	70%	
3C	605.8	350.0	85% ⁽⁶⁾	70%	
NATURAL GAS LIQUIDS					
1C	N/A	N/A	N/A		
2C	N/A	N/A	N/A		
3C	N/A	N/A	N/A		

SUMMARY OF RESERVES AND RESOURCES

Category	Gross Attributable to Licence (MMbbl/Bcf) ⁽¹⁾⁽⁴⁾	Net Attributable to Issuer ⁽²⁾		Risk Factors ⁽⁵⁾	Remarks
		(MMbbl/Bcf) ⁽¹⁾⁽⁴⁾	Change from previous update (%) ⁽³⁾		
PROSPECTIVE RESOURCE					
OIL					
Low Estimate	N/A	N/A	N/A		
Best Estimate	N/A	N/A	N/A		
High Estimate	N/A	N/A	N/A		
NATURAL GAS					
Low Estimate	N/A	N/A	N/A		
Best Estimate	N/A	N/A	N/A		
High Estimate	N/A	N/A	N/A		

Notes:

N/A – Not applicable

- (1) The volumes reported under these columns are as of 1 January 2019.
- (2) Net Attributable to Issuer means the Company's effective working interest share under the respective PSCs. The Company is entitled to a share of these volumes after considering the Indonesian Government's share pursuant to the terms of the PSCs.
- (3) Previous evaluation was conducted by RPS Energy Consultants Limited with an effective date of 1 January 2018.
- (4) The volumes presented in this report have been estimated using the March 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System ("SPE PRMS") as the standard for classification and reporting.
- (5) Applicable to Resources. "Risk Factor" for Contingent Resources means the estimated chance, or probability, that the volumes will be commercially extracted.
- (6) The increases in both Reserves and Contingent Resources from the previous update are due mainly to the new 20-year PSCs (namely the New Basin PSC and the New Island PSC) which were signed during 2018 and which will succeed the existing Basin PSC and Island PSC over essentially the same acreages when they expire in 2020.
- (7) Gas Reserves are based on gas sales forecasts up to the expiry of the existing Basin PSC and Island PSC in 2020. The decrease in Gas Reserves from the previous update of 1 January 2018 is due mainly to the sale and offtake of gas during 2018.

1P : Proved
 2P : Proved + Probable
 3P : Proved + Probable + Possible
 1C : Low Estimate Contingent Resource
 2C : Best Estimate Contingent Resource
 3C : High Estimate Contingent Resource

MMbbl : Million barrels
 Bcf : Billion cubic feet

Name of Qualified Person : Gordon Taylor of RPS Energy Consultants Limited
Date : 14th Feb 2019
Professional Society Affiliation/Membership : Fellow, Geological Society, Chartered Geologist (C. Geol)
 Member, Institute Materials, Minerals & Mining, Chartered Engineer (C.Eng)

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2019

Issued and fully paid share capital	:	321,987,379.61
Total number of shares in issue	:	734,277,400
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

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 35.52% of the issued ordinary shares of the Company were held in the hands of the public as at 15 March 2019 and therefore Rule 723 of the Listing Manual is complied with.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.03	27	0.00
100 – 1,000	625	19.81	609,020	0.08
1,001 – 10,000	968	30.68	6,365,023	0.87
10,001 – 1,000,000	1,535	48.65	117,213,079	15.96
1,000,001 AND ABOVE	26	0.83	610,090,251	83.09
TOTAL	3,155	100.00	734,277,400	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SURREYVILLE PTE LTD	212,073,086	28.88
2	SHARPTONE INVESTMENTS LIMITED	132,825,203	18.09
3	RH CAPITAL LIMITED	110,347,154	15.03
4	RHB SECURITIES SINGAPORE PTE LTD	49,742,595	6.77
5	CITIBANK NOMINEES SINGAPORE PTE LTD	17,728,000	2.41
6	RAFFLES NOMINEES (PTE) LIMITED	12,167,800	1.66
7	UOB KAY HIAN PRIVATE LIMITED	9,251,060	1.26
8	OCBC SECURITIES PRIVATE LIMITED	8,037,700	1.09
9	DBS NOMINEES (PRIVATE) LIMITED	6,670,723	0.91
10	MAYBANK KIM ENG SECURITIES PTE LTD	6,350,000	0.86
11	HSBC (SINGAPORE) NOMINEES PTE LTD	6,100,000	0.83
12	TING SIE TECK	5,173,000	0.70
13	TAN YEW CHYE	4,950,000	0.67
14	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	4,433,573	0.60
15	WONG YIING NGIK	4,293,000	0.58
16	PHILLIP SECURITIES PTE LTD	3,150,600	0.43
17	UNITED OVERSEAS BANK NOMINEES (PTE) LTD	2,700,000	0.37
18	TAN YEW SENG	2,500,000	0.34
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,958,400	0.27
20	LIM & TAN SECURITIES PTE LTD	1,666,000	0.23
	TOTAL	602,117,894	81.98

