

RH Petrogas Limited

Company Registration No: 198701138Z

Unaudited Full Year Financial Statements and Dividend Announcement for the Financial Year Ended 31 December 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Income Statement

	Group		
	Year 2018	Year 2017 (Restated)	% Change
	US\$'000	US\$'000	
Revenue	61,918	55,457	12%
Cost of sales	(48,589)	(48,944)	(1%)
Gross profit	13,329	6,513	105%
Other income	1,040	7,960	(87%)
Administrative expenses	(4,928)	(3,768)	31%
Other expenses	(503)	(1,827)	(72%)
Finance costs	(450)	(203)	122%
Profit before tax	8,488	8,675	(2%)
Income tax expense	(4,484)	(587)	N.M.
Profit for the financial year	4,004	8,088	(50%)
Attributable to:			
Owners of the Company	3,753	8,533	(56%)
Non-controlling interests	251	(445)	N.M.
	4,004	8,088	(50%)
Earnings per share attributable to owners of the Company (cents per share)			
Basic	0.51	1.16	(56%)
Diluted	0.51	1.16	(56%)

N.M. : not meaningful

Notes :

The comparative results have been restated due to the adoption of SFRS(I) 15 Revenue from Contracts with Customers. Please refer to paragraph 5 below and also the Note 3.3 in the audited financial statements for the financial year ended 31 December 2017 as set out in RH Petrogas Limited's Annual Report 2017 for more details.

SFRS(I) - Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards

1(a)(i) Profit before tax is arrived after crediting/(charging) the following :

	Group	
	Year 2018	Year 2017
	US\$'000	US\$'000
Allowance for doubtful trade receivables	(54)	(981)
Amortisation of upfront fee paid for loans granted	-	(168)
Depletion and amortisation of oil and gas properties	(4,479)	(7,473)
Depreciation of other plant and equipment	(28)	(112)
Foreign exchange (loss)/gain, net	(1,850)	1,497
Impairment loss on development expenditures	(73)	(1,176)
Impairment loss on exploration and evaluation assets	(114)	(295)
Interest expense on bank loans	-	(88)
Interest income from bank deposits	46	18
Net fair value gain on derivatives	-	2
Other plant and equipment written off	(418)	(1)
Settlement of disallowed cost by partner	-	5,462
Share-based payments	(61)	(2)
Underlift Income	454	524
Unwinding of discount on decommissioning provisions	(450)	(115)
Write back of exploration and evaluation payables and accrued plug and abandonment costs	2,550	1,869
Write back of inventory obsolescence	76	235

1(a)(ii) Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	Group	
	Year 2018	Year 2017
	US\$'000	(Restated) 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

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

	Group		Company	
	31 Dec 2018	31 Dec 2017 (Restated)	31 Dec 2018	31 Dec 2017
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets				
Oil and gas properties	9,305	11,649	-	-
Development expenditures	-	-	-	-
Other plant and equipment	24	432	8	25
Exploration and evaluation assets	2,536	2,536	-	-
Deposits pledged	1,308	-	-	-
Amount due from subsidiaries	-	-	10,778	14,153
Other non-current assets	2,741	-	-	-
	15,914	14,617	10,786	14,178
Current Assets				
Inventories	1,026	796	-	-
Other current assets	56	37	32	29
Trade and other receivables	13,336	8,985	567	512
Deposits pledged	5,000	-	-	-
Cash and cash equivalents	7,420	14,058	784	1,217
	26,838	23,876	1,383	1,758
Current Liabilities				
Income tax payable	1,464	1,757	-	-
Trade and other payables	33,567	37,151	762	763
Loans and borrowings	2,500	2,000	2,500	2,000
	37,531	40,908	3,262	2,763
Net Current Liabilities	(10,693)	(17,032)	(1,879)	(1,005)
Non-Current Liabilities				
Provisions	2,189	2,378	-	-
Loan from non-controlling interest	12,724	10,083	-	-
Deferred tax liabilities	1,972	731	-	-
Loans and borrowings	11,368	14,856	8,720	12,057
	28,253	28,048	8,720	12,057
Net (Liabilities)/Assets	(23,032)	(30,463)	187	1,116
Equity attributable to owners of the Company				
Share capital	258,160	258,160	258,160	258,160
Reserves	(271,375)	(278,421)	(257,973)	(257,044)
	(13,215)	(20,261)	187	1,116
Non-controlling interest	(9,817)	(10,202)	-	-
Total (Deficit)/Equity	(23,032)	(30,463)	187	1,116

