

# STRATEGISING FOR GROWTH

RH PETROGAS LIMITED  
ANNUAL REPORT 2014



# Corporate Overview

The Group has successfully transformed itself into an exploration and production company. RH Petrogas is now forging ahead with its commitment and strategy of growing its business to be a leading independent oil and gas company in Asia.



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# Assets Review

- Exploration & Production





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

The Kepala Burung PSC (“Basin PSC”) and the Salawati Kepala Burung PSC (“Island PSC”) are two contiguous blocks located in the “Bird’s Head” area of West Papua in eastern Indonesia, covering a total area of 1,969 square kilometers (“km<sup>2</sup>”) with both onshore and offshore acreage. The Group has an aggregate working interest of 60% in the Basin PSC and 33.2142% in the Island PSC. Based on an independent third-party assessment, the proved plus probable reserves (“2P reserves”) as at 1 January 2015 for the two PSCs combined was 9.4 million barrels of oil equivalent (“MMBOE”) net to the Group’s working interests. These reserve numbers include the Indonesian Government’s share of production under the terms of the PSCs.

Production for 2014 averaged 4,370 barrels of oil equivalent per day (“BOEPD”) net to the Group’s working interests. This is higher than the average production of 4,100 BOEPD achieved for the previous year. The increase in production was mainly due to five new wells being Put On Production (“POP”) in the Basin PSC during the year, consisting of two wells in the North Klalin field and three wells in the Southeast Walio field. The success of continuing well workovers in existing fields, as well as the improved recovery of oil from oil sludge drained off and stored in the skim pits have also contributed to the production gains during the year.

#### Basin PSC

The North Klalin field was discovered with the North Klalin-1 exploration well drilled in 2011, and successfully appraised by the North Klalin-2 well in early 2013 and the North Klalin-3 well in 2012. The North Klalin-2 appraisal well drilled to appraise the northeast extension of the North Klalin area has been POP in August 2014 with an initial production of 0.63 million standard cubic feet per day (“MMSCFD”) of gas and 78 barrels per day (“BPD”) of condensate. The North Klalin-3 appraisal well has also been POP in July 2014 with initial production of 1.02 MMSCFD of gas and 32 BPD of condensate. The Plan

of Development (“POD”) for the full field development of North Klalin was prepared and submitted to SKK Migas (Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi), for approval during the year. The POD had set out the plan to drill four new development wells in the field, which was previously included as part of 2014’s approved work program. The wells were delayed while waiting for POD approval, which was recently received in February 2015.

In the South East Walio area, the approval for the POP of three wells was obtained from SKK Migas in late 2013 and the wells were put online after pipeline installation was completed during the year. The South East Walio-2 side-track well was brought online in February 2014 with an initial production rate of 68 barrels of oil per day (“BOPD”), followed by South East Walio extension-1 well in June 2014 with an initial production rate of 30 BOPD and the Walio extension-1 well in August 2014 with an initial production rate of 5 BOPD. The POD for the full field development of the South East Walio field was submitted to SKK Migas and is awaiting the final approval. Besides the POP programs, the Group re-entered and deepened the Klalin-8 well and drilled the Klalin-16 infill well during the year.

The Klalin-8 was drilled in 2004 but abandoned without completion due to drilling problems. In April 2014, the Group had successfully deepened the well after an effective fishing operation to remove debris in the hole. The well has been brought into production in April 2014 with an initial production rate of 97 BOPD with 8.2% water cut. The Klalin-16 infill well was spudded on 24 October 2014 and reached its final total depth (“TD”) on 30 December 2014. The well encountered good oil and gas shows from ditch cutting and sidewall core, with petrophysical analysis confirming the well to be a potential producer. The Klalin-16 well is expected to be brought onstream in the second half of 2015 after the installation of pipeline.

The total expenditure incurred for development drilling in 2014 was approximately US\$5,719,000.

# Assets Review

## - Exploration & Production



During the year, the Group successfully completed production tests on the Klaifi-1 well. The Klaifi-1 well was drilled in 1986 and completed as an oil discovery. The well was suspended at that time to await the development of production facilities. In the ensuing years, the well had been left suspended as priority had shifted to bigger discoveries located nearer to existing production facilities. The Group and its partners decided to revisit Klaifi-1 well in 2014 to perform further production tests. During the tests, the well produced at an average of 251 BOPD with 91% water cut. With the good production rate, a proposal to POP the well was submitted to SKK Migas in December 2014, where oil to be produced from the well will be trucked to the nearest facilities in Arar area. The Klaifi-1 well performance has opened up potential new exploration plays in the eastern part of the Basin PSC. The Group has re-processed existing 2D seismic data in these areas to mature the prospects for future drilling.

On the operational side, the Group and its partners have successfully implemented an Health, Safety and Environment (“HSE”) initiative to improve oil recovery from two skim pits in the block where oil sludge removed from the production and storage processes had been drained off and stored. This had resulted in oil volume recovery ranging from 80 to 100 BOPD during April to May 2014. With these encouraging results, the operations team plans to implement the same initiative at the remaining five skim pits in the Basin area.

### Island PSC

Following the oil discovery at Koi-1 well drilled in the year 2000 and the successful appraisal made by the Koi-2 well in 2014, the joint venture partners of Island PSC have commenced a preliminary Front End Engineering Design (“pre-FEED”) and reservoir simulation studies of the Koi field. The studies are expected to be completed in 2015 and the results will be reviewed in order for partners to make a decision on the feasibility of submitting a POD for the offshore oil field. The successful Koi appraisal has opened up several analogous opportunities in the offshore area of the Island PSC. Approximately US\$5,542,000 was incurred in 2014 for the drilling of the Koi-2 well, which started in 2013 and was completed during the year.



The offshore TBA field started production in 2006 using the Brotojoyo FPSO (Floating, Production Storage and Offloading vessel) but has been shut in since June 2010 after the expiry of the FPSO contract. The field is planned to be reactivated during 2015 with the lease of a new FPSO and is expected to produce at an initial rate of 350 BOPD net to the Group.

### Fuyu 1 PSC – China (100% before commercial production, Operator)

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

The Overall Development Plan (“ODP”) for the first phase development of the Yongping field was approved by China National Petroleum Corporation (“CNPC”) in August 2012, with the final governmental approval from the National Development and Reform Commission (“NDRC”) received in October 2014. The approved ODP entails the drilling of up to 1,008 development wells over a five year period. These are low cost shallow wells with average depth of less than 300 meters.

Based on an independent third-party assessment, the 2P reserves as at 1 January 2015 for the first phase ODP of the Yongping field was 21.4 million barrels of oil on a gross 100% basis. Considering that CNPC will back-in for a 51% working interest after the commencement of commercial production, the Group has recognised a net 2P reserves of 10.5 million barrels of oil based on its 49% working interest.

Pre-development preparation works that had been carried out while waiting for ODP approval has enabled the Group to commence the drilling of development wells in mid-November 2014, one month after the final NDRC approval was received. By the end of 2014, 15 development wells had been drilled and completed. Drilling results are encouraging with producible pays interpreted in 14 out of the 15 wells drilled. The wells have been suspended in readiness to move into production

after the winter season is over. Plans are in place to drill another 40 to 100 shallow development wells in 2015. The total expenditure incurred for further evaluation activities and development drilling in 2014 was approximately US\$2,476,000.

On the exploration front, the Group had farmed into 163 km<sup>2</sup> of new 3D seismic survey which was part of a larger regional survey conducted by one of CNPC's local subsidiary. The data from the 3D survey has been processed and is now being interpreted. This superior dataset will help to further delineate the deep hydrocarbon potential in the PSC where the JF001 well drilled in 2011 encountered 30 meters of net gas pay.

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

The Group operates the West Belida PSC via its subsidiary Orchard Energy (West Belida) Limited.

Exploration efforts continued during 2014 with the area of focus shifting to the southeastern part of the PSC which had been relatively underexplored in the past. Old gravity data showed the existence of a depositional low where hydrocarbon could potentially be generated. Field geological mapping was carried out in 2014 which showed that while most of the surface area was covered by volcanic and alluvial sediments, there was also the presence of sediment of Late Miocene formation which was outcropped around the area. To confirm the extent of the Late Miocene sediment to the depositional low area and its prospectivity indicated by old gravity data, a passive seismic survey was conducted in December 2014. The results of the analysis and interpretation of the passive seismic were not encouraging. The total expenditure incurred for further evaluation activities in 2014 was approximately US\$624,000.

Based on the findings of our exploration efforts, the Group does not intend to apply for an extension of the initial six year exploration period which is to expire on 4 May 2015 and the Group is therefore planning for a total relinquishment of the West Belida Block.



### **SK331 PSC – Onshore Sarawak, Malaysia (40.8%, Operator)**

The Group operates the SK331 PSC via its subsidiary RHP (Mukah) Pte Ltd ("RHPM"). RHPM holds an 80% working interest and Petronas Carigali Sdn Bhd, the exploration and production subsidiary of Petroliaam Nasional Berhad ("PETRONAS"), holds the remaining 20% interest. As part of its strategy for risk mitigation, the Group divested 49% of its shareholding interest in RHPM to Tumbuh Tiasa Enterprises Sdn Bhd. Following completion of the sale in September 2014, the Group's effective working interest in the PSC was reduced from 80% to 40.8%.

During 2014, Surface Geochemistry survey covering an area of 1,200 square kilometers with 757 samples was carried out around major structural elements identified by the Full Tensor Gradiometry ("FTG") aerogravity and magnetic survey data which had been conducted earlier in 2013. The survey results clearly showed some higher hydrocarbon potential areas with elevated hydrocarbon microseepage anomalies. These are areas representing migration pathway or possibly leakage from oil/gas accumulations which demonstrates an active petroleum system within the block. All these anomalies will be correlated with available seismic and well data.

As part of the exploration work commitment, the Group has reprocessed 1,927.4 line kilometers of existing 2D seismic data in July 2014. Interpretation of the reprocessed seismic resulted in the identification of three prospects and nine leads within the Oligo-Miocene upper and middle Cycle-1 with potential oil and gas accumulations around the Bawean and Teres areas.

In November 2014, the Group completed the acquisition of 508 line kilometers of new 2D seismic data in the block. Processing of the new 2D data is currently on-going and this will be followed by data interpretation and analysis. The interpreted results will be integrated with available geological and geophysical data to identify a drillable prospect for drilling in 2016.

The total expenditure incurred for geological and geophysical surveys including surface geochemistry survey, FTG survey, 2D seismic survey in 2014 was approximately US\$18,632,000.



# Chairman's Message



 **TAN SRI DATUK SIR TIONG HIEW KING**  
Executive Chairman

Dear Shareholders,

2014 was a challenging year for the industry with crude oil prices dropping to levels not seen since 2009. Notwithstanding the headwinds faced by the industry, RH Petrogas delivered on several fronts in the year. These included moving its Fuyu asset into the development and production phase, improving on production; and almost doubling the Group's 2P reserves by the end of the year.