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Tan Sri Datuk Sir Tiong Hiew King ⁽¹⁾	580,000	0.08	472,845,443	64.40
Dato' Sri Dr Tiong Ik King ⁽²⁾	0	0	212,073,086	28.88
The Estate of Tiong Kiu King, Deceased ⁽³⁾	0	0	132,825,203	18.09
Sharptone Investments Limited ^{(1),(3)}	132,825,203	18.09	0	0
Surreyville Pte Ltd ^{(1),(2)}	212,073,086	28.88	0	0
Woodsville International Limited ^{(1),(2)}	0	0	212,073,086	28.88
RH Capital Limited ⁽¹⁾	110,347,154	15.03	0	0

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; (iii) 110,347,154 shares held/owned by RH Capital Limited which arises from his shareholding in RH Capital Limited; and (iv) 17,600,000 shares held by Subur Tiasa Holdings Berhad ("**Subur Tiasa**"), which arises from his substantial shareholdings in Tiong Toh Siong Holdings Sdn. Bhd., Tiong Toh Siong Enterprises Sdn. Bhd., Tiong Toh Siong & Sons Sdn. Bhd. and Teck Sing Lik Enterprise Sdn. Bhd., which are shareholders/substantial shareholders of Subur Tiasa.
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 its shareholding in Sharptone.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE SGX-ST LISTING MANUAL

Dato' Sri Dr Tiong Ik King and Mr Tiong Kiong King are the retiring Directors who are seeking re-election at the forthcoming Annual General Meeting ("AGM") of the Company to be convened on 26 April 2019 under Ordinary Resolutions 3 and 4 as set out in the Notice of AGM dated 11 April 2019. Pursuant to Rule 720(6) of the SGX-ST Listing Manual, the information relating to the retiring Directors, in accordance to Appendix 7.4.1 of the SGX-ST Listing Manual, is set out below:

Name of Director	Dato' Sri Dr Tiong Ik King	Tiong Kiong King
Date of Appointment	7 Mar 1997	15 Sep 2016
Date of Last Re-Appointment	27 Apr 2017	27 Apr 2017
Age	68	71
Country of principal residence	Singapore	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Upon the recommendation of the Nominating Committee, which had reviewed the credentials, qualification, knowledge, contributions and experience of Dato' Sri Dr Tiong Ik King, the Board of Directors approved his re-election as Deputy Chairman and Non-Executive and Non-Independent Director of the Company and approved his appointment as the Non-Executive and Non-Independent Chairman of the Company, to succeed Tan Sri Datuk Sir Tiong Hiew King, following Tan Sri Datuk Sir Tiong Hiew King's retirement and Dato' Sri Dr Tiong Ik King's re-election as Director at the conclusion of the forthcoming AGM.	Upon the recommendation of the Nominating Committee, which had reviewed the credentials, qualification, knowledge, contributions and experience of Mr Tiong Kiong King, the Board of Directors approved his re-election as a Non-Executive and Non-Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Deputy Chairman, Non-Executive and Non-Independent Director and Member of the Audit, Nominating and Remuneration Committees	Non-Executive and Non-Independent Director
Professional qualifications	Bachelor of Medicine, Bachelor of Surgery, National University of Singapore Member of the Royal Colleges of Physicians, United Kingdom	Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Dato' Sri Dr Tiong Ik King	Tiong Kiong King
Working experience and occupation(s) during the past 10 years	<p>Mar 1995 – Present, Non-Independent Non-Executive Director, Jaya Tiasa Holdings Berhad</p> <p>Oct 1995 – Mar 2017, Executive Director, Media Chinese International Limited</p> <p>Apr 2017 – Mar 2018, Non-Executive Director, Media Chinese International Limited</p> <p>Apr 2018 – Present, Non-Executive Chairman, Media Chinese International Limited</p> <p>Mar 2008 – Mar 2017, Executive Director, RH Petrogas Limited</p> <p>Mar 2017- Mar 2018, Non-Executive and Non-Independent Director, RH Petrogas Limited</p> <p>Mar 2018 – Present, Deputy Chairman, Non-Executive and Non-Independent Director, RH Petrogas Limited</p>	<p>May 1976 - Present, Executive Director, Rimbunan Hijau Group</p> <p>Feb 2006 – Present, Vice Chairman, Rimbunan Sawit Berhad</p> <p>Mar 2013 – Present, Chairman, Subur Tiasa Holdings Berhad</p> <p>Sep 2016 – Present, Non-Executive and Non-Independent Director, RH Petrogas Limited</p>
Shareholding interest in the listed issuer and its subsidiaries	Yes	No
Shareholding Details	Deemed interest of 212,073,086 ordinary shares of RH Petrogas Limited, arising from his shareholding in Woodsville International Limited, the holding company of Surreyville Pte Ltd, which is the registered member holding 212,073,086 ordinary shares of RH Petrogas Limited.	Not Applicable
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Brother of Tan Sri Datuk Sir Tiong Hiew King Executive Chairman (retiring at the conclusion of the forthcoming AGM) and substantial shareholder of the Company and Tiong Kiong King, Non-Executive and Non-Independent Director of the Company.	Brother of Tan Sri Datuk Sir Tiong Hiew King, Executive Chairman (retiring at the conclusion of the forthcoming AGM) and substantial shareholder of the Company and Dato' Sri Dr Tiong Ik King, Deputy Chairman and Non-Executive and Non-Independent Director (to succeed Tan Sri Datuk Sir Tiong Hiew King, as Non-Executive and Non-Independent Chairman of the Company following Tan Sri Datuk Sir Tiong Hiew King's retirement and Dato' Sri Dr Tiong Ik King's re-election as Director at the conclusion of the forthcoming AGM) and substantial shareholder of the Company.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Dato' Sri Dr Tiong Ik King	Tiong Kiong King
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# for the last 5 years	Nil	<ol style="list-style-type: none"> 1. Biru-Hijau Enterprise Sdn Bhd 2. Bogreen Estate Sdn Bhd 3. Tiong Toh Siong Holdings Sdn Bhd
Other Present Principal Commitments* Including Directorships#	<ol style="list-style-type: none"> 1. Surreyville Pte Ltd 2. Woodsville International Limited 3. Media Chinese International Limited 4. Jaya Tiasa Holdings Berhad 5. Habacus Trading Co. Pte Ltd 6. Petrogas (Island) Ltd 7. Petrogas (Basin) Ltd 8. RH Petrogas Investments Pte Ltd 9. RH Petrogas Indonesia Holding Limited 10. RH Petrogas Global Ventures Limited 11. Orchard Energy (West Belida) Limited 12. Kingworld Resources Limited 13. RH Petrogas Singapore Pte Ltd 14. RH Petrogas Holdings Pte Ltd 15. RHP (Mukah) Pte Ltd 	<ol style="list-style-type: none"> 1. Subur Tiasa Holdings Berhad 2. Rimbunan Sawit Berhad 3. World Federation of Fuzhou Association Limited 4. World Zhang Clan Association Limited

* "Principal Commitments" has the same meaning as defined in the Code.