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

	Group		Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	US\$'000	US\$'000	US\$'000	US\$'000
Unsecured				
Amount repayable in one year or less, or on demand	2,500	2,000	2,500	2,000
Amount repayable after one year	11,368	14,856	8,720	12,057
	13,868	16,856	11,220	14,057
Total				
Amount repayable in one year or less, or on demand				
Loans from related parties	2,500	2,000	2,500	2,000
	2,500	2,000	2,500	2,000
Amount repayable after one year, comprising				
Loans from related parties	11,368	14,856	8,720	12,057
	11,368	14,856	8,720	12,057
Total loans and borrowings	13,868	16,856	11,220	14,057

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

	Group	
	Year 2018	Year 2017 (Restated)
	US\$'000	US\$'000
Operating activities		
Profit before tax	8,488	8,675
Adjustments for:		
Allowance for doubtful trade receivables	54	981
Amortisation of upfront fee paid for loans granted	-	168
Depletion and amortisation of oil and gas properties	4,479	7,473
Depreciation of other plant and equipment	28	112
Impairment loss on development expenditures	73	1,176
Impairment loss on exploration and evaluation assets	114	295
Interest expense on bank loans	-	88
Interest income from bank deposits	(46)	(18)
Net fair value gain on derivatives	-	(2)
Other plant and equipment written off	418	1
Settlement of disallowed cost by partner	-	(5,462)
Share-based payments	61	2
Unrealised foreign exchange (gain)/loss	(270)	898
Unwinding of discount on decommissioning provisions	450	115
Write back of exploration and evaluation payables and accrued plug and abandonment costs	(2,550)	(1,869)
Write back of inventory obsolescence	(76)	(235)
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	(44)	(1,176)
Additions to exploration and evaluation assets	(62)	(295)
Additions to oil and gas properties	(2,988)	(1,690)
Cash call contributions for assets retirement obligations	(844)	(1,143)
Payment for signature bonus and related costs	(2,741)	-
Proceeds from issuance of new shares in subsidiaries to non-controlling interest	1,103	-
Purchase of other plant and equipment	(30)	(38)
Net cash flows used in investing activities	(5,606)	(4,342)
Financing activities		
Decrease in charge over project accounts	-	2,767
Increase in deposits pledged	(6,308)	-
Loan from non-controlling interest	2,641	317
Repayment of advances to related parties	(2,641)	(917)
Repayment of loans and borrowings	-	(6,166)
Net cash used in financing activities	(6,308)	(3,999)
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	14,058	5,500
Cash and cash equivalents at end of the financial year	7,420	14,058

Breakdown of Cash & Cash Equivalents at end of the financial year

	Group	
	Year	Year
	2018	2017
		(Restated)
	US\$'000	US\$'000
Cash and bank balances	13,728	14,058
Less:		
Deposits pledged - non-current assets	(1,308)	-
Deposits pledged - current assets	(5,000)	-
Cash and cash equivalents	7,420	14,058