The upstream oil and gas sector started 2014 off strongly, with Brent crude trading at above US\$100 per barrel as optimism in the global economic recovery and growth continued to lift market sentiment. This optimism gave way to concerns over crude over-supply in the second half of the year as the market began to feel the impact of the boom in production of shale oil in recent years, which was further aggravated by OPEC's decision to maintain its oil production levels in order to defend its market share against encroachment by the new shale oil producers. At the same time, the US Dollar has been strengthening, which added some pressure on oil prices. Under this scenario, oil prices started to fall towards the end of the third quarter, with Brent crude ending the year at almost half of its value as compared to a year earlier. Despite the current concerns over potential crude over-supply, oil remains fundamentally a major primary source of energy in the foreseeable future. The International Energy Agency has in its World Energy Outlook 2014 estimated that global energy demand is set to grow by 37% by 2040.

The Group continued to focus on developing its portfolio of assets and has made several achievements in 2014. In China, the Group secured the final governmental approval for the phased development of the Yongping field in our Fuyu asset. With this approval, the Group was able to move the asset into the development and production stage and had within two months of receiving the ODP approval, completed the drilling of the first 15 development wells, before the end of 2014. The Group also improved production at our Salawati assets to reach an average of 4,370 BOEPD net to the Group's working

interests in 2014, up from 4,100 BOEPD in the previous year. The annual review of the Group's reserves and resources concluded recently by an independent evaluator assessed the Group's 2P reserves to be around 19.9 MMBOE as at 1 January 2015, which represents an increase of 93% over the reported 2P reserves as at 1 January 2014, after accounting for actual production during 2014. During the year, as part of its risk mitigation strategy, the Group also completed the divestment of a 49% equity interest in its wholly owned subsidiary RHP (Mukah) Pte Ltd, which holds an 80% working interest in the SK331 PSC.

In Indonesia, there are active strategies in place to enhance production from the two producing Salawati assets – Basin PSC and Island PSC. Good advancements were made in 2014. Production growth during the year was achieved through a series of effective operational initiatives, including the put on production of five wells from the recent discoveries in Basin PSC and the continual program of workover at existing wells. Progress was also made on the development of the two discovered fields, North Klalin and South East Walio. The POD for these two fields were prepared and submitted to the authorities for approval during the year and POD approval for North Klalin has been received in February 2015. In the Island PSC, the drilling of the Koi-2 appraisal well had yielded encouraging results and this has opened up several analogous opportunities in the offshore area of the block. The extension of the Island PSC term will have an impact on the likelihood of exploring and commercialising these upside opportunities.



In China, the highlight for the year for the Fuyu 1 PSC was the ODP approval received from National Development and Reform Commission (NDRC), which has allowed the Fuyu 1 Block to progress into the development and production phase. With the stronger reserve base from the resource upgrade afforded by the ODP approval, the project is now ready to be commercialised and to start contributing to the Group's production. Up to 1,008 wells will be drilled over a five year period, with production expected to be ramped up progressively beginning in 2015.

In Malaysia, the Group has successfully farmed down the SK331 PSC onshore Sarawak for risk mitigation while keeping a sizeable exposure to upside potential. Exploration efforts for the year were concentrated on the 2D seismic acquisition program in the block, which was completed on schedule in November. The result of the seismic interpretation will be integrated with available geological and geophysical (G&G) data to identify a drillable prospect for drilling in 2016.

On the growth front, we are still actively looking at acquisitions in addition to organic reserve growth from existing assets. Due diligence on selected projects have been ongoing. With challenges in the current market conditions, opportunities for acquisition are expected to arise from time to time. We will continue to be on the lookout for these opportunities, especially for high-quality producing assets in the Asia Pacific region, as well as exploration farm-in with low entry costs.

On financial performance, the Group reported a net loss after tax of US\$28 million for FY2014 mainly due to the impairment on goodwill and oil and gas properties, and the write-off of unsuccessful exploration and evaluation expenditures. The Group registered a total revenue of US\$75 million and EBITDAX<sup>(1)</sup> of US\$21 million for FY2014 which were lower than the total revenue of US\$86 million and EBITDAX<sup>(1)</sup> of US\$29 million for FY2013.

The weak outlook for oil prices in the near-term has led many exploration and production companies to re-assess their project economics and implementation. For the Group, we will continue to focus our efforts in managing cost and adjusting our production and development plans to maximise returns from the projects. The Group will stay perceptive to market developments and continue to evaluate and fine-tune our business plans accordingly. We continue to be committed to growing our oil and gas portfolio and to focus on our long-term exploration and production strategies.

On behalf of the Board, I would like to extend the appreciation to our employees and management for their commitment and hard work during 2014. More importantly, I would like to express our sincere gratitude to our shareholders for their steadfast support during the year. We will continue to work on delivering value to our shareholders.

**TAN SRI DATUK SIR TIONG HIEW KING**  
Executive Chairman

Note :

<sup>(1)</sup> Earnings before interest, taxation, depreciation, amortisation, exploration expenses, impairment and other non-recurring items (EBITDAX)

# Board of Directors



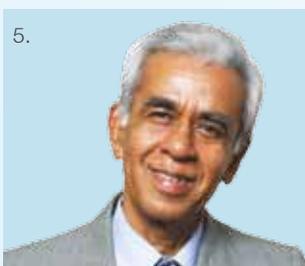
1 Tan Sri Datuk Sir Tiong Hiew King  
Executive Chairman

2 Dato' Sri Dr Tiong Ik King  
Executive Director



3 Mr Chang Cheng-Hsing Francis  
Group CEO and Executive Director

4 Mr Peter Ng Choong Joo  
Executive Director



5 Mr Abbasbhoj Haider Nakhoda  
Independent Director

6 Mr Yeo Yun Seng Bernard  
Independent Director



7 Mr Lee Hock Lye  
Independent Director

8 Mr Achmad Lukman Kartanegara  
Independent Director

### **Tan Sri Datuk Sir Tiong Hiew King**

Executive Chairman

TAN SRI DATUK SIR TIONG HIEW KING was appointed Executive Director and Executive Chairman of the Company on 13 March 2008. He is also the Executive Chairman of Rimbunan Hijau Group, a large diversified conglomerate in Malaysia with extensive business around the world. Tan Sri Datuk Sir Tiong has extensive experience in a number of industries, including timber, oil palm plantations, oil and gas, media and publishing, mining, fishery and manufacturing. He also holds directorships in many private limited companies and publicly listed companies around the world, including Rimbunan Sawit Berhad in Malaysia.

He is also the Chairman of Media Chinese International Limited, a publicly listed media company in both Hong Kong and Malaysia, which publishes 5 Chinese-language newspapers with a total daily circulation of over 1 million copies and over 30 magazines in key cities in North America, Southeast Asia, and China.

### **Dato' Sri Dr Tiong Ik King**

Executive Director

DATO' SRI DR TIONG IK KING who had been a Non-Executive Director since 7 March 1997 and Non-Executive Chairman since 31 March 2005, was redesignated as Executive Director on 13 March 2008. He graduated with a M.B.B.S Degree from National University of Singapore in 1975 and attained M.R.C.P. from the UK Royal College of Physicians, United Kingdom, in 1977.

Dato' Sri Dr Tiong is an Executive Director of Media Chinese International Limited, a publicly listed media company in both Hong Kong and Malaysia, which publishes 5 Chinese-language newspapers with a total daily circulation of over 1 million copies and over 30 magazines in key cities in North America, Southeast Asia, and China. He also sits on the board of Jaya Tiasa Holdings Berhad, a publicly listed timber and oil palm plantation company in Malaysia.

### **Mr Chang Cheng-Hsing Francis**

Group CEO & 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 35 years' experience with US based major 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 AAPG, SEAPEX, and IPA.

### **Mr Peter Ng Choong Joo**

Executive Director

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

Mr Ng started his early career in Bank Negara Malaysia, Bank Utama (Malaysia) Berhad and Utama Wardly Merchant Bank Berhad. He also holds directorships in Rimbunan Petrogas Limited, RH Insurance Ltd, Qinzhou Development (Hong Kong) Limited, Rimbunan Hijau China Investment Inc. and Qinzhou Development (Malaysia) Consortium Sdn. Bhd. Mr Ng is also a director of Kina Securities Limited, Kina Finance Limited, and PNG Home Finance Company Limited in Papua New Guinea.

Mr Ng has been involved in various financial services like Central Banking, Commercial Banking, Investment Banking and Corporate Finance related activities like listing, mergers and acquisitions, equity restructuring and raising funds in the capital markets and Financial Institutions. While in Bank Utama, he was also the Chairman of the Risk Management Committee and Head of Treasury and International Banking.

# Board of Directors

## Mr Abbasbhoj Haider Nakhoda

Independent Director

MR ABBASBHOJ HAIDER NAKHODA was appointed as an Independent Director on 17 June 1997. He is also the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. Mr Nakhoda has had more than 35 years of experience as a Certified Public Accountant, having been a partner of Ernst & Young since 1974 and its Managing Partner from 1989 until his retirement in 1996.

He holds a degree in Economics from the London School of Economics and is presently a Fellow member of the Singapore Institute of Directors, a Life member of the Institute of Singapore Chartered Accountants and a Fellow 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 also the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Currently Mr Yeo is the principal partner of HT & BY Financial Management Consultants. Mr Yeo is an Independent Director of Sin Heng Heavy Machinery Limited, a Singapore listed company and Chairman of its Audit Committee and member of its Remuneration Committee. He was appointed as an Independent Director of MFS Technology Ltd on 1 August 2013 and is the Chairman of its Audit Committee and member of its Remuneration Committee and Nomination Committee. Also, Mr Yeo was appointed as Independent director of UE E&C Ltd on 1 July 2014 and is a member of the Audit Committee.

Mr Yeo is a director of SHRI Academy Pte Ltd and SHRI Corporation Pte Ltd. He is a fellow of SHRI and a fellow member of ACCA and was until 1 March 2011, a council member of SHRI. An accountant by profession, he was Director of Finance and Strategic Investment at Compaq Computers Asia Pacific Pte Ltd.

## Mr Lee Hock Lye

Independent Director

MR LEE HOCK LYE was appointed as an Independent Director on 27 November 2003. He is Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He is also Business Advisor at Lombard Odier (Singapore) Ltd. Mr Lee has extensive experience in banking and finance and he had held several senior positions with HSBC Group in Singapore, where he spent more than 30 years prior to his retirement.

Mr Lee holds a Bachelor of Social Sciences (Honours) degree in Economics from the University of Singapore and is an Associate of the Chartered Institute of Bankers, London.

## Mr Achmad Lukman Kartanegara

Independent Director

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

Mr Kartanegara has more than 30 years of experience in the upstream oil and gas industry. In the past 10 years, he was with PT Pertamina (Persero) ("Pertamina") in various management and advisory roles, including Corporate Senior Advisor to the President Director and CEO of Pertamina for the upstream business. Currently he is a Risk Management Oversight Committee Member with the Board of Commissioners Office of Pertamina.

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

## **Mr Chang Cheng-Hsing Francis**

Group CEO & Executive Director  
(Please refer to page 9)

## **Mr Samuel Cheong**

Vice President, Commercial

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

Mr Cheong's past involvement in many successful acquisitions and joint ventures in both the upstream and downstream sectors of the oil and gas industry forms a strong portfolio that RH Petrogas can tap on to grow and strengthen its oil and gas businesses.

