

R H ENERGY LTD.

Co. Reg. No: 200610437K

UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2014**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND 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.

	Group		
	Three months ended		
	31.03.2014	31.03.2013	% change
	US\$'000	US\$'000	+ / (-)
Revenue	4,299	6,048	(28.9)%
Cost of sales	(3,106)	(3,471)	(10.5)%
Gross profit	1,193	2,577	(53.7)%
Other items of income			
Interest income	6	7	(14.3)%
Other credits	-	202	n.m.
Other items of expense			
Selling and distribution costs	(378)	(403)	(6.2)%
Administrative expenses	(1,627)	(1,712)	(5.0)%
Other charges	(33)	(154)	(78.6)%
Finance costs	(167)	(73)	128.8%
Share of losses from equity-accounted associates	(7)	*	n.m.
(Loss) Profit before income tax	(1,013)	444	n.m.
Income tax expense	(20)	(162)	(87.7)%
(Loss) Profit, net of tax	(1,033)	282	n.m.
Total comprehensive loss for the period attributable to:			
- Owners of the company	(1,018)	265	n.m.
- Non-controlling interests	(15)	17	n.m.
	(1,033)	282	n.m.

n.m.: Not meaningful

* : Amount less than US\$500

Statements of Comprehensive Income for the three month ended 31 March 2014

	Group		
	Three months ended		
	31.03.2014	31.03.2013	% change
	US\$'000	US\$'000	+ / (-)
(Loss) Profit, net of tax	(1,033)	282	n.m.
<u>Other comprehensive income</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	(732)	47	n.m.
Total comprehensive (loss) income for the period	(1,765)	329	n.m.
Total comprehensive (loss) income for the period attributable to:			
- Owners of the company	(1,750)	312	n.m.
- Non-controlling interests	(15)	17	n.m.
	(1,765)	329	n.m.

The Group's (loss) profit before tax is arrived at after crediting (charging):

	Group		
	Three months ended		
	31.03.2014	31.03.2013	% change
	US\$'000	US\$'000	+ / (-)
Depreciation of property, plant and equipment	(215)	(180)	19.4%
Amortisation of land use rights	(6)	(6)	-
Impairment loss on exploration and evaluation assets	-	(130)	n.m.
(Loss) Gain on disposal of plant and equipment	(3)	1	n.m.
Foreign exchange adjustment loss	(24)	(23)	4.3%
Foreign exchange translation gain	-	175	n.m.
Interest expense	(167)	(73)	128.8%
Interest income	6	7	(14.3)%

n.m.: Not meaningful

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	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Non-current assets:				
Property, plant and equipment	2,478	2,765	2	2
Exploration and evaluation assets	1,825	1,896	-	-
Intangible assets	209	209	-	-
Investments in subsidiaries	-	-	18,879	18,879
Investments in associates	298	305	-	-
Deferred tax assets	65	49	-	-
Other assets	477	495	-	-
Total non-current assets	5,352	5,719	18,881	18,881
Current assets:				
Inventories	6,725	8,015	-	-
Trade and other receivables	23,916	23,767	13,392	13,332
Other assets	4,746	3,848	18	8
Cash and cash equivalents	8,939	9,835	61	52
Total current assets	44,326	45,465	13,471	13,392
Total assets	49,678	51,184	32,352	32,273
EQUITY AND LIABILITIES				
Share capital	22,345	22,345	22,345	22,345
Retained earnings	5,122	6,140	8,882	8,775
Other reserves	3,506	4,238	988	988
Equity attributable to owners of the parent	30,973	32,723	32,215	32,108
Non-controlling interests	(177)	(162)	-	-
Total equity	30,796	32,561	32,215	32,108
Non-current liabilities:				
Deferred tax liabilities	445	455	-	-
Other financial liabilities	25	27	-	-
Other liabilities	54	57	-	-
Total non-current liabilities	524	539	-	-
Current liabilities:				
Income tax payable	340	418	-	-
Trade and other payables	6,207	8,292	137	165
Other financial liabilities	10,024	8,490	-	-
Other liabilities	1,787	884	-	-
Total current liabilities	18,358	18,084	137	165
Total liabilities	18,882	18,623	137	165
Total equity and liabilities	49,678	51,184	32,352	32,273

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31.03.2014		As at 31.12.2013	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
10,024	-	8,490	-

Amount repayable in after one year

As at 31.03.2014		As at 31.12.2013	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
25	-	27	-

Details of any collateral

Banking facilities comprising bank loans, banks guarantees, letters of credit, bills financing and finance leases are secured by the following: -

- i) charges on our subsidiaries' deposits pledged with the financial institutions amounting to US\$1.7 million as at 31 March 2014 and US\$1.9 million as at 31 December 2013; and
- ii) charges on subsidiaries' property and land use rights in Langfang, The People's Republic of China, with total net book values of US\$0.8 million as at 31 March 2014 and US\$0.9 million as at 31 December 2013; and
- iii) a charge over the leased assets; and
- iv) a charge over credit insurance proceeds.