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

	Share capital	Capital reduction reserve	Foreign currency translation reserve	Accumulated losses	Equity reserve	Employee share option reserve	Total reserves	Non-controlling interest	Total deficit
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group									
At 1 January 2017	258,160	2,886	1,890	(291,078)	795	1,010	(284,497)	(9,757)	(36,094)
Profit for the financial year (as previously reported)	-	-	-	8,589	-	-	8,589	(445)	8,144
Effect of adoption of SFRS(I) 15	-	-	-	(56)	-	-	(56)	-	(56)
Profit for the financial year (restated)	-	-	-	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 (restated)	-	-	(2,459)	8,533	-	-	6,074	(445)	5,629
<u>Contributions by and distributions to owners</u>									
Share-based payments									
- Grant of equity-settled share options	-	-	-	-	-	2	2	-	2
- Expiry of employee share options	-	-	-	62	-	(62)	-	-	-
At 31 December 2017 and 1 January 2018 (restated)	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									
- Grant of equity-settled share options	-	-	-	-	-	61	61	-	61
- Expiry of employee share options	-	-	-	415	-	(415)	-	-	-
<u>Changes in ownership interests in subsidiary</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)

Company

	Share capital	Capital reduction reserve	Accumulated losses	Employee share option reserve	Total reserves	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	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						
- 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						
- 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

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

SHARE OPTIONS

There were no options granted in the fourth quarter period ended 31 December 2018 (fourth quarter period ended 31 December 2017: Nil) pursuant to the RHP Share Option Scheme 2011. During the financial year ended 31 December 2018, there were 2,000,000 options (financial year ended 31 December 2017: 1,450,000 options) granted under the RHP Share Option Scheme 2011 which are exercisable after the second anniversary of the grant date and expiring on the fifth anniversary of such grant date.

The unissued shares of the Company under option as at 31 December 2018 are as follows:

Date of grant of options	Exercise price per share	Balance as at 01.01.2018	Granted during the financial year	Exercised during the financial year	Cancelled/ lapsed during the financial year	Number of options outstanding as at 31.12.2018	Number of options outstanding as at 31.12.2017	Exercise period
05.03.2013	S\$0.420	2,000,000	-	-	(2,000,000)	-	2,000,000	06.03.2015 to 04.03.2018
07.03.2014	S\$0.420	566,700	-	-	(16,700)	550,000	566,700	08.03.2016 to 06.03.2019
06.03.2015	S\$0.275	2,620,000	-	-	(80,000)	2,540,000	2,620,000	07.03.2017 to 05.03.2020
06.03.2017	S\$0.084	1,450,000	-	-	(50,000)	1,400,000	1,450,000	07.03.2019 to 05.03.2022
06.03.2018	S\$0.074	-	2,000,000	-	(30,000)	1,970,000	-	07.03.2020 to 05.03.2023
		6,636,700	2,000,000	-	(2,176,700)	6,460,000	6,636,700	

PERFORMANCE SHARE PLAN

There were no shares awarded in the financial year ended 31 December 2018 (financial year ended 31 December 2017: Nil) pursuant to the Performance Share Plan.

SHARE CAPITAL

There were no changes to the Company's issued share capital and no shares on convertibles were issued in the fourth quarter period ended 31 December 2018 (fourth quarter period ended 31 December 2017: Nil).

There were no shares held as treasury shares by the Company and no subsidiary holdings, as at 31 December 2018 (as at 31 December 2017: Nil).

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

Total number of issued shares excluding treasury shares as at 31 December 2018 was 734,277,400 (31 December 2017: 734,277,400).

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

Not applicable.

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

Not applicable.

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

The figures have not been audited or reviewed by the auditors.

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has adopted the same accounting policies and methods of computation as the audited financial statements for the financial year ended 31 December 2017.

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

The Group had previously recognised revenue based on the Group's working interest and the terms of the relevant production sharing contracts. Under this method, revenue reflects the participant's share of production regardless of which participant has actually made the sale and invoiced the production. This is achieved by adjusting revenue in dealing with imbalances between actual sales and entitlements, and recognising a corresponding underlift asset or overlift liability in the balance sheet. This approach was consistently adopted by the Group up to the financial year ended 31 December 2017 ("FY 2017").

With effect from 1 January 2018, the Group adopted SFRS(I) 15 Revenue from Contracts with Customers. Under SFRS(I) 15, a participant in a joint operation should recognise revenue from contracts with customers under SFRS(I) 15 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.