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

## **Mr 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 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 Information

## Board of Directors

Tan Sri Datuk Sir Tiong Hiew King  
(Executive Chairman)

Dato' Sri Dr Tiong Ik King  
(Executive Director)

Chang Cheng-Hsing Francis  
(Group CEO and Executive Director)

Peter Ng Choong Joo  
(Executive 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:  
Low Yen Mei

Date of appointment:  
Since financial year ended  
31 December 2014

# 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 prudent corporate checks and balances. It is about establishing and maintaining appropriate policies, procedures, practices and customs, upheld by a responsible and principled culture that is led by the Board and embraced by Management and staff. Such a framework and culture will result in the enhancement of the interests of all stakeholders. This report describes the Company’s corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the “**Code**”). The Company has complied substantially with the requirements of the Code and will continue to review its practices on an ongoing basis. An explanation has been provided for any deviation from the Code, 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 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 values and maximize long term shareholder value. The Board objectively takes decisions in the interests of 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.

Pursuant to the above oversight and strategy focus of the Board, the Board has adopted internal guidelines setting forth matters that require Board approval. Transactions that require Board approval include investment and divestment proposals, major and significant corporate or strategic projects and actions, annual budgets, and fund raising proposals. The Board has established and delegated specific responsibilities to three Board Committees, to assist the Board in its functions. These are the Audit Committee, the Nominating Committee and the Remuneration Committee. The key functions and responsibilities of these committees are explained below, in this report.

### Board Composition

The Board 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:

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

# CORPORATE GOVERNANCE REPORT

The Board members comprises businessmen and professionals with accounting and financial background, business and management experience, and industry knowledge, all of whom as a group, provides the Board with the necessary experience and expertise to direct and lead the Group. There is also a balance in 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, fully discussed and examined, and take account of 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 present.

The nature of Directors' appointments on the Board and details of their membership on Board Committees in the year 2014 are set out in the table below:

| Director                                 | Committee                      |                       |                       |                        |
|--|--------------------------------|-----------------------|-----------------------|------------------------|
|  | Board                          | Audit Committee       | Nominating Committee  | Remuneration Committee |
| Tan Sri Datuk Sir Tiong Hiew King        | Executive Chairman             | –                     | –                     | –                      |
| Dato' Sri Dr Tiong Ik King               | Executive Director             | Member                | Member                | Member                 |
| Chang Cheng-Hsing Francis                | Group CEO & Executive Director | –                     | –                     | –                      |
| Peter Ng Choong Joo                      | Executive Director             | –                     | –                     | –                      |
| Abbasbhoy Haider Nakhoda                 | Independent Director           | Chairman              | Member                | Member                 |
| Yeo Yun Seng Bernard                     | Independent Director           | Member                | Member                | Chairman               |
| Lee Hock Lye                             | Independent Director           | Member                | Chairman              | Member                 |
| Achmad Lukman Kartanegara <sup>(1)</sup> | Independent Director           | Member <sup>(2)</sup> | Member <sup>(1)</sup> | –                      |

#### Notes:

- (1) Mr Achmad Lukman Kartanegara was appointed as an Independent Director and a member of the Nominating Committee with effect from 22 August 2014.
- (2) Mr Achmad Lukman Kartanegara was appointed as a member of the Audit Committee with effect from 1 December 2014.

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.

# CORPORATE GOVERNANCE REPORT

The number of Board and Committee meetings held in the financial year ended 31 December 2014 (“FY2014”) and the attendance by each member is set out as follows:

| Meeting of                               | Board    | Audit Committee | Nominating Committee | Remuneration Committee |
|--|----------|-----------------|----------------------|------------------------|
| <b>Total held for the FY2014</b>         | <b>4</b> | <b>4</b>        | <b>1</b>             | <b>2</b>               |
| Tan Sri Datuk Sir Tiong Hiew King        | 4        | –               | –                    | –                      |
| Dato’ Sri Dr Tiong Ik King               | 4        | 4               | 0                    | 2                      |
| Chang Cheng-Hsing Francis                | 4        | –               | –                    | –                      |
| Peter Ng Choong Joo                      | 4        | –               | –                    | –                      |
| Abbasbhoy Haider Nakhoda                 | 4        | 4               | 1                    | 2                      |
| Yeo Yun Seng Bernard                     | 4        | 4               | 1                    | 2                      |
| Lee Hock Lye                             | 4        | 4               | 1                    | 2                      |
| Achmad Lukman Kartanegara <sup>(1)</sup> | 1        | –               | –                    | –                      |

**Note:**

- (1) Mr Achmad Lukman Kartanegara was appointed as an Independent Director and a member of the Nominating Committee with effect from 22 August 2014 and as a member of the Audit Committee with effect from 1 December 2014.

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

Newly appointed Directors are briefed by the Management on the business activities of the Group and its strategic directions. There are also orientation programs tailored to familiarise newly appointed Directors with the role 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. The Company has arranged for Mr Kartanegara to attend the Singapore Institute of Directors’ course and training on - ‘Listed Company Director Essentials: Understanding the Regulatory Environment in Singapore’.

All Directors are encouraged to keep themselves updated on changes to the financial, legal and regulatory as well as corporate governance requirements, framework and the business environment through reading relevant literature and attending appropriate seminars and courses conducted by bodies such as Singapore Exchange Securities Trading Limited (“SGX-ST”) and Singapore Institute of Directors. 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, 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.

**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 complete, adequate and timely information on an on-going basis. In addition, all relevant information, complete with background and explanations, on the Group’s annual budgets and forecasts, financial statements, material events and transactions are circulated to Directors as and when required and on a timely basis prior to Board meetings. 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 senior management and the advice and services of the Company Secretary. The Directors, whether as a group or individually, may seek and obtain independent professional advice in furtherance of their duties as Directors of the Company, and such expense is borne by the Company.

The Company Secretary (or the representatives) attends all Board meetings and assists to ensure that Board procedures are followed. Together with the Management, the Company Secretary assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act and the provisions in the Listing Manual of the SGX-ST. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

# CORPORATE GOVERNANCE REPORT

## Executive Chairman and Chief Executive Officer

The Executive Chairman and the Chief Executive Officer (“CEO”) are separate persons to ensure appropriate balance of power, authority and clear division of responsibilities for independent decision making. Tan Sri Datuk Sir Tiong Hiew King who is the Company’s Executive Chairman plays a pivotal role in steering the strategic direction and growth of the business, encourages constructive relations among the Directors and between the Board and Management, and ensures timely flow of information between Management and the Board. The CEO focuses his attention on the day-to-day running of the operations of the Group in accordance with the overall strategies and policies as enumerated and approved by the Board.

## NOMINATING COMMITTEE

The Nominating Committee (“NC”) comprises four Independent Directors and an Executive 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/Directors succession plans and renewal;
- 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, Board Committees and the contribution by each Director to the effectiveness of the Board, particularly when a Director serves on multiple boards; and
- To review training and professional development programs for the Board.

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.

As part of its annual assessment, the NC 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 Annual General Meeting to be held on 24 April 2015 (the “AGM”):

- Tan Sri Datuk Sir Tiong Hiew King;
- Mr Abbasbhoy Haider Nakhoda;
- Mr Achmad Lukman Kartanegara;
- Dato’ Sri Dr Tiong Ik King; and
- Mr Peter Ng Choong Joo.

# CORPORATE GOVERNANCE REPORT

The Board has accepted the recommendations and the retiring Directors will be offering themselves for re-election and re-appointment. In the area of Board enhancement to improve its effectiveness, Mr Achmad Lukman Kartanegara was appointed as an Independent Director and a member of the Nominating Committee with effect from 22 August 2014 and as a member of the Audit Committee with effect from 1 December 2014. Mr Kartanegara has more than 30 years of experience in the upstream oil and gas industry. The following is a table reflecting the date Directors were initially appointed and last re-elected:

| Name <sup>(1)</sup>                              | Date of Initial Appointment | Date of Directors' Last Re-election |
|--|-----------------------------|-------------------------------------|
| Tan Sri Datuk Sir Tiong Hiew King <sup>(2)</sup> | 13 March 2008               | 24 April 2014                       |
| Dato' Sri Dr Tiong Ik King <sup>(2)</sup>        | 7 March 1997                | 25 April 2012                       |
| Mr Chang Cheng-Hsing Francis                     | 1 January 2014              | 24 April 2014                       |
| Mr Peter Ng Choong Joo                           | 9 May 2012                  | 25 April 2013                       |
| Mr Abbasbhoy Haider Nakhoda                      | 17 June 1997                | 24 April 2014                       |
| Mr Yeo Yun Seng Bernard                          | 1 November 2001             | 24 April 2014                       |
| Mr Lee Hock Lye                                  | 27 November 2003            | 24 April 2014                       |
| Mr Achmad Lukman Kartanegara <sup>(3)</sup>      | 22 August 2014              | N.A.                                |

#### Notes:

- (1) Please refer to the Board of Director 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 and Dato' Sri Dr Tiong Ik King are brothers.
- (3) Mr Achmad Lukman Kartanegara was appointed as an Independent Director with effect from 22 August 2014.

As part of its annual assessment, the NC reviews the composition and balance of the Board and its Board Committees to assess that Directors as a group provide an appropriate balance and diversity of skills, experience, core competencies and knowledge required by the Group and is satisfied with the same. For the appointment as new Directors, the NC, in consultation with the Board, will determine the required selection criteria and then identifies 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 candidate(s) 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 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 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.

# CORPORATE GOVERNANCE REPORT

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 assessment was reviewed and last updated in respect of the FY2013 evaluation.

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 and areas for improvement of Board effectiveness and performance are deliberated before submitting to the Board for discussion and decision. To assess 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 contribution. The Chairman of the NC will collate the results and will present and discuss the final report with the Board, and where necessary the necessary feedback is provided to the Director with a view to improving the Directors' 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 an Executive 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 an Executive Director, he does not receive any salary from the Company and its subsidiaries.

The RC is regulated by a set of written Terms of Reference. Its key functions include:

- To recommend to the Board a framework of remuneration for Directors, CEO and key executives that is competitive and sufficient to attract, retain and motivate them to run the Company successfully; and
- To review and determine the specific remuneration packages and terms of employment for Executive Directors, CEO and senior executives.

The RC covers all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, options and benefits in kind. Each RC member shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

The RC has authority to seek any external professional advice on matters relating to remuneration of Directors as and when the need arises.

During the year 2014, the RC had met twice to review and recommend to the Board matters related to:

- a. the Group CEO and Executive Director's remuneration package and service contract;
- b. the remuneration packages of key management staff;
- c. the payment of Directors' Fees; and
- d. the grant of awards under the RHP Option Scheme 2011.

# CORPORATE GOVERNANCE REPORT

## Disclosure on Remuneration

The Company has a remuneration policy where the Company will take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Group's relative performance and the performance of individual Directors and key executives.