These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Dato' Sri Dr Tiong Ik King	Tiong Kiong King
Information required Disclose the following matters concerning an appointment of director, chief executive officer, general manager or other officer of equivalent rank. If the answer to any questions is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	
(c) Whether there is any unsatisfied judgment against him?	No	
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Dato' Sri Dr Tiong Ik King	Tiong Kiong King
Information required		
Disclose the following matters concerning an appointment of director, chief executive officer, general manager or other officer of equivalent rank. If the answer to any questions is "yes", full details must be given.		
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or		No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or		No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or		No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?		No

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 (“AGM”) of **RH PETROGAS LIMITED** (the “Company”) will be held at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612 on Friday, 26 April 2019 at 10.00 a.m., for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2018 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To approve the payment of Directors’ fees of S\$441,000 for the financial year ended 31 December 2018. (2017: S\$441,000) **(Resolution 2)**
3. To note the retirement of Tan Sri Datuk Sir Tiong Hiew King, a Director retiring pursuant to Regulation 106 of the Company’s Constitution. Tan Sri Datuk Sir Tiong Hiew King has decided not to seek re-election and will retire at the conclusion of the forthcoming AGM. (see explanatory notes 1 and 2)
4. To re-elect Dato’ Sri Dr Tiong Ik King as a Director of the Company, retiring by rotation under Regulation 106 of the Company’s Constitution and who being eligible, offers himself for re-election. (see explanatory notes 1, 2 and 3) **(Resolution 3)**
5. To re-elect Mr Tiong Kiong King as a Director of the Company, retiring by rotation under Regulation 106 of the Company’s Constitution and who being eligible, offers himself for re-election. (see explanatory notes 1 and 4) **(Resolution 4)**
6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS:

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

7. **Authority to Allot and Issue Shares** **(Resolution 6)**

“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:

 - (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**”),

NOTICE OF ANNUAL GENERAL MEETING

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 (excluding treasury shares and subsidiary holdings) (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 (excluding treasury shares and subsidiary holdings) (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 (excluding treasury shares and subsidiary holdings) 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 Constitution 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

(see explanatory note 5)

- 8. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Wee Woon Hong
Company Secretary
Singapore

11 April 2019

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

1. Information regarding Directors and the details of the current directorships in other listed companies and other principal commitments of Directors can be found in the Board of Directors and the Corporate Governance Report sections of this Annual Report.
2. Tan Sri Datuk Sir Tiong Hiew King who is due to retire pursuant to Regulation 106 of the Company's Constitution has decided not to seek re-election and will therefore retire as a Director at the conclusion of the forthcoming AGM. Upon his cessation as Director, Tan Sri Datuk Sir Tiong Hiew King will also cease to be the Executive Chairman of the Company. Pursuant to the recommendation of the Nominating Committee, the Board has approved the appointment of Dato' Sri Dr Tiong Ik King to be the Non-Executive and Non-Independent Chairman to succeed Tan Sri Datuk Sir Tiong Hiew King, following Tan Sri Datuk Sir Tiong Hiew King's retirement and Dato' Sri Dr Tiong Ik King's re-election as Director at the conclusion of the forthcoming AGM.
3. Dato' Sri Dr Tiong Ik King will, upon re-election as a Director of the Company, serve as Non-Executive and Non-Independent Chairman of the Company and a member of the Company's Audit, Nominating and Remuneration Committees. Dato' Sri Dr Tiong is considered by the Board to be non-independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 135 to 139 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
4. Mr Tiong Kiong King will, upon re-election as a Director of the Company, continue to serve as Non-Executive and Non-Independent Director of the Company. Please refer to pages 135 to 139 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
5. The Ordinary Resolution 6, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM 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 (excluding treasury shares and subsidiary holdings), 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 AGM may appoint not more than two (2) proxies to attend and vote instead of him.
- (ii) Where a member appoints two (2) 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) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two (2) proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.
- (iv) 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.
- (v) 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 AGM.
- (vi) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the above Meeting in order for the Depositor to be entitled to attend and vote at the above AGM.