Accordingly, with the adoption of SFRS(I) 15, the Group changed its accounting policies retrospectively to each of the period presented, using the full retrospective method. The following comparative figures for FY 2017 have been restated as a result of the above restatement.

Consolidated Income Statements

	Group	
	Year 2017 (as restated)	Year 2017 (as previously reported)
	US\$'000	US\$'000
Revenue	55,457	56,841
Cost of sales	(48,944)	(49,748)
Gross profit	6,513	7,093
Profit before tax	8,675	8,731
Profit for the financial year	8,088	8,144
Profit attributable to owners of the parent	8,533	8,589
Earnings per share attributable to owners of the Company (cents per share)		
Basic	1.16	1.17
Diluted	1.16	1.17

Consolidated Statement of Comprehensive Income

Total comprehensive income for the financial year	5,629	5,685
Total comprehensive income for the financial year attributable to owners of the Company	6,074	6,130

Consolidated Statement of Financial Position

	Group	
	31 Dec 2017 (as restated)	31 Dec 2017 (as previously reported)
	US\$'000	US\$'000
Trade and other receivables	8,985	9,041
Current Assets	23,876	23,932
Trade and other payables	(37,151)	(37,151)
Current Liabilities	(40,908)	(40,908)
Net Current Liabilities	(17,032)	(16,976)
Net Liabilities	(30,463)	(30,407)
Reserves	(278,421)	(278,365)
Total Deficit	(30,463)	(30,407)

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	Group	
	Year 2018	Year 2017 (Restated)
	Cents	Cents
Earnings per ordinary share for the financial year based on net profit attributable to owners of the Company		
(i) Based on the weighted average number of ordinary shares on issue; and	0.51	1.16
(ii) On a fully diluted basis	0.51	1.16

Basic earnings per share is calculated with reference to profit net of tax attributable to owners of the Company and the weighted average number of ordinary shares of 734,277,400 (31 December 2017: 734,277,400 shares).

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

	No. of Shares	
	Year 2018	Year 2017
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	734,410,299	734,277,400

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and**
(b) immediately preceding financial year.

	Group		Company	
	31 Dec 2018	31 Dec 2017 (Restated)	31 Dec 2018	31 Dec 2017
	Cents	Cents	Cents	Cents
Net asset value per ordinary share capital	(1.80)	(2.76)	0.03	0.15

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

(a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

8.1 Consolidated Income Statement

The Group recorded a revenue of US\$61,918,000 for the financial year ended 31 December 2018 ("FY2018"), an increase of 12% as compared to the revenue of US\$55,457,000 recorded in the financial year ended 31 December 2017 ("FY2017"). Despite a lower volume of crude oil lifted in FY2018 as compared to FY2017, the increase in revenue was mainly due to a 30% increase in the average realised oil price for the year from US\$54 per barrel in FY2017 to US\$70 per barrel in FY2018, as well as the increase in production in Basin production sharing contract ("PSC").

The cost of sales decreased marginally by 1% in FY2018 as compared to FY2017. Though the cost of production was higher in FY2018 as compared to FY2017, this was offset by the lower depletion and amortisation of oil and gas properties and the recognition of deferred expenses as a result of under-lifting in FY2018 following the adoption of SFRS(I) 15 in Basin and Island PSCs.

In line with the higher revenue and with cost of sales remaining relatively unchanged, the gross profit increased from US\$6,513,000 in FY2017 to US\$13,329,000 in FY2018.

Other income for FY2018 decreased by 87% as compared to FY2017 was mainly due to the absence of (i) write back of operating expenses previously accrued of US\$5,462,000 after conclusion of settlement on certain disapproved cost allocation to the Island PSC; and (ii) foreign exchange gain of US\$1,497,000, both of which were recorded in FY2017.

Administrative expenses for FY2018 increased by 31% as compared to FY2017 mainly due to the recognition of full year administrative expenses arising from Fuyu 1 PSC, higher professional fees and staff costs.