The Independent Directors are paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into account factors such as the effort and time spent and the responsibilities of the Independent Directors. The fees are subject to approval by the shareholders at each AGM. The Independent Directors do not receive any other remuneration from the Company. Executive Directors have declined to receive Directors' fees for a number of years. For the FY2014, 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.

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 remuneration package of the CEO and the key executives comprises a basic salary component and a variable component. After the year end, the RC reviews their performance and that of the Company, taking into account factors such as the financial and commercial performance of the business and needs of the Group and that remuneration compensation is commensurate with performance.

The Company has two share plan schemes which were approved by shareholders at a general meeting held on 8 July 2011. They are the RHP Option Scheme 2011 and the RHP Performance Share Plan. Both the share plans schemes are administered by the RC. Please refer to pages 29 to 31 and Note 27 on pages 85 to 87 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 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 FY2014.

A breakdown showing the level and mix of each individual Director's remuneration payable for the FY2014 is as follows:

| Remuneration Bands                       | Salary including CPF % | Bonus/ Profit-sharing % | Allowances & Others % | Directors' Fees <sup>(1)</sup> % | Performance Shares % | Total % |
|--|------------------------|-------------------------|-----------------------|----------------------------------|----------------------|---------|
| <b>S\$500,000 to S\$750,000</b>          |                        |                         |                       |                                  |                      |         |
| Chang Cheng-Hsing Francis                | 62.68                  | 19.45                   | 17.87                 | –                                | –                    | 100     |
| <b>Below S\$250,000</b>                  |                        |                         |                       |                                  |                      |         |
| Tan Sri Datuk Sir Tiong Hiew King        | –                      | –                       | –                     | 100                              | –                    | 100     |
| Dato' Sri Dr Tiong Ik King               | –                      | –                       | –                     | 100                              | –                    | 100     |
| Peter Ng Choong Joo                      | –                      | –                       | –                     | 100                              | –                    | 100     |
| Abbasbhoy Haider Nakhoda                 | –                      | –                       | –                     | 100                              | –                    | 100     |
| Yeo Yun Seng Bernard                     | –                      | –                       | –                     | 100                              | –                    | 100     |
| Lee Hock Lye                             | –                      | –                       | –                     | 100                              | –                    | 100     |
| Achmad Lukman Kartanegara <sup>(2)</sup> | –                      | –                       | –                     | 100                              | –                    | 100     |

### Notes:

- (1) Directors' fees totaling S\$403,123 is to be tabled for shareholders' approval at the forthcoming AGM to be held on 24 April 2015.
- (2) Mr Achmad Lukman Kartanegara was appointed as an Independent Director and a member of the Nominating Committee with effect from 22 August 2014 and as a member of the Audit Committee with effect from 1 December 2014.

# CORPORATE GOVERNANCE REPORT

The Company believes that disclosure of the 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 | 2                 |
| Below S\$250,000         | 1                 |
| <b>Total</b>             | <b>3</b>          |

**Note:**

(1) There were only three key executives (who are not directors or the CEO) in the Company in the FY2014.

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.

## AUDIT COMMITTEE

The Audit Committee (“AC”) comprises five members, a majority 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.

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.

# CORPORATE GOVERNANCE REPORT

The key responsibilities of the AC include the following:

- To review annually the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also provide non-audit services to the Group, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;
- To review the 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 auditors' evaluation of the Group's system of internal controls, the external and internal audit reports and management letter issued by the external auditors (if any) and Management's response to the letter;
- To review announcements of the interim and annual results prior to their submission to the Board for approval for release to the SGX-ST;
- To review interested person transactions in accordance with the requirements of the Listing Rules of the SGX-ST;
- To review all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the external auditors;
- To review the scope and results of the external audit, and the independence and objectivity of the external auditors; and
- To review and recommend to the Board the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors.

The AC may also examine any other aspects of the Group's affairs, as it deems necessary where such matters relate to exposure or risk of a regulatory or legal nature, and monitor the Group's compliance with its legal, regulatory and contractual obligations.

The AC met four times during the year 2014 to review the Group's financial performance for the year, the audit plan/report, the audit findings, the internal audit activities for the year, and the announcements of the interim and full year results before being approved by the Board for release to the SGX-ST. In addition, the AC had met informally with Management and the Auditors on several occasions during the year to discuss the Group's business and financial performance.

The AC had met with the external auditors and Internal Auditors separately, at least once a year, without the presence of the Company's Management, to review any matter that might be raised.

The AC has reviewed the non-audit services provided by the external auditors, Messrs Ernst & Young LLP, and is of the opinion that the provision of such services does not affect their independence. The Company complies with Rule 712 and 715 of the SGX-ST Listing Manual. The AC has recommended to the Board the re-appointment of Messrs Ernst & Young LLP as external auditors at the forthcoming AGM.

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 confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and which will ensure that arrangements are in place for independent investigations of such matters and for appropriate follow-up action.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### ACCOUNTABILITY

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required). Management currently provides all members of the Board with appropriately detailed management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis.

### INTERNAL CONTROLS AND INTERNAL AUDIT

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

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

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

The Internal Auditor's primary line of reporting is to the AC Chairman although the Internal Auditor reports 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. The AC at least annually, reviews the adequacy and effectiveness of the internal audit function.

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

The AC reviews and approves the internal audit plan on an annual basis. The Internal Auditor conducted an annual review of the effectiveness of the Group's systems of internal controls, including financial, operational and compliance risks. The Internal Auditor's findings were reported to the AC and were made available to the external auditors and Management. In 2014, the Company had appointed external professional consultants which met standards set by internationally recognized professional bodies, to review the established policies and procedures of the Group against policies and procedures of recognized and leading oil and gas companies and taking into account the actual practices of the Group to identify if there any gaps and areas of enhancement. The review has been conducted in phases and the findings and recommendations of the completed phases have been considered and presented to, reviewed and approved by the AC and thereafter implemented.

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

# 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 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 31 on pages 92 to 97 of the Notes to the Financial Statements of this Annual Report.

## COMMUNICATION WITH SHAREHOLDERS

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

Material information is disclosed and communicated to shareholders in a comprehensive, accurate and timely manner through:

- a. announcements of interim and full year financial results and on major developments which are published via the SGXNet;
- b. annual reports or circulars of the Company that are prepared and sent to all shareholders;
- c. notices of AGMs and Extraordinary General Meetings ("EGM") published in the newspapers; and
- d. press releases on major developments of the Group.

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

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to attend and vote on his/her behalf at the AGMs or EGMs through proxy forms sent in advance.

Separate resolutions are proposed at general meetings for each distinct issue.

The Chairmen of the committees and the external auditors are or would be present at every AGM and EGM to address any relevant questions that may be raised by the shareholders.

The Company holds analyst briefings which also serve as a platform to solicit feedback from the investment community. The Company also participates in roadshows and conferences organized by major brokerage houses on a regular basis throughout the year. Such meetings provide an avenue for Management to engage shareholders as well as investor community and gain perspectives on their views. Where appropriate, the CEO will 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.

# CORPORATE GOVERNANCE REPORT

## DEALINGS IN THE COMPANY'S SECURITIES

The Company has adopted policies in line with the requirements of the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing two weeks and one month prior to the announcement of the Group's interim and full year results respectively and ending on the date of the announcement of the relevant results.

In addition, Directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

## INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of transactions with interested persons. All IPTs are subject to review by the AC.

The IPTs entered are set out as follows:

| Name of Interested Person  | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) |                    | Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) |                    |
|--|--|--------------------|---|--------------------|
|  | FY2014<br>US\$'000   | FY2013<br>US\$'000 | FY2014<br>US\$'000  | FY2013<br>US\$'000 |
| Tan Sri Datuk Sir Tiong Hiew King and Dato' Sri Dr Tiong Ik King<br>Sale and purchase agreement with Tumbuh Tiasa Enterprises Sdn. Bhd. <sup>(1)</sup> | 2,786  | Nil                | Not applicable  | Not applicable     |

### Note:

- (1) As announced on 17 April 2014 (SGXNET Announcement No. SG140417OTHR44E2), RH Petrogas Investments Pte. Ltd. ("RHPI"), a wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement with Tumbuh Tiasa Enterprises Sdn. Bhd. ("TTE") to sell 3,184,881 ordinary shares representing 49% of the entire issued share capital of RHP (Mukah) Pte. Ltd., a wholly-owned subsidiary of RHPI, to the TTE for an aggregate sale consideration of US\$2,786,000 ("Proposed Sale"). Tan Sri Datuk Sir Tiong Hiew King and Dato' Sri Dr Tiong Ik King, who are both Directors of the Company, together with their family members, indirectly own majority of the issued share capital of TTE. As announced on 24 September 2014 (SGXNET Announcement No. SG140924OTHRNKS), the Proposed Sale has been completed on 24 September 2014.

## 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 FY2014.

# CORPORATE GOVERNANCE REPORT

## USE OF PROCEEDS

As announced on 18 December 2014, the usage of the net placement proceeds of S\$70,267,000 from the placement of 116,000,000 new ordinary shares at a price of S\$0.63 each in the share capital of the Company completed on 16 October 2013 had been fully utilized in accordance with the intended use with the following explanation on use of proceeds:-

| Intended use of net proceeds   | Net proceeds from placement of shares S\$'000 | Amount utilised S\$'000 | Balance S\$'000 |
|--|---|-------------------------|-----------------|
| To fund the operating expenditure and capital expenditure in relation to exploration, development or production activities of Salawati Basin and Salawati Island | 63,240  | (63,240)                | -               |
| Working capital  | 7,027   | (7,027) <sup>(1)</sup>  | -               |
| <b>Total</b>   | <b>70,267</b>                                 | <b>(70,267)</b>         | <b>-</b>        |

### Note:

(1) The breakdown of the working capital of S\$7,027,000 utilised was as follows:

|                          | S\$'000 |
|--------------------------|---------|
| Staff costs              | 4,631   |
| Professional fees        | 1,016   |
| Office expenses          | 502     |
| Fixed assets             | 179     |
| Other operating expenses | 699     |
|                          | 7,027   |

## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

RH Petrogas believes that conducting our business with respect and care for people and the environment is integral to operating a successful and sustainable business.

As an upstream oil and gas company, we recognise that our exploration, development and production activities could have an impact on the environment and local communities in places where we operate. We recognise the importance of sustainability, not only in the management and growth of our business but also in the engagement and equitable development and nurturing of the communities in the regions we operate in. We therefore strive to adopt a balanced approach towards delivering performance in a sustainable manner with a focus on health, safety and environment, as well as local community development in the regions where we operate in, while keeping in mind matters such as corporate governance, commercial objectives, our operating framework and the environment in which we operate in as well as our resource limitations.

### Health, Safety and Environment

As an oil and gas company we recognise the importance and emphasis in the area of health, safety and environment ("HSE"). We are committed to and require the commitment to HSE from all our officers, employees and contractors. Our goals are: no accidents; no injury to our employees and contractors, and to conduct our business and operations in a sustainable manner with the aim of minimising and limiting the impact to the environment. We require compliance with all relevant HSE laws and regulations and that a safe working environment for our employees and contractors be maintained. Industry best practices are adopted as applicable. We also require our contractors to adopt similar industry standards of HSE and to implement safe work practices. Among the common HSE risks faced by the oil and gas industry and relevant to the Company include adverse weather conditions or natural disasters impacting on day-to-day operations; accidents or critical failures in our facilities affecting our operations, all of which may lead to personnel injuries or death, and may cause damage to property and the environment.