Personal Data Privacy:

By attending, speaking, proposing, seconding and/or voting at the AGM and/or by a member of the Company submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and/or vote at the AGM and/or any adjournment thereof, the person/member (i) understands and accepts that photographs, images, audio and/or video recordings and transcripts of the AGM may be taken and/or made by the Company (and/or its agents and service providers), (ii) consents to the collection, use and disclosure of the person's/member's and its proxy(ies)'s or representative's personal data by the Company (and/or its agents and service providers) for legal, regulatory, compliance, corporate policies, procedures and administration, corporate actions, corporate communications and investor relations purposes and for the purposes of the processing, administration and record keeping by the Company (and/or its agents and service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation, compilation, recording, keeping of the attendance lists, transcripts, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (and/or its agents and service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines and for publication and/or use in the Company's Annual Report, corporate brochures, newsletters, publications, materials and/or corporate website by the Company (and/or its agents and service providers) (collectively, the "Purposes"), (iii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (and/or its agents and service providers), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (and/or its agents and service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PROXY FORM

ANNUAL GENERAL MEETING

Important:

1. A relevant intermediary may appoint more than two proxies to attend, speak and vote at the AGM (please see Note 3 for the definition of "relevant intermediary").
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.

I/We* _____ (Name)

NRIC/Passport number/Company Registration No.* _____
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 at the AGM of the Company to be held at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612 on Friday, 26 April 2019 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

<input type="checkbox"/>	Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.
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All resolutions put to the vote at the AGM shall be decided by way of poll.

No.	Resolutions relating to:	Number of Votes For**	Number of Votes Against**
Ordinary Business			
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2.	Approval of Directors' fees amounting to S\$441,000		
3.	Re-election of Dato' Sri Dr Tiong Ik King as a Director		
4.	Re-election of Mr Tiong Kiong King as a Director		
5.	Re-appointment of Messrs Ernst & Young LLP as Auditors		
Special Business			
6.	Authority to allot and issue new shares in the Company and make/grant/offer Instruments		

* Delete accordingly

** If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

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 81SF of Securities and Futures Act (Chapter 289) of Singapore or any statutory modification thereof, as the case may be), 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 who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend and vote at an AGM of the Company. Where such 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.
3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at an AGM of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, “**relevant intermediary**” means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. 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 letterbox located in the basement car park of PSA Vista next to the passenger (main) lift lobby.
 5. A proxy need not be a member of the Company.
 6. 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.
 7. 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.
 8. 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.
 9. 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.
 10. 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 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2019.

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATUK SIR TIONG HIEW KING (Executive Chairman)
DATO' SRI DR TIONG IK KING (Deputy Chairman, Non-Executive and Non-Independent Director)
CHANG CHENG-HSING FRANCIS (Group CEO and Executive Director)
TIONG KIONG KING (Non-Executive and Non-Independent Director)
ABBASBHOY HAIDER NAKHODA (Independent Director)
YEO YUN SENG BERNARD (Independent Director)
LEE HOCK LYE (Independent Director)
ACHMAD LUKMAN KARTANEGARA (Independent Director)

AUDIT COMMITTEE

ABBASBHOY HAIDER NAKHODA (Chairman)
YEO YUN SENG BERNARD
LEE HOCK LYE
ACHMAD LUKMAN KARTANEGARA
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
ACHMAD LUKMAN KARTANEGARA
DATO' SRI DR TIONG IK KING

SECRETARY

WEE WOON HONG

REGISTERED OFFICE

20 Harbour Drive
#06-03 PSA Vista
Singapore 117612
Tel: (65) 6216 3988
Fax: (65) 6896 2821

SHARE REGISTRAR

**BOARDROOM CORPORATE &
ADVISORY SERVICES PTE. LTD.**
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

AUDITORS

ERNST & YOUNG LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Audit Partner-in-charge:
TAN PO HSIONG JONATHAN

Date of appointment:
Since financial year ended 31 December 2018



RH PETROGAS LIMITED
Company Reg. No. 198701138Z

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