The decrease in other expenses for FY2018 was mainly due to (i) write back of exploration and evaluation payables of US\$2,550,000 pursuant to the reduction in financial commitment granted by Petroliaam Nasional Berhad ("PETRONAS") in conjunction with its approval of a further two year extension to the exploration period of SK331 PSC until 5 December 2019; (ii) lower impairment loss on development expenditures for Fuyu 1 PSC from US\$1,176,000 in FY2017 to US\$73,000 in FY2018; (iii) decrease in allowance for doubtful trade receivables mainly for Island PSC from US\$981,000 in FY2017 to US\$54,000 in FY2018; and (iv) lower impairment loss on exploration and evaluation assets for SK331 PSC from US\$295,000 in FY2017 to US\$114,000 in FY2018.

These were partially offset by (i) foreign exchange loss of US\$1,850,000; and (ii) other plant and equipment written off of US\$418,000 for Fuyu 1 PSC.

Finance costs for FY2018 were higher than that for FY2017 due to the increase in unwinding of discount on decommissioning provisions.

The income tax expense in FY2018 comprised the Group's share of the Basin PSC tax expense of US\$3,243,000 and recognition of deferred tax liabilities of US\$1,241,000 in Basin PSC.

As a result of the above, the Group recorded a net profit of US\$4,004,000 and EBITDAX (see paragraph 16) of US\$11,082,000 for FY2018 as compared to net profit of US\$8,088,000 and EBITDAX of US\$10,603,000 for FY2017.

8.2 Balance Sheet

8.2.1 The decrease in oil and gas properties was mainly due to depletion and amortisation of oil and gas properties for the Basin PSC.

8.2.2 Other plant and equipment decreased due to the write off of other plant and equipment in the Fuyu 1 PSC in view of the suspension of development activities since early 2016 and the reclassification of Fuyu reserves to contingent resources. Please refer to SGXNET Announcement No. SG190218OTHRZKGX dated 18 February 2019 for more details.

8.2.3 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. Cash collateral of US\$1,308,000 placed with the issuing bank of the performance bonds were recorded as deposits pledged under non-current assets. Please refer to SGXNET Announcement No. SG180625OTHR0VBN and SG180711OTHRON04 dated 25 June 2018 and 11 July 2018 respectively for more details.

8.2.4 The increase in inventories was mainly due to purchase of repair and replacement parts for power plant, materials for well workovers and daily operating activities in Basin PSC, partially offset by the write off of inventories of US\$249,000 in the Fuyu 1 PSC.

8.2.5 The increase in trade and other receivables was mainly due to the increase in trade and other joint venture receivables and the recognition of deferred expenses of US\$1,516,000 as a result of under-lifting following the adoption of SFRS(I) 15 (see paragraph 8.1 above) in Basin and Island PSCs. Included in trade and other receivables was the sale and lifting of crude oil of US\$6,864,000 from the Basin and Island PSCs in December 2018 with the proceeds received in January 2019.

8.2.6 The decrease in trade and other payables was mainly attributable to the write back of exploration and evaluation payables of US\$2,550,000 for SK331 PSC (see paragraph 8.1 above), and decrease in trade creditors and other payables of Basin and Island PSCs.

8.2.7 The decrease in provisions was mainly due to the decrease in decommissioning provisions and partially offset by an increase in termination liabilities for Basin and Island PSCs.

8.2.8 The increase in loan from non-controlling interest was due to cash call contribution of US\$2,641,000 for SK331 PSC from Tumbuh Tiasa Enterprises Sdn Bhd which holds 49% shareholding interest in RHP (Mukah) Pte Ltd.

8.2.9 Loans and borrowings decreased due to repayment of advances to related parties and unrealised foreign exchange gain. In 2018, the Group repaid a total of US\$2,641,000 to related parties which was higher than the US\$2,000,000 reclassified from non-current liabilities to current liabilities as of 31 December 2017 due to additional repayment made during December 2018. For 2019, the Group has reclassified a further US\$2,500,000 from non-current loans and borrowings to current loans and borrowings in expectation of further repayment to related parties. Related parties are companies in which two directors have a substantial interest.