# CORPORATE GOVERNANCE REPORT

## Community Engagement

On the community front, we believe that it is important to engage with the local communities on a regular basis to strengthen and develop ties and relationships. Such engagement allows us to manage the social risks that may be faced by the Group which relate mainly to community relations and sensitivities and which could affect our day-to-day operations and impact on the Group's prospects.

We support local communities in areas such as education, healthcare and community development, with the goal of promoting the welfare of the local communities in the long term. In 2014, a number of social projects were undertaken to enhance the well-being and development of the communities in the regions we operate in. Through our operating subsidiaries and joint ventures, we supported local communities in the following areas:

### (i) Education

We believe that education can bring many benefits to society and affords a key path towards achieving upward social mobility and have helped to encourage the pursuit of education by awarding scholarships to students in local schools. We believe that practical work experience complements the learning process and have in place internship programmes for university students. Such programmes enable the students to combine their academic knowledge with practical experience and allows them to gain a better exposure and insight into industry and commerce, which in turn helps them in the building of a firmer foundation for their careers.

### (ii) Healthcare

We supported the provision of medical consultations and treatments for the underprivileged for free. In addition, there were programs to provide dietary supplements to children and nursing mothers to help them obtain a more balanced and better quality diet.

### (iii) Community development

The community projects undertaken include sponsorships to build houses to assist in improving the living conditions of local communities, the donation and installation of solar cells for the lighting of community buildings and of village roads and sponsorships programs to repair their community buildings.

## Other Aspects of Sustainability

The Board has adopted a range of policies, procedures, management systems, guidelines as well as compliance programs to provide the operating framework and support the Company in operating a successful and sustainable business. Examples include the Company's Corporate Policy, Finance Policy, HSE Policy, as well as Whistle-Blowing Policy. These policies cover areas from code of conduct and conflict of issues such as anti-bribery to procurement and HSE.



*Houses built for Malakamen Land  
Owner at Klawor Village, Seget District*



# **FINANCIAL REPORT**

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# DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of RH Petrogas Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

## Directors

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

Tan Sri Datuk Sir Tiong Hiew King  
 Dato' Sri Dr Tiong Ik King  
 Chang Cheng-Hsing Francis  
 Peter Ng Choong Joo  
 Abbasbhoy Haider Nakhoda  
 Yeo Yun Seng Bernard  
 Lee Hock Lye  
 Achmad Lukman Kartanegara (Appointed on 22 August 2014)

## Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company as stated below:

| 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 |
| <b>Ordinary shares of the Company</b> |   |                                  |   |                                  |
| Tan Sri Datuk Sir Tiong Hiew King     | 580,000   | 580,000                          | 472,845,443   | 472,845,443                      |
| Dato' Sri Dr Tiong Ik King            | –   | –                                | 212,073,086   | 212,073,086                      |
| Peter Ng Choong Joo                   | 30,000  | 30,000                           | –   | –                                |
| <b>Share options of the Company</b>   |   |                                  |   |                                  |
| Chang Cheng-Hsing Francis             | 230,000   | 430,000                          | –   | –                                |
| Abbasbhoy Haider Nakhoda              | 30,000  | 30,000                           | –   | –                                |
| Yeo Yun Seng Bernard                  | 30,000  | 30,000                           | –   | –                                |
| Lee Hock Lye                          | 30,000  | 30,000                           | –   | –                                |
| Peter Ng Choong Joo                   | 13,500  | 13,500                           | –   | –                                |

# DIRECTORS' REPORT

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

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Tan Sri Datuk Sir Tiong Hiew King and Dato' Sri Dr Tiong Ik King are deemed to have interest in the Company and its subsidiaries. Tan Sri Datuk Sir Tiong Hiew King's aggregate deemed interest of 472,845,443 shares comprised of (i) 212,073,086 shares held by Surreyville Pte Ltd ("**Surreyville**"), which arises from his shareholding in Woodsville International Limited, the holding company of Surreyville; (ii) 132,825,203 shares 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 2015.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

## Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## Options and performance share plan

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

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

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

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

## Options

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

During the financial year, the Company had granted 711,800 share options under the Scheme. These options expire on 7 March 2019 and are exercisable if the eligible participant remains in service for two years from the date of grant.

# DIRECTORS' REPORT

## Options (cont'd)

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 31 December 2014 are as follows:

| Date of grant of options | Expiry date | Exercise period          | Exercise price (S\$) | Number of options      |                                   |                                     |   | Balance as at 31.12.14 |
|--------------------------|-------------|--------------------------|----------------------|------------------------|-----------------------------------|-------------------------------------|---|------------------------|
|                          |             |                          |                      | Balance as at 01.01.14 | Granted during the financial year | Exercised during the financial year | Cancelled/ lapsed during the financial year |                        |
| 22.07.2011               | 22.07.2016  | 23.07.2013 to 21.07.2016 | 0.59                 | 325,000                | –                                 | –                                   | (15,000)                                    | 310,000                |
| 02.03.2012               | 02.03.2017  | 03.03.2014 to 01.03.2017 | 0.37                 | 1,303,000              | –                                 | (1,000,000)                         | (19,000)                                    | 284,000                |
| 05.03.2013               | 05.03.2018  | 06.03.2015 to 04.03.2018 | 0.42                 | 2,098,500              | –                                 | –                                   | (50,000)                                    | 2,048,500              |
| 07.03.2014               | 07.03.2019  | 08.03.2016 to 06.03.2019 | 0.42                 | –                      | 711,800                           | –                                   | (70,000)                                    | 641,800                |
|                          |             |                          |                      | <u>3,726,500</u>       | <u>711,800</u>                    | <u>(1,000,000)</u>                  | <u>(154,000)</u>                            | <u>3,284,300</u>       |

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

| Name of director          | Options granted during financial year | Aggregate options granted since commencement of the Scheme to end of financial year | Aggregate options exercised since commencement of the Scheme to end of financial year | Aggregate options lapsed since commencement of the Scheme to end of financial year | Aggregate options outstanding as at end of financial year |
|---------------------------|---------------------------------------|---|---|--|---|
| Chang Cheng-Hsing Francis | 200,000                               | 230,000   | –   | –  | 430,000   |
| Peter Ng Choong Joo       | –                                     | 13,500  | –   | –  | 13,500  |
| Abbasbhoy Haider Nakhoda  | –                                     | 30,000  | –   | –  | 30,000  |
| Yeo Yun Seng Bernard      | –                                     | 30,000  | –   | –  | 30,000  |
| Lee Hock Lye              | –                                     | 30,000  | –   | –  | 30,000  |
| Total                     | <u>200,000<sup>(1)</sup></u>          | <u>333,500</u>  | <u>–</u>  | <u>–</u>   | <u>533,500</u>  |

(1) These options are exercisable between the periods from 8 March 2016 to 6 March 2019 at the exercise price of S\$0.42 if the vesting conditions are met.

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

- No options have been granted to the controlling shareholders of the Company and their associates;
- No participant other than one director who retired on 31 December 2013, has received 5% or more of the total options available under the Scheme;
- No options have been granted to directors and employees of the holding company and its subsidiaries;
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted;
- There were 711,800, 3,638,500, 2,345,000 and 2,437,500 options granted respectively during the financial years of 2014, 2013, 2012 and 2011 at a discount of 19.7%, 20%, 19.6% and 18.8% 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;
- No options have been granted to any participants at a discount of 10% or less.

# DIRECTORS' REPORT

## 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 2014 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 employee of the holding company and its subsidiaries had received 5% or more of the total number of shares or awards available under the Share Plan; and
- d) No shares have been awarded to directors and employees of the holding company and its subsidiaries.

## Audit committee

The Audit Committee (“AC”) carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans and reports of the internal and external auditors of the Company, and reviews the internal auditors’ evaluation of the adequacy of its subsidiaries’ system of internal accounting controls and the assistance given by the Company’s management to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditor’s report on the annual financial statements of the Company before their submission to the Board of Directors;
- Reviews effectiveness of the Group’s and Company’s material internal controls, including financial, operational, compliance and information technology controls and risk management via results of the audits performed by the in-house and external professional consultants and discussion with senior management;
- Meets with the external auditors, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited’s Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

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

# DIRECTORS' REPORT

## **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  
2 April 2015

## STATEMENT BY DIRECTORS

We, Chang Cheng-Hsing Francis and Dato' Sri Dr Tiong Ik King, being two of the directors of RH Petrogas Limited (the "**Company**"), do hereby state that, in the opinion of the directors,

- (i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and its subsidiaries (collectively, the "**Group**") and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors:

Chang Cheng-Hsing Francis  
Director

Dato' Sri Dr Tiong Ik King  
Director

Singapore  
2 April 2015

# INDEPENDENT AUDITOR'S REPORT

To the members of RH Petrogas Limited

## Report on the financial statements

We have audited the accompanying financial statements of RH Petrogas Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), which comprise the balance sheets of the Group and the Company as at 31 December 2014, 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 financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “**Act**”) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditor's responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

## Report on other legal and regulatory requirements

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

Ernst & Young LLP

Public Accountants and  
Chartered Accountants  
Singapore  
2 April 2015

# CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2014

|   | Note | 2014<br>US\$'000 | 2013<br>US\$'000 |
|---|------|------------------|------------------|
| <b>Revenue</b>                          |      | 75,234           | 86,393           |
| Cost of sales                           |      | (62,186)         | (58,720)         |
| <b>Gross profit</b>                     |      | 13,048           | 27,673           |
| Other income                            |      | 742              | 1,442            |
| Administrative expenses                 |      | (4,803)          | (6,114)          |
| Other expenses                          |      | (37,419)         | (82,595)         |
| Finance costs                           |      | (3,145)          | (3,340)          |
| <b>Loss before tax</b>                  | 5    | (31,577)         | (62,934)         |
| Income tax credit/(expense)             | 6    | 3,280            | (2,949)          |
| <b>Loss for the financial year</b>      |      | (28,297)         | (65,883)         |
| <b>Attributable to:</b>                 |      |                  |                  |
| Owners of the Company                   |      | (28,216)         | (65,883)         |
| Non-controlling interest                |      | (81)             | –                |
|   |      | (28,297)         | (65,883)         |
| <b>Loss per share (cents per share)</b> |      |                  |                  |
| Basic                                   | 7    | (3.84)           | (10.30)          |
| Diluted                                 | 7    | (3.84)           | (10.29)          |