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	
	Three months ended	
	31.03.2014	31.03.2013
	US\$'000	US\$'000
Cash Flows From Operating Activities		
(Loss) Profit before tax from continuing operations	(1,013)	444
Amortisation of land use rights	6	6
Depreciation of property, plant and equipment	215	180
Loss (Gain) on disposal of plant and equipment	3	(1)
Impairment loss on exploration and evaluation assets	-	130
Share of losses from equity-accounted associates	7	*
Interest expense	167	73
Interest income	(6)	(7)
Net effect of exchange rate changes in consolidating foreign operations	(802)	(72)
Operating cash flows before working capital changes	(1,423)	753
Inventories	1,290	85
Trade and other receivables	(149)	(2,409)
Other assets	(898)	(332)
Trade and other payables	(2,106)	126
Other liabilities	903	(54)
Net cash flows used in operations	(2,383)	(1,831)
Income taxes paid	(108)	(180)
Net cash flows used in operating activities	(2,491)	(2,011)
Cash Flows From Investing activities		
Purchase of plant and equipment	(20)	(330)
Payments for exploration and evaluation assets	-	(130)
Proceeds from disposal of plant and equipment	16	-
Interest income received	6	7
Net cash flows from (used in) investing activities	2	(453)
Cash Flows From Financing activities		
Proceeds from new borrowings	9,657	1,506
Repayments of borrowings	(8,114)	(4,053)
Decrease in bill payables	(10)	(1,643)
Repayment of obligation under finance lease liabilities	(3)	(2)
Decrease (Increase) in cash restricted in use	176	(466)
Interest expense paid	(146)	(65)
Net cash flows from (used in) financing activities	1,560	(4,723)

* : Amount less than US\$500

	Group	
	Three months ended	
	31.03.2014	31.03.2013
	US\$'000	US\$'000
Net decrease in cash and cash equivalents	(929)	(7,187)
Cash and cash equivalents, Consolidated Statement of Cash Flows,		
Beginning balance	7,948	9,933
Effect of foreign exchange rate adjustments	209	(29)
Cash and cash equivalents, Consolidated Statement of Cash Flows,		
Ending balance	7,228	2,717

* : Amount less than US\$500

Note to Consolidated Statement of Cash Flows

(A) Cash and cash equivalents

	Group	
	As at	As at
	31.03.2014	31.03.2013
	US\$'000	US\$'000
Not restricted in use	7,228	2,717
Restricted in use	1,711	2,098
	8,939	4,815
Cash restricted in use	(1,711)	(2,098)
Cash and cash equivalents	7,228	2,717

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of changes in equity for the three months ended 31 March 2014

Group

	Total Equity US\$'000	Attributable to Parent Sub- Total US\$'000	Share Capital US\$'000	Retained Earnings US\$'000	Foreign Currency Translation Reserve US\$'000	Statutory Reserve US\$'000	Warrants Reserve US\$'000	Non- controlling Interests US\$'000
Current period:								
Opening Balance at 1 January 2014	32,561	32,723	22,345	6,140	2,170	1,080	988	(162)
Total comprehensive income (loss) for the period	(1,765)	(1,750)	-	(1,018)	(732)	-	-	(15)
Closing Balance at 31 March 2014	30,796	30,973	22,345	5,122	1,438	1,080	988	(177)
Previous period:								
Opening Balance at 1 January 2013	33,091	33,253	22,345	7,299	1,989	632	988	(162)
Total comprehensive income (loss) for the period	329	312	-	265	47	-	-	17
De-registration of a subsidiary	(175)	(175)	-	-	(175)	-	-	-
Closing Balance at 31 March 2013	33,245	33,390	22,345	7,564	1,861	632	988	(145)

Statements of changes in equity for the three months ended 31 March 2014

Company

	Total Equity US\$'000	Share Capital US\$'000	Retained Earnings US\$'000	Warrants Reserve US\$'001
Current period:				
Opening Balance at 1 January 2014	32,108	22,345	8,775	988
Total comprehensive income for the period	107	-	107	-
Closing Balance at 31 March 2014	32,215	22,345	8,882	988
Previous period:				
Opening Balance at 1 January 2013	33,522	22,345	10,189	988
Total comprehensive income for the period	81	-	81	-
Closing Balance at 31 March 2013	33,603	22,345	10,270	988

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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

There were no 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 31 December 2013. As at 31 March 2014, the total number of issued share capital of the Company, excluding treasury share is 284,929,910 ordinary shares and total number of issued warrants of the Company is 142,464,955 warrants.