8.3 Cash Flow

The Group recorded net cash flow from operations amounting to US\$5,283,000 in FY2018 as compared to US\$16,913,000 in FY2017. The decrease was mainly due to the increase in trade and other receivables, and income tax payment of US\$3,536,000 for Basin PSC. These were partially offset by the increase in trade and other payables for Basin and Island PSCs.

Net cash used in investing activities was US\$5,606,000 in FY2018. This comprised mainly (i) signature bonuses and upfront fees paid for the issuance of performance bonds, amounting to a total of US\$2,741,000 in relation to the signing of new 20-year PSCs for the Basin and Island blocks beyond their current contract expiry in 2020; ii) US\$2,988,000 in relation to well workovers, addition to production facilities and other capital expenditure for Basin and Island PSCs; and (iii) decommissioning costs of US\$844,000 for both Basin and Island PSCs. These are partially offset by proceeds of US\$1,103,000 received from the issuance of new shares in Petrogas (Basin) Ltd and Petrogas (Island) Ltd to PT Citra Wahana Abadi, which was announced on 6 July 2018 under SGXNET Announcement No. SG180706OTHRJXVI.

Net cash used in financing activities of US\$6,308,000 in FY2018 consisted of (i) US\$5,000,000 for deposits pledged to fulfil collateral requirement in relation to the issuance of the performance bond to PETRONAS for SK331 PSC and (ii) cash collateral of US\$1,308,000 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.

Whilst the Group was in a negative working capital position as at 31 December 2018, the Group believes that its business operations would be able to generate sufficient cash flows to meet its short-term obligations as and when they fall due. For FY2018, the Group recorded positive operating cash flow of US\$5,283,000 and has cash and cash equivalents of US\$7,420,000 as at 31 December 2018. With no outstanding bank loan to service, the Group would be able to deploy its cash flow for its operational requirements and other areas.

As disclosed in Note 2 on page 50 of RH Petrogas Limited's (the "Company") Annual Report 2017, the Group had received a letter of financial support from a substantial shareholder to provide adequate funds to the Group till 30 June 2019 to meet the Group's working capital needs. Subsequent to year end, the Group had also received a letter of financial support from the Company's substantial shareholder to continue providing financial support to the Group up to 30 June 2020.

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

No forecast or prospect statement has previously been disclosed.

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

Brent crude oil prices averaged US\$68.80 per barrel for the fourth quarter of 2018, a decrease of approximately 8% over the third quarter of 2018. For the year 2018, oil prices averaged US\$71.30 per barrel, an increase of approximately 32% as compared to 2017. Despite having trended upwards for most of the year, oil prices tumbled by more than 40% during the last quarter shortly after hitting its year high of US\$86.07 on 4 October 2018. The drastic fall in oil prices was sparked by concerns over declining global trade due to increasing trade protectionism, a rising interest rate environment and sluggish economic growth. These concerns resulted in a second round of production cuts by OPEC (Organization of the Petroleum Exporting Countries) and other non-OPEC producers led by Russia for the first half of 2019.

Recent economic growth forecast downgrade by IMF (International Monetary Fund), the second time in three months, also suggests deteriorating economic fundamentals and adds to concerns that oil prices may face further downward pressure if global growth continues to slowdown.

Given growing geopolitical uncertainties, the Group believes that the outlook for oil prices will remain volatile in the near term. The Group will continue with a prudent approach to managing its capital expenditure and operating costs in a challenging business environment.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

None.

(b) (i) Amount per share in cents.

Not applicable.

(ii) Previous corresponding period in cents.

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

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.

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

The Group has not obtained a general mandate from shareholders for IPTs.

14. Negative confirmation pursuant to Rule 705(5).

Not required for full year results announcement.

15. Confirmation of undertakings pursuant to Rule 720(1).

The Group has procured undertakings from all its directors and executive officers pursuant to Rule 720(1).

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Group only operates in oil and gas sector.