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 2014

|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
|---|------------------|------------------|
| <b>Loss for the financial year</b>  | (28,297)         | (65,883)         |
| <b>Other comprehensive income:</b>  |                  |                  |
| <b><u>Item that may be reclassified subsequently to profit or loss:</u></b> |                  |                  |
| Realisation of foreign currency translation on dissolution of subsidiaries  | –                | 4,557            |
| Foreign currency translation  | (247)            | (483)            |
| Other comprehensive income for the financial year, net of tax               | (247)            | 4,074            |
| <b>Total comprehensive income for the financial year</b>                    | <u>(28,544)</u>  | <u>(61,809)</u>  |
| <b>Attributable to:</b>   |                  |                  |
| Owners of the Company   | (28,463)         | (61,809)         |
| Non-controlling interest  | (81)             | –                |
|   | <u>(28,544)</u>  | <u>(61,809)</u>  |

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

# BALANCE SHEETS

As at 31 December 2014

|   | Note  | Group            |                  | Company          |                  |
|---|-------|------------------|------------------|------------------|------------------|
|   |       | 2014<br>US\$'000 | 2013<br>US\$'000 | 2014<br>US\$'000 | 2013<br>US\$'000 |
| <b>Non-current assets</b>                           |       |                  |                  |                  |                  |
| Oil and gas properties                              | 8     | 66,283           | 73,455           | –                | –                |
| Development expenditures                            | 9     | 472              | –                | –                | –                |
| Other plant and equipment                           | 10    | 1,363            | 1,593            | 54               | 87               |
| Exploration and evaluation assets                   | 11    | 70,194           | 59,519           | –                | –                |
| Goodwill  | 12    | 90,355           | 111,115          | –                | –                |
| Amount due from subsidiaries                        | 17    | –                | –                | 93,838           | –                |
| Investment in subsidiaries                          |       | –                | –                | 273              | –                |
|   |       | 228,667          | 245,682          | 94,165           | 87               |
| <b>Current assets</b>                               |       |                  |                  |                  |                  |
| Inventories   | 15    | 773              | 953              | –                | –                |
| Other current assets                                | 16    | 426              | 621              | 55               | 51               |
| Trade and other receivables                         | 17    | 7,925            | 34,821           | 411              | 557              |
| Amounts due from subsidiaries                       | 17    | –                | –                | –                | 148,042          |
| Derivatives   | 18    | 590              | 1                | –                | –                |
| Cash and short-term deposits                        | 19    | 36,717           | 52,448           | 2,146            | 21,927           |
|   |       | 46,431           | 88,844           | 2,612            | 170,577          |
| <b>Current liabilities</b>                          |       |                  |                  |                  |                  |
| Income tax payable                                  |       | 1,394            | 2,190            | –                | –                |
| Trade and other payables                            | 20    | 48,652           | 64,079           | 769              | 780              |
| Derivatives   | 18    | 109              | 257              | –                | –                |
| Loans and borrowings                                | 21    | 13,680           | 13,680           | –                | –                |
|   |       | 63,835           | 80,206           | 769              | 780              |
| <b>Net current (liabilities)/assets</b>             |       | (17,404)         | 8,638            | 1,843            | 169,797          |
| <b>Non-current liabilities</b>                      |       |                  |                  |                  |                  |
| Provisions  | 22    | 3,936            | 4,197            | –                | –                |
| Loan from non-controlling interest                  | 13(b) | 5,317            | –                | –                | –                |
| Deferred tax liabilities                            | 23    | 28,983           | 38,066           | –                | –                |
| Loans and borrowings                                | 21    | 19,846           | 33,526           | –                | –                |
| Other liabilities                                   | 24    | 1,301            | 1,301            | –                | –                |
|   |       | 59,383           | 77,090           | –                | –                |
| <b>Net assets</b>                                   |       | 151,880          | 177,230          | 96,008           | 169,884          |
| <b>Equity attributable to owners of the Company</b> |       |                  |                  |                  |                  |
| Share capital                                       | 25    | 258,160          | 257,650          | 258,160          | 257,650          |
| Reserves  | 26    | (108,190)        | (80,420)         | (162,152)        | (87,766)         |
|   |       | 149,970          | 177,230          | 96,008           | 169,884          |
| Non-controlling interest                            |       | 1,910            | –                | –                | –                |
| <b>Total equity</b>                                 |       | 151,880          | 177,230          | 96,008           | 169,884          |

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

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

| Group  | Attributable to owners of the Company |                           |                                      |                    |                |                               |                  |                          |                |
|--|---------------------------------------|---------------------------|--------------------------------------|--------------------|----------------|-------------------------------|------------------|--------------------------|----------------|
|  | Share capital                         | Capital reduction reserve | Foreign currency translation reserve | Accumulated losses | Equity reserve | Employee share option reserve | Total reserves   | Non-controlling interest | Total equity   |
|  | US\$'000                              | US\$'000                  | US\$'000                             | US\$'000           | US\$'000       | US\$'000                      | US\$'000         | US\$'000                 | US\$'000       |
| <b>At 1 January 2013</b>                                   | 199,640                               | 2,886                     | (4,467)                              | (17,763)           | –              | 732                           | (18,612)         | –                        | 181,028        |
| Loss for the financial year                                | –                                     | –                         | –                                    | (65,883)           | –              | –                             | (65,883)         | –                        | (65,883)       |
| Other comprehensive income for the financial year          | –                                     | –                         | 4,074                                | –                  | –              | –                             | 4,074            | –                        | 4,074          |
| Total comprehensive income for the financial year          | –                                     | –                         | 4,074                                | (65,883)           | –              | –                             | (61,809)         | –                        | (61,809)       |
| <u>Contributions by and distributions to owners</u>        |                                       |                           |                                      |                    |                |                               |                  |                          |                |
| Issuance of new shares (Note 25)                           | 58,199                                | –                         | –                                    | –                  | –              | –                             | –                | –                        | 58,199         |
| Share issuance expenses (Note 25)                          | (2,093)                               | –                         | –                                    | –                  | –              | –                             | –                | –                        | (2,093)        |
| Share-based payments (Note 27)                             |                                       |                           |                                      |                    |                |                               |                  |                          |                |
| - Award of performance shares                              | 397                                   | –                         | –                                    | –                  | –              | –                             | –                | –                        | 397            |
| - Grant of equity-settled share options                    | 1,507                                 | –                         | –                                    | –                  | –              | 1                             | 1                | –                        | 1,508          |
| Total transactions with owners in their capacity as owners | 58,010                                | –                         | –                                    | –                  | –              | 1                             | 1                | –                        | 58,011         |
| <b>At 31 December 2013</b>                                 | <b>257,650</b>                        | <b>2,886</b>              | <b>(393)</b>                         | <b>(83,646)</b>    | <b>–</b>       | <b>733</b>                    | <b>(80,420)</b>  | <b>–</b>                 | <b>177,230</b> |
| <b>At 1 January 2014</b>                                   | <b>257,650</b>                        | <b>2,886</b>              | <b>(393)</b>                         | <b>(83,646)</b>    | <b>–</b>       | <b>733</b>                    | <b>(80,420)</b>  | <b>–</b>                 | <b>177,230</b> |
| Loss for the financial year                                | –                                     | –                         | –                                    | (28,216)           | –              | –                             | (28,216)         | (81)                     | (28,297)       |
| Other comprehensive income for the financial year          | –                                     | –                         | (247)                                | –                  | –              | –                             | (247)            | –                        | (247)          |
| Total comprehensive income for the financial year          | –                                     | –                         | (247)                                | (28,216)           | –              | –                             | (28,463)         | (81)                     | (28,544)       |
| <u>Contributions by and distributions to owners</u>        |                                       |                           |                                      |                    |                |                               |                  |                          |                |
| Share-based payments (Note 27)                             |                                       |                           |                                      |                    |                |                               |                  |                          |                |
| - Grant of equity-settled share options                    | 510                                   | –                         | –                                    | –                  | –              | (102)                         | (102)            | –                        | 408            |
| <u>Changes in ownerships interest in subsidiary</u>        |                                       |                           |                                      |                    |                |                               |                  |                          |                |
| Partial disposal of subsidiary without change in control   | –                                     | –                         | –                                    | –                  | 795            | –                             | 795              | 1,991                    | 2,786          |
| <b>At 31 December 2014</b>                                 | <b>258,160</b>                        | <b>2,886</b>              | <b>(640)</b>                         | <b>(111,862)</b>   | <b>795</b>     | <b>631</b>                    | <b>(108,190)</b> | <b>1,910</b>             | <b>151,880</b> |

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

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

| Company   | Share capital<br>US\$'000 | Capital reduction reserve<br>US\$'000 | Accumulated losses<br>US\$'000 | Employee share option reserve<br>US\$'000 | Total reserves<br>US\$'000 | Total equity<br>US\$'000 |
|---|---------------------------|---------------------------------------|--------------------------------|---|----------------------------|--------------------------|
| <b>At 1 January 2013</b>  | 199,640                   | 2,886                                 | (44,338)                       | 732                                       | (40,720)                   | 158,920                  |
| Loss for the financial year, representing total comprehensive income for the financial year | -                         | -                                     | (47,047)                       | -   | (47,047)                   | (47,047)                 |
| <u>Contributions by and distributions to owners</u>   |                           |                                       |                                |   |                            |                          |
| Issuance of shares (Note 25)  | 58,199                    | -                                     | -                              | -   | -                          | 58,199                   |
| Share issuance expenses (Note 25)   | (2,093)                   | -                                     | -                              | -   | -                          | (2,093)                  |
| Share-based payments (Note 27)  |                           |                                       |                                |   |                            |                          |
| - Award of performance shares   | 397                       | -                                     | -                              | -   | -                          | 397                      |
| - Grant of equity-settled share options   | 1,507                     | -                                     | -                              | 1   | 1                          | 1,508                    |
| Total transactions with owners in their capacity as owners                                  | 58,010                    | -                                     | -                              | 1   | 1                          | 58,011                   |
| <b>At 31 December 2013 and 1 January 2014</b>   | 257,650                   | 2,886                                 | (91,385)                       | 733                                       | (87,766)                   | 169,884                  |
| Loss for the financial year, representing total comprehensive income for the financial year | -                         | -                                     | (74,284)                       | -   | (74,284)                   | (74,284)                 |
| <u>Contributions by and distributions to owners</u>   |                           |                                       |                                |   |                            |                          |
| Share-based payments (Note 27)  |                           |                                       |                                |   |                            |                          |
| - Grant of equity-settled share options   | 510                       | -                                     | -                              | (102)                                     | (102)                      | 408                      |
| <b>At 31 December 2014</b>  | 258,160                   | 2,886                                 | (165,669)                      | 631                                       | (162,152)                  | 96,008                   |