There was no conversion of warrants during the period ended 31 March 2014.

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.

<i>Number of shares</i>	
Issued and paid-up share capital as at 31.12.2013	284,929,910
Issued and paid-up share capital as at 31.03.2014	284,929,910

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

As at 31 March 2014, there were no treasury shares.

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.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2013. In addition, the Group has also adopted various revisions to the FRS and INT FRS, which became effective for the current reporting year. The said adoption has no significant impact to the financial statements of the Group for the period ended 31 March 2014.

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.

Not applicable.

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

	1 st quarter ended	
	31.03.2014	31.03.2013
(Loss) Earnings of the Group, after deducting any provision for preference dividends (in US\$'000)	(1,018)	265
Weighted average no. of shares used in computation of basic earnings per share (a)	284,929,910	284,929,910
No. of ordinary shares in issue adjusted for the dilutive effect of 142,464,955 warrants issued on 9 January 2012 (b)	427,394,865	427,394,865
(Loss) Earnings per share (in US cents):		
(a) Based on weighted average no. of ordinary shares on issue	(0.36)	0.09
(b) On a fully diluted basis	(0.24)	0.06

7. *Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares 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	
	Unaudited	Audited	Unaudited	Audited
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Net Asset Value per share (US cents)	10.87	11.48	11.31	11.27

Net asset value per share for Group and Company for 31 March 2014 and 31 December 2013 has been computed based on shareholder's equity as at the respective dates and number of shares of 284,929,910 ordinary shares.

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.*

Performance Review

Revenue

Segmental revenues are as follows:	Group		
	Three months ended		% change + / (-)
	31.03.2014 US\$'000	31.03.2013 US\$'000	
Equipment integration services	3,364	4,332	(22.3)%
Manufacturing & procurement sales	283	313	(9.6)%
Consultancy and inspection supervision services	652	1,403	(53.5)%
	<u>4,299</u>	<u>6,048</u>	<u>(28.9)%</u>

Group revenue fell 28.9% or US\$1.7 million to US\$4.3 million in 1Q2014 from US\$6.0 million in 1Q2013 with registered fall in all three business segments. These were mainly due to fewer deliveries of completed equipment integration projects and a decrease in the recognition of revenue from consultancy and inspection services due to a fall in the number of in-progress projects.

Profit / Loss

The Group's gross profit fell 53.7% or US\$1.4 million to US\$1.2 million in 1Q2014, as compared to the previous corresponding period, due mainly to lower revenue from all three business segments and a fall in gross profit margin from equipment integration projects to 21.1% from 37.5% in 1Q2013 due to intense price competition and the absence of revenue confirmation of certain variation orders on completed consultancy and inspection services projects in 1Q2014.

Other charges fell 78.6% to US\$0.03 million in 1Q2014, as compared to the previous corresponding period as there was an impairment loss on exploration and evaluation assets from the settlement of a dispute concerning payment for services provided to Zoneda Energy Ltd in 1Q2013.

Finance costs grew 128.8% to US\$0.2 million in 1Q2014, as compared to the previous corresponding period, due mainly to an increase in the utilisation of financial facilities for our working capital requirements.

Tax expense fell 87.7% to US\$0.02 million in 1Q2014, as compared to the previous corresponding period, due mainly to the losses incurred by the Group and also the tax losses of certain subsidiaries were not available for set-off against taxable profits of other subsidiaries as they are in different tax jurisdiction.

In view of the above, the Group incurred a loss, net of tax of US\$1.0 million in 1Q2014 as compared to a profit, net of tax of US\$0.3 million in the previous corresponding period.

Financial Position

Current Assets

Current assets decreased US\$1.1 million or 2.5% to US\$44.3 million as at 31 March 2014 from US\$45.5 million as at 31 December 2013.

Inventories decreased by US\$1.3 million or 16.1% to US\$6.7 million as at 31 March 2014 from US\$8.0 million as at 31 December 2013. These were mainly due to decrease inventory of raw materials, lower in-progress equipment integration projects and higher delivery of completed equipment.

Other assets increased by US\$0.9 million or 23.3% to US\$4.7 million as at 31 March 2014 from US\$3.8 million as at 31 December 2013 were mainly due to an increase in deposits to suppliers for the purchase of equipment and materials for our in-progress projects.

Current Liabilities

Current liabilities increased US\$0.3 million or 1.5% to US\$18.4 million as at 31 March 2014 from US\$18.1 million as at 31 December 2013.

Trade and other payables decreased US\$2.1 million or 25.1% to US\$6.2 million as at 31 March 2014 from US\$8.3 million as at 31 December 2013, due mainly to a decrease in trade payables from lower purchase of raw materials and equipment for our in-progress equipment integration projects and lower provision of staff related performance bonuses.