	Oil & Gas	
	2018	2017
	US\$'000	(Restated) US\$'000
Revenue	61,918	55,457
EBITDAX *	11,082	10,603
Profit for the financial year	4,004	8,088
Total assets	42,752	38,493
Total capital expenditure	3,124	3,199
Depletion and amortisation of oil and gas properties	(4,479)	(7,473)
Depreciation of other plant and equipment	(28)	(112)
Foreign exchange (loss)/gain, net	(1,850)	1,497
Impairment loss on development expenditures	(73)	(1,176)
Impairment loss on exploration and evaluation assets	(114)	(295)
Net fair value gain on derivatives	-	2
Other plant and equipment written off	(418)	(1)
Settlement of disallowed cost by partner	-	5,462
Unwinding of discount on decommissioning provisions	(450)	(115)
Write back of exploration and evaluation payables and accrued plug and abandonment costs	2,550	1,869

	EBITDAX *	
	2018	2017
	US\$'000	(Restated) US\$'000
Profit before tax	8,488	8,675
Depletion and amortisation of oil and gas properties	4,479	7,473
Depreciation of other plant and equipment	28	112
Impairment loss on development expenditures	73	1,176
Impairment loss on exploration and evaluation assets	114	295
Interest expense on bank loans	-	88
Settlement of disallowed cost by partner	-	(5,462)
Unwinding of discount on decommissioning provisions	450	115
Write back of exploration and evaluation payables and accrued plug and abandonment costs	(2,550)	(1,869)
	11,082	10,603

* Group earnings before interest, tax, depreciation, amortisation, exploration expenses, impairment and other non-recurring items (EBITDAX)

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to Paragraph 8.

18. A breakdown of sales as follows:-

	Group		
	2018	2017	%
	US\$'000	(Restated) US\$'000	Change
(a) Sales reported for first half year	27,837	22,422	24%
(b) Operating profit after tax before deducting minority interests reported for first half year	1,802	1,580	14%
(c) Sales reported for second half year	34,081	33,035	3%
(d) Operating profit after tax before deducting minority interests reported for second half year	2,202	6,508	(66%)

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

Total Annual Dividend

	Latest Full Year 2018	Previous Full Year 2017
(a) Ordinary	-	-
(b) Preference	-	-
(c) Total	-	-

20. Disclosure of person occupying a managerial position in the issuer or any its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of RH Petrogas Limited (the "Company") confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries that is related to a director or chief executive officer or substantial shareholder of the Company.

21. Interested Person Transactions ("IPT")

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted 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. ⁽¹⁾	2,749	330	Not Applicable	Not Applicable

Notes :

⁽¹⁾ 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.

⁽²⁾ As announced on 7 October 2016 (SGXNET No SG161007OTHR39JX), 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.

22. Details of exploration (including geophysical surveys), development and/or production activities undertaken by the issuer and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.

For FY2018, the Group incurred US\$2,988,000 for well workovers, addition to production facilities and other capital expenditure in the Basin PSC and Island PSC. In the Fuyu 1 PSC, small-scale production activities continued during 2018 and incurred addition to production facilities of US\$73,000. In the SK331 PSC, the Group incurred US\$114,000 mainly for environmental impact assessment in preparation for the planned 2D seismic survey and other evaluation activities.

23. An update on its reserves and resources, where applicable, in accordance with the requirements as set out in Practice Note 6.3, including a summary of reserves and resources as set out in Appendix 7.5.

The Company had appointed RPS Energy Consultants Limited ("RPS"), an independent reserve evaluator, to conduct the annual assessment of the oil and gas reserves and resources of the Company and its subsidiaries (the "Group") as of 1 January 2019. RPS had completed its independent qualified person reports of the Group in February 2019. Please refer to SGXNET Announcement No. SG190218OTHRZKGX dated 18 February 2019 for more details.

BY ORDER OF THE BOARD

Chang Cheng-Hsing Francis
Group CEO & Executive Director

26 February 2019