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 2014

|  | Note  | 2014<br>US\$'000 | 2013<br>US\$'000 |
|--|-------|------------------|------------------|
| <b>Operating activities</b>  |       |                  |                  |
| Loss before tax  |       | (31,577)         | (62,934)         |
| Adjustments for:   |       |                  |                  |
| - Allowance for doubtful trade receivables                                   | 17    | 1,455            | -                |
| - Allowance for inventory obsolescence                                       | 15    | 1,223            | 4,356            |
| - Amortisation of upfront fee paid for loans granted                         |       | 426              | 393              |
| - Depletion and amortisation of oil and gas properties                       | 8     | 15,064           | 10,531           |
| - Depreciation of other plant and equipment                                  | 10    | 511              | 422              |
| - Realisation of foreign currency translation on dissolution of subsidiaries | 13(a) | -                | 4,557            |
| - Interest expense on bank loans   |       | 2,084            | 2,563            |
| - Interest income on bank deposits   |       | (50)             | (30)             |
| - Impairment loss on oil and gas properties                                  | 8     | 10,171           | -                |
| - Impairment loss on goodwill  | 12    | 20,760           | 28,757           |
| - Loss on disposal of other plant and equipment                              | 5     | 1                | -                |
| - Net fair value (gain)/loss on derivatives                                  |       | (690)            | 86               |
| - Share-based payments   | 27    | 116              | 965              |
| - Unwinding of discount on decommissioning provisions                        | 22    | 1,061            | 777              |
| - Unsuccessful exploration and evaluation expenditures                       |       | 2,965            | 44,213           |
| <b>Operating cash flows before changes in working capital</b>                |       | <b>23,520</b>    | <b>34,656</b>    |
| <u>Changes in working capital</u>  |       |                  |                  |
| (Increase)/decrease in inventories   |       | (1,044)          | 1,193            |
| Decrease/(increase) in trade and other receivables                           |       | 25,209           | (26,465)         |
| (Decrease)/increase in trade and other payables                              |       | (14,860)         | 10,585           |
| <b>Cash flows from operations</b>  |       | <b>32,825</b>    | <b>19,969</b>    |
| Income tax paid  |       | (6,600)          | (5,302)          |
| Interest paid  |       | (2,084)          | (2,563)          |
| Interest received  |       | 50               | 30               |
| <b>Net cash flows from operating activities</b>                              |       | <b>24,191</b>    | <b>12,134</b>    |
| <b>Investing activities</b>  |       |                  |                  |
| Additions to oil and gas properties  | 8     | (5,985)          | (19,407)         |
| Additional to development expenditures                                       | 9     | (472)            | -                |
| Additions to exploration and evaluation assets                               | 11    | (26,536)         | (28,578)         |
| Cash call contributions for asset retirement obligations                     |       | (1,300)          | (911)            |
| Proceeds from partial disposal of subsidiary without change in control       | 13(b) | 2,786            | -                |
| Purchase of other plant and equipment  | 10    | (289)            | (1,083)          |
| <b>Net cash flows used in investing activities</b>                           |       | <b>(31,796)</b>  | <b>(49,979)</b>  |
| <b>Financing activities</b>  |       |                  |                  |
| Decrease on short-term deposit pledged                                       |       | -                | 884              |
| Loan from non-controlling interest   |       | 5,317            | -                |
| Proceeds from loans and borrowings   |       | -                | 10,900           |
| Proceeds from issuance of new shares   | 25    | -                | 58,199           |
| Proceeds from exercise of employee share options                             |       | 292              | 940              |
| Purchase of crude oil commodity options                                      |       | (48)             | (300)            |
| Repayment of loans and borrowings  |       | (13,680)         | (5,980)          |
| Share issuance expenses  | 25    | -                | (2,093)          |
| <b>Net cash (used in)/from financing activities</b>                          |       | <b>(8,119)</b>   | <b>62,550</b>    |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                  |       | <b>(15,724)</b>  | <b>24,705</b>    |
| Effect of exchange rate changes on cash and cash equivalents                 |       | (7)              | 12               |
| Cash and cash equivalents at beginning of the financial year                 |       | 49,681           | 24,964           |
| <b>Cash and cash equivalents at end of the financial year</b>                | 19    | <b>33,950</b>    | <b>49,681</b>    |

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 2014

## 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 year ended 31 December 2014, whilst the Group has generated a net operating cash flow of US\$24,191,000 (2013: US\$12,134,000), the Group incurred loss of US\$28,297,000 (2013: US\$65,883,000). The loss for 2014 is primarily due to impairment loss on goodwill, impairment loss on oil and gas properties and write-off for unsuccessful exploration and evaluation expenditure (Note 5) which does not have any impact on the cash flow of the Group.

In addition, for the year ended 31 December 2014, whilst the Group has cash and short-term deposits of US\$36,717,000 (2013: US\$52,448,000) the Group’s current liabilities exceeded its current assets by US\$17,404,000 (2013: current assets exceeded current liabilities by US\$8,638,000). These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as going concern.

Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis because the Directors believe that the Group will continue to generate positive cash flow from its operations, and its existing cash and cash equivalents of US\$33,950,000 are sufficient for the Group’s exploration and development activities for the next twelve months from the date of the financial statements. In addition, a substantial shareholder has given an undertaking to provide adequate funds to the Group till 30 June 2016 to meet its liabilities as and when they fall due. The Group is also actively in discussion with financial institutions for the financing of the capital expenditure, operating expenditure and working capital requirements in relation to the exploration and development activities of the Group. The Directors believe that these factors fully mitigate any material uncertainty surrounding the Group’s and the Company’s going concern abilities.

## 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 (“**FRS**”).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (“**USD**” or “**US\$**”) and all values are rounded to the nearest thousand (“**\$’000**”) except when otherwise indicated.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

### 3.3 Standards issued but not yet effective

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

| Description  | Effective for annual periods beginning on or after |
|--|--|
| <i>Revised FRS 19 Defined benefits Plans: Employee Contributions</i>   | 1 July 2014  |
| <i>Improvements to FRS(January 2014)</i>   |  |
| (a) Amendments to FRS 102 <i>Share Based Payment</i>   | 1 July 2014  |
| (b) Amendment to FRS 103 <i>Business Combinations</i>  | 1 July 2014  |
| (c) Amendment to FRS 108 <i>Operating Segments</i>   | 1 July 2014  |
| (d) Amendment to FRS 113 <i>Fair Value Measurement</i>   | 1 July 2014  |
| (e) Amendments to FRS 16 <i>Property, Plant and Equipment and Equipment</i> FRS 38 <i>Intangible Assets</i>  | 1 July 2014  |
| (f) Amendments to FRS 24 <i>Related Party Disclosures</i>  | 1 July 2014  |
| <i>Improvements to FRSs (February 2014)</i>  |  |
| (a) Amendment to FRS 103 <i>Business Combinations</i>  | 1 July 2014  |
| (b) Amendment to FRS 113 <i>Fair Value Measurement</i>   | 1 July 2014  |
| Amendments to FRS27: <i>Equity Method in Separate Financial Statements</i>                                   | 1 January 2016                                     |
| Amendments to FRS16 and FRS38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>   | 1 January 2016                                     |
| Amendments to FRS 111: <i>Accounting for Acquisitions of Interests in Joint Operations</i>                   | 1 January 2016                                     |
| <i>Improvements to FRSs (November 2014)</i>  |  |
| (a) Amendments to FRS 107: <i>Financial Instrument Disclosure</i>  | 1 January 2016                                     |
| (b) Amendments to FRS 19: <i>Employee Benefits</i>   | 1 January 2016                                     |
| (c) Amendments to FRS 34: <i>Interim Financial Reporting</i>   | 1 January 2016                                     |
| (d) Amendments to FRS 1: <i>Disclosure Initiative</i>  | 1 January 2016                                     |
| (e) Amendments to FRS 110, FRS 112, FRS 28: <i>Investment Entities: Applying the Consolidation Exception</i> | 1 January 2016                                     |
| FRS 115 <i>Revenue from Contracts with Customers</i>   | 1 January 2017                                     |
| FRS 109 <i>Financial Instruments</i>   | 1 January 2018                                     |

The directors expect that the adoption of the standard above will have no material impact on the financial statements in the period of initial application.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.4 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.

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

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

#### (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.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.4 Basis of consolidation and business combinations (cont'd)

#### (b) Business combinations and goodwill (cont'd)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 3.9. 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.

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, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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 of to which the goodwill relates.

### 3.5 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 ownerships 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 interest 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.

### 3.6 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 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.6 Foreign currency (cont'd)

#### (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.

### 3.7 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.

#### ***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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.7 Oil and gas properties, and other plant and equipment (cont'd)

#### *Depreciation/amortisation (cont'd)*

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.

### 3.8 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.8 Oil and gas exploration, evaluation and development expenditure (cont'd)

#### Exploration and evaluation costs (cont'd)

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.

#### Farm-outs - in the exploration and evaluation phase

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

#### Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development on the delineation wells, is capitalised within oil and gas properties.

### 3.9 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 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.

Gain or losses arising from de-recognising of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the asset is derecognised.

### 3.10 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.10 Impairment of non-financial assets (cont'd)

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.

Impairment losses of continuing operations are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 3.11 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.

### 3.12 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.13 Financial instruments

#### (a) Financial assets

##### Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### (ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

##### Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.13 Financial instruments (cont'd)

#### (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.

##### 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.14 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

#### Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### 3.15 Cash and cash equivalents

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

### 3.16 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.17 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.

#### *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.

### 3.18 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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.18 Contingencies (cont'd)

- (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.

### 3.19 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.

### 3.20 Employee benefits

#### *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme.

Production Sharing Contract (“PSC”) in Indonesia is required, under the guidance of Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (“SKK MIGAS”), which replaced Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (“BPMIGAS”) pursuant to a presidential decree No. 9/2013 issued on 10 January 2013, referred to as “Tabel Besar” or the “Big Table”, to provide for future pension liability, which is payable upon employee retirement, or severance payment, which is payable upon termination, whichever is applicable. A Big Table scheme is a form of defined benefit plan whereby an employee is given a certain number of months’ pay based on years of service. Operators of Basin PSC and Island PSC have opted to manage their pension plans by funding the pension obligation with bank time deposits.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.20 Employee benefits (cont'd)

#### *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.

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.

### 3.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

#### *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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

#### (i) Sales of natural gas:

Revenue from the sale of natural gas is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or by other delivery mechanism.

#### (ii) Production of oil:

Revenue from the production of oil, in which the Group has an interest with other participants, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Under this method, revenue reflects the participant's share of production regardless of which participant has actually made the sale and invoiced the production. This is achieved by adjusting revenue in dealing with imbalances between actual sales and entitlements. The excess of product sold during the period over the participant's ownership share of production from the property is recognised by the overlift party as liability (deferred revenue) and not as revenue. Conversely, the underlift party would recognise an underlift asset (receivable) and report corresponding revenue.

#### (iii) Interest income:

Interest income is recognised using the effective interest method.

### 3.23 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.23 Taxes (cont'd)

#### (b) Deferred tax (cont'd)

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.

#### (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.

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

Royalties, resource rent taxes and revenue-based taxes are accounted for under FRS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income - rather than based on physical quantities produced or as a percentage of revenue - after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognised as current provisions and included in cost of sales.

#### (d) Production-sharing arrangements

According to the production-sharing contract, the share of the profit oil to which the government is entitled in any calendar year in accordance with the production sharing contract, is deemed to include a portion representing the corporate income tax imposed upon and due by the Group. This amount will be paid directly by the government on behalf of the Group to the appropriate tax authorities. This portion of income tax and revenue are presented net in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.23 Taxes (cont'd)

#### (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.

### 3.24 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 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 3.25 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.