Other financial liabilities increased US\$1.5 million or 18.1% to US\$10.0 million as at 31 March 2014 from US\$8.5 million as at 31 December 2013, due mainly to an increase in the utilisation of financial facilities for our working capital requirements.

Other liabilities increased US\$0.9 million or 102.1% to US\$1.8 million as at 31 March 2014 from US\$0.9 million as at 31 December 2013, due mainly to an increase in advance payment from customers for our in-progress projects.

Cash flow

Cash and cash equivalents decreased by US\$0.9 million in 1Q2014.

Net cash flows used in operating activities in 1Q2014 of approximately US\$2.5 million was due mainly to an increase in deposit to suppliers and also a decrease in trade payables from lower purchase of raw materials and equipment from our in-progress equipment integration projects and partially offset by a decrease in inventory of raw materials, lower in-progress equipment integration projects and higher delivery of completed equipment and increase in advance payment from customers for our in-progress projects.

Net cash flow generated from financing activities in 1Q2014 of approximately US\$1.5 million was due mainly to the increase utilisation of financing facilities for working capital requirements.

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

Not applicable.

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.

In view of the tough economic environment in China and also more stringent financing requirements, the Group is cautious on pursuing new projects. Cash flow management will continue to be a key focus for the Group and the exploratory activities at our oil concession rights in Alberta, Canada continued to be on hold until such time that we are able to raise the required financial resources.

As at 31 March 2014, the Group has an orders book of approximately US\$17.7 million.

Update on the proposed acquisition of the entire issued and paid-up share capital of Chiwayland Group (Singapore) Pte. Ltd. and the proposed disposal of the existing business of the Company to its controlling shareholder

The Company had on 27 March 2013 announced that:

- (a) it had entered into a sale and purchase agreement dated 26 March 2013 with Sinway Investment Co., Ltd (“**Sinway**”), Chiwayland Group (Singapore) Pte. Ltd. (“**Chiwayland**”) and Petchem Holdings Pte. Ltd. (“**Petchem**”) for the proposed acquisition of the entire issued and paid up capital of Chiwayland Group (Singapore) Pte Ltd from Sinway (the “**Proposed Acquisition**”);
- (b) entered into a disposal agreement dated 26 March 2013 with Petchem for the proposed disposal of all the issued and paid up share capital of R H Energy (HK) Limited, Zoneda Energy Ltd., R H International Pte Ltd and Greenzone Energy Pte. Ltd. and 70% of the entire issued and paid up share capital of Amersun Energy Pte. Ltd. (the “**Proposed Disposal**”).

On 1 June 2013, the Company announced that the Securities Industry Council of Singapore had granted a conditional waiver of the obligation of Sinway and its concert parties to make a mandatory offer under Rule 14 of the Singapore Code on Take-overs and Mergers in the event that they acquire 30% or more of the voting rights in the Company as a result of the issue of consideration shares to them under the Proposed Acquisition.

On 25 March 2014, the Company announced that it had entered into:

- (a) a supplemental agreement to the sale and purchase agreement with Sinway, Chiwayland and Petchem in relation to the Proposed Acquisition, pursuant to which the long-stop date for the Proposed Acquisition (being the last date for the fulfillment or waiver (as the case may be) of the conditions precedent set out in the sale and purchase agreement) has been extended to 30 September 2014; and
- (b) a supplemental agreement to the disposal agreement with Petchem in relation to the Proposed Disposal, pursuant to which the long-stop date for the Proposed Disposal (being the last date for the fulfillment of all the conditions precedent set out in the disposal agreement) has been extended to 30 September 2014.

On 31 March 2014, the Company announced that it had received the Approval In-Principle from the Singapore Exchange Securities Trading Limited for the Proposed Acquisition, subject to certain conditions.

The Board would like to advise shareholders of the Company (“**Shareholders**”) that completion of the Proposed Acquisition and the Proposed Disposal is subject to the conditions precedent being fulfilled and there is no assurance that such completion will take place. Accordingly, Shareholders are advised to exercise caution before making any decision in respect of their dealings in the Company’s shares. Shareholders who are in any doubt about this announcement should consult their legal, financial, tax or other professional adviser.

Please refer to the Company's announcements dated 27 March 2013, 25 March 2014 and 31 March 2014, as well as any future announcements on the SGX-ST, for information in relation to the Proposed Acquisition and the Proposed Disposal.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended by the Company.

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 Company has not obtained a general mandate from shareholders for Interested Person Transactions.

14. Negative confirmation pursuant to Rule 705(5)

The Board of Directors hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results of the Company and of the Group for the period ended 31 March 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

WANG HAIRONG
Executive Chairman and CEO
12 May 2014