RH PETROGAS LIMITED
(Company Registration No.: 198701138Z)

RESPONSE TO SGX-ST QUERIES IN RELATION TO THE ANNOUNCEMENT ON EMPHASIS OF MATTER BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors of RH Petrogas Limited (the "**Company**") wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") pertaining to the announcement made by the Company on 30 March 2020 (SGXNet announcement no SG200330OTHRNHVG) (the "**30 Mar Announcement**") on the material uncertainty related to going concern raised by the Company's Independent Auditor in the audited financial statements ("**FS**") of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2019 ("**FY2019**"):

SGX-ST Query 1:

Please provide the Board's assessment on the Company's ability to continue as a going concern and the basis for its assessment.

Company's Response:

The Board of Directors is of the opinion that the Company and the Group will be able to operate as going concern after taking into consideration the following factors:

(i) While the Group incurred a net loss of US$1,286,000 for FY2019 and recorded net current liabilities and net liabilities of US$14,664,000 and US$26,006,000 respectively as at 31 December 2019, the Company's FS for FY2019 had been prepared on a going concern basis. As was explained under "Extract : Note 2 – Fundamental accounting concept" of the 30 Mar Announcement, notwithstanding the above, the consolidated financial statements were 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.

The Group had generated positive operating cash flow of US$15,252,000 for FY2019 as compared to US$5,283,000 recorded in the previous financial year.

(ii) In addition, it was also disclosed in the 30 Mar Announcement that the Group has received a letter of financial support from a substantial shareholder to provide continuing financial support to the Group till 30 June 2021 to meet the Group's working capital needs. The Group does not have any commercial or bank loan except for the interest free loans extended by controlling shareholder to the Group. The cumulative interest free loans extended to the Group by the controlling shareholder as at 31 March 2020 aggregated to approximately US$12.5 million.

(iii) As announced in the Company's 1Q 2020 results announcement (SGXNet announcement no SG200508OTHRXR6F of 8 May 2020), the Group had recorded a net profit of US$552,000 and had generated positive operating cash flow of US$7,344,000 in 1Q 2020. The Group's cash and bank balances had increased from US$9,511,000 as at 31 December 2019 to US$15,278,000 as at 31 March 2020. In view of the recent oil price volatility, the Group has deferred all discretionary and non-essential capital expenditures for rest of the year and implemented drastic cost reduction and cost optimisation programmes across its operations to conserve its cash reserves. The Group will continue to exercise financial prudence and discipline in its spending during this difficult period.

(iv) The Board believes that in the current market environment and taking into consideration the measures taken by the Group as explained in section (iii) above and barring unforeseen circumstances, the Group would be able to meet its short-term obligations as and when they fall due.

In the meantime, given the current unprecedented market volatility in the oil and gas industry, the Board wishes to advise shareholders of the Company and investors to exercise caution when dealing in the shares of the Company.

<u>SGX-ST Query 2:</u>

Please provide the Board's opinion and its basis as to whether trading in the shares of the Company should be suspended pursuant to Listing Rule 1303(3).

<u>Company's Response:</u>

For the reasons set out in the Company's responses to Query 1 above, the Board is of the opinion that Company's shares should not be suspended pursuant to Listing Rule 1303(3).

<u>SGX-ST Query 3:</u>

Please provide the Board's confirmation that the Company has made all material disclosures to ensure that its shares can continue to be traded in an orderly manner, and the basis for its assessment.

<u>Company's Response:</u>

The Board confirms that to the best of its knowledge and belief, all material disclosures have been made and announced for its shares to continue to be traded in an orderly manner.

<u>SGX-ST Query 4:</u>

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. In this regard:

Provision 8.1 of the Code states that:

"The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:
(a) each individual director and the CEO; and
(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel."

We note the Company's disclosure on remuneration at pages 23, 24 and 25 of the annual report for FY2019. Where the Company's practices deviate from the provisions of the Code, please explicitly state the provision from which it has deviated from and explain how the practices it had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation..

<u>Company's Response:</u>

Provision 8.1 of the Code of Corporate Governance 2018 (the "**Code**") requires companies to disclose in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of each individual director and the CEO and at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.

The Company has not disclosed the exact remuneration of each individual Director including the CEO and the total remuneration paid to the top three key management personnel of the Company (who are not directors or the CEO).

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 and the total remuneration paid to key management personnel (who are not directors or the CEO) are disadvantageous to the business interests of the Company, 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. In the interest of privacy, confidentiality and sensitivity of the Company's remuneration matters, the

Company has decided to disclose based on level and mix of the remuneration of the Directors and CEO and key management personnel of the Company in bands of S$250,000 and has provided a detailed breakdown in percentage terms of the remuneration components.

Principle 8 of the Code states that: "The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation."

The Company has set out its policies and practices in the Company's Annual Report 2019] in relation to level and mix remuneration, relationships between remuneration, performance and value creation, and procedure for setting remuneration of the Directors, CEO and key management personnel, including the engagement of external consultants to provide evaluation on remuneration matters, and the evaluation of Directors' fee structure to ensure the continued relevance and alignment of the Group's remuneration framework with market practices. (Please refer to pages 22 to 25 of the Company's Annual Report 2019.)

The Company has disclosed that the Board, with the recommendations of the Remuneration Committee ("**RC**"), has established a formal and transparent procedure for developing policies on Directors and key management personnel remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. A key objective of the RC is to ensure that the level and structure of remuneration of Directors and key management personnel is appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company, the Group's relative performance and the performance of individual Directors and key management personnel (who are not Directors or the CEO).

The Company has disclosed the remuneration policy for Directors, CEO and key management personnel. The remuneration package of the CEO and the key management personnel comprises of a base salary and a variable component. The base salary of the key management personnel is approved by the Board on RC's recommendation annually, taking into account the contribution, experience and sustained long-term performance. The base salary of the CEO is approved by the Board on RC's recommendation for the duration of the service contract. 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. The RC also ensures that performance-related remuneration is aligned to the interest of shareholders and other stakeholders and promotes sustainable long-term growth and success of the Company.

Taking into account of the aforementioned explanation, the Board is of the view that, notwithstanding the deviation from certain aspects of Provision 8.1, the practices adopted by the Company are consistent with the intent of Principle 8 of the Code, in relation to the Company's transparency on remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

SGX-ST Query 5:

Please explain the material discrepancy between the audited and unaudited financial statements for FY2019 with regard to the net cash used in financing activities of US$(5,855,000) and US$(4,732,000) respectively.

Company's Response:

FY2019 ***Consolidated Cash Flow Statement***	**Unaudited Financial Statements US$'000**	**Audited Financial Statements US$'000**	**Variance** **US$'000**
Net cash flows from operating activities	14,130	15,252	1,122
Net cash flows used in financing activities	(4,732)	(5,855)	(1,122)

The variance was mainly due to the reclassification of payment of lease liabilities of US$1,122,000 from the operating activities (which was recorded under trade and other payables) to financing activities, resulting in an increase in net cash flows from operating activities and a corresponding increase in net cash flows used in financing activities in the Audited Consolidated Cash Flow Statement.

The above reclassification did not result in any changes to the Consolidated Income Statement and Statement of Financial Position of the Group for FY2019.

BY ORDER OF THE BOARD

Chang Cheng-Hsing Francis
Group CEO & Executive Director
19 May 2020