### 3.26 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.

### 3.27 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 3. Summary of significant accounting policies (cont'd)

### 3.27 Related parties (cont'd)

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (vi) 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. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### 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:

#### (a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

#### (b) 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 2014 is shown in Note 8.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 4. Significant accounting judgments and estimates (cont'd)

### 4.1 Judgments made in applying accounting policies (cont'd)

#### (b) Hydrocarbon reserve and resource estimates (cont'd)

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

#### (c) Exploration and evaluation expenditures

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

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

Oil and gas properties are depreciated using the units of production method over total proved developed and undeveloped 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 prove 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 2014

## 4. Significant accounting judgments and estimates (cont'd)

### 4.1 Judgments made in applying accounting policies (cont'd)

#### (e) Recoverability of oil and gas assets

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

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

#### (f) 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 3.12.

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - The legal form of the separate vehicle
  - The terms of the contractual arrangement
  - Other facts and circumstances, considered on a case by case basis

This assessment often requires significant judgement. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 4. Significant accounting judgments and estimates (cont'd)

### 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 including a sensitivity analysis, are disclosed and further explained in Note 12 to the financial statements.

#### (b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 17.

#### (c) Employee share options

The Group measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 27.

#### (d) Fair value measurement of contingent consideration on business combination

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. As part of the purchase price allocation for its acquisition of RHP Salawati Island BV, the Group identified an element of contingent consideration. The carrying amount of the contingent consideration on business combination at the end of the reporting period is disclosed in Note 24.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 4. Significant accounting judgments and estimates (cont'd)

### 4.2 Key sources of estimation uncertainty (cont'd)

#### (e) Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

#### (f) Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant 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 2014 was US\$1,394,000 (2013: US\$2,190,000) and US\$28,983,000 (2013: US\$38,066,000), respectively.

For items (b) to (f), 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 2014

## 5. Loss before tax

This is stated after (crediting)/charging:

|  | Note  | Group            |                  |
|--|-------|------------------|------------------|
|  |       | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Net revenue from crude oil and gas sales                                   |       | (75,234)         | (86,393)         |
| <b>Cost of sales:</b>  |       |                  |                  |
| Depletion and amortisation of oil and gas properties                       | 8     | 15,064           | 10,531           |
| Production costs   |       | 46,203           | 48,185           |
| Termination indemnity  | 22    | 919              | 4                |
| <b>Other income:</b>   |       |                  |                  |
| Foreign exchange gain, net   |       | –                | (1,379)          |
| Interest income from bank deposits   |       | (50)             | (30)             |
| Net fair value gain on derivatives   |       | (690)            | –                |
| <b>Administrative expenses:</b>  |       |                  |                  |
| Audit fees:  |       |                  |                  |
| - Auditors of the Company  |       | 187              | 190              |
| - Other auditors   |       | 62               | 62               |
| Non-audit fees:  |       |                  |                  |
| - Auditors of the Company  |       | 15               | 10               |
| - Other auditors   |       | 94               | 92               |
| Total audit and non-audit fees   |       | 358              | 354              |
| Depreciation of other plant and equipment                                  | 10    | 511              | 422              |
| Employee benefits  | 27    | 2,632            | 4,174            |
| Operating lease expense  | 29    | 139              | 138              |
| Overseas traveling expenses  |       | 121              | 184              |
| Professional fees  |       | 726              | 644              |
| <b>Other expenses:</b>   |       |                  |                  |
| Allowance for doubtful trade receivables                                   | 17    | 1,455            | –                |
| Allowance for inventory obsolescence                                       | 15    | 1,223            | 4,356            |
| Directors' fees  |       | 305              | 264              |
| Foreign exchange loss, net   |       | 50               | –                |
| Impairment loss on oil and gas properties                                  | 8     | 10,171           | –                |
| Impairment loss on goodwill  | 12    | 20,760           | 28,757           |
| Loss on disposal of other plant and equipment                              | 10    | 1                | –                |
| Net fair value loss on derivatives   |       | –                | 86               |
| Realisation of foreign currency translation on dissolution of subsidiaries | 13(a) | –                | 4,557            |
| Unsuccessful exploration and evaluation expenditures:                      |       |                  |                  |
| - Oil and gas properties   | 8     | –                | 6,153            |
| - Exploration and evaluation assets  | 11    | 2,965            | 36,892           |
| - Accrued plug and abandonment costs                                       |       | –                | 1,168            |
|  |       | 2,965            | 44,213           |
| <b>Finance costs:</b>  |       |                  |                  |
| Interest on bank loans   |       | 2,084            | 2,563            |
| Unwinding of discount on decommissioning provisions                        | 22    | 1,061            | 777              |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 6. Income tax

### (a) Major components of income tax

The major components of income tax for the financial years ended 31 December 2014 and 2013 are:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2014<br>US\$'000 | 2013<br>US\$'000 |
| <b>Current income tax:</b>                               |                  |                  |
| - Current income taxation                                | 5,823            | 4,813            |
| - Over provision in respect of previous years            | (20)             | (113)            |
|  | <u>5,803</u>     | <u>4,700</u>     |
| <b>Deferred income tax:</b>                              |                  |                  |
| - Origination and reversal of temporary differences      | (7,576)          | (3,901)          |
| - (Over)/under provision in respect of previous years    | (1,507)          | 2,150            |
|  | <u>(9,083)</u>   | <u>(1,751)</u>   |
| Income tax (credit)/expense recognised in profit or loss | <u>(3,280)</u>   | <u>2,949</u>     |

### (b) Relationship between tax (credit)/expense and accounting loss

A reconciliation between tax (credit)/expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 December 2014 and 2013 are as follows:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Loss before tax   | <u>(31,577)</u>  | <u>(62,934)</u>  |
| Tax at 17%  | (5,368)          | (10,699)         |
| Adjustments:  |                  |                  |
| Effect of difference between tax rates applicable to profits in the countries where the Group operates and the statutory tax rate | 2,520            | 655              |
| Non-deductible expenses   | 4,138            | 12,478           |
| Income not subject to taxation  | (2,199)          | (1,451)          |
| Benefits from previously unrecognised tax losses  | (11)             | (11)             |
| Benefits from previously unrecoverable costs  | (843)            | (30)             |
| (Over)/under provision in respect of previous years   | (1,527)          | 2,037            |
| Others  | 10               | (30)             |
| Income tax (credit)/expense recognised in profit or loss  | <u>(3,280)</u>   | <u>2,949</u>     |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 7. Loss per share

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

Diluted loss per share are calculated by dividing loss, 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 loss and share data used in the computation of basic and diluted loss per share for the financial years ended 31 December:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Loss, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share | (28,216)         | (65,883)         |

|   | Group                    |                          |
|---|--------------------------|--------------------------|
|   | 2014<br>No. of<br>shares | 2013<br>No. of<br>shares |
| Weighted average number of ordinary shares for basic loss per share computation   | 734,244,720              | 639,685,619              |
| Effects of dilution:  |                          |                          |
| - Share options   | 1,083,202                | 783,556                  |
| Weighted average number of ordinary shares for diluted loss per share computation | 735,327,922              | 640,469,175              |

During the financial year, there were no share options granted to employees under the existing employee share option plans that have not been included in the calculation of diluted earnings per share because they are anti-dilutive (2013: 325,000 options).

On 6 March 2015, the Company granted 2,950,000 share options to selected employees and directors under the existing employee share option plans. These share options are exercisable between the periods from 7 March 2017 to 5 March 2020 at the exercise price of S\$0.275 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 8. Oil and gas properties

|   | Group    |          |
|---|----------|----------|
|   | 2014     | 2013     |
|   | US\$'000 | US\$'000 |
| <b>Cost:</b>  |          |          |
| At 1 January  | 113,224  | 96,895   |
| Transfer from exploration and evaluation assets (Note 11) | 12,146   | 1,105    |
| Additions   | 5,985    | 19,407   |
| Unsuccessful development expenditure (Note 5)             | –        | (6,153)  |
| Change in decommissioning provision (Note 22)             | (68)     | 1,970    |
| At 31 December  | 131,287  | 113,224  |
| <b>Accumulated depletion and impairment:</b>              |          |          |
| At 1 January  | 39,769   | 29,238   |
| Charge for the financial year (Note 5)                    | 15,064   | 10,531   |
| Impairment loss (Note 5)                                  | 10,171   | –        |
| At 31 December  | 65,004   | 39,769   |
| <b>Net carrying amount:</b>                               |          |          |
| At 31 December  | 66,283   | 73,455   |

The net book value at 31 December 2014 includes development assets under construction of US\$5,153,000 (2013: US\$4,473,000), which are not being depreciated.

Cash outflow for the development of oil and gas properties was US\$5,985,000 (2013: US\$19,407,000).

### 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 due to decrease in crude oil price. An impairment loss of US\$10,171,000 (2013: Nil), representing the write down of these production equipment to the recoverable amount was recognised in "Other expenses" (Note 5) line item of profit or loss for the financial year ended 31 December 2014. The recoverable amount of the production equipment was based on its value in use and the pre-tax discount rate used was 10% (2013: 10%)

## 9. Development expenditures

|                | Group    |          |
|----------------|----------|----------|
|                | 2014     | 2013     |
|                | US\$'000 | US\$'000 |
| <b>Cost:</b>   |          |          |
| At 1 January   | –        | –        |
| Additions      | 472      | –        |
| At 31 December | 472      | –        |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 10. Other plant and equipment

|  | Leasehold<br>improvement<br>US\$'000 | Plant,<br>machinery<br>and<br>equipment<br>US\$'000 | Furniture,<br>fittings<br>and office<br>equipment<br>US\$'000 | Motor<br>vehicles<br>US\$'000 | Total<br>US\$'000 |
|--|--------------------------------------|---|---|-------------------------------|-------------------|
| <b>Group</b>   |                                      |   |   |                               |                   |
| <b>Cost:</b>   |                                      |   |   |                               |                   |
| At 1 January 2013  | –                                    | 1,371   | 423   | 615                           | 2,409             |
| Additions  | –                                    | 979   | 63  | 41                            | 1,083             |
| Exchange realignment                                     | –                                    | 44  | (72)  | 20                            | (8)               |
| At 31 December 2013 and 1 January 2014                   | –                                    | 2,394   | 414   | 676                           | 3,484             |
| Additions  | 111                                  | 13  | 165   | –                             | 289               |
| Disposal (Note 5)  | –                                    | –   | (7)   | –                             | (7)               |
| Exchange realignment                                     | –                                    | (11)  | (2)   | (3)                           | (16)              |
| At 31 December 2014                                      | 111                                  | 2,396   | 570   | 673                           | 3,750             |
| <b>Accumulated depreciation and<br/>impairment loss:</b> |                                      |   |   |                               |                   |
| At 1 January 2013  | –                                    | 765   | 258   | 475                           | 1,498             |
| Charge for the financial year                            | –                                    | 279   | 79  | 64                            | 422               |
| Exchange realignment                                     | –                                    | 28  | (73)  | 16                            | (29)              |
| At 31 December 2013 and 1 January 2014                   | –                                    | 1,072   | 264   | 555                           | 1,891             |
| Charge for the financial year                            | 28                                   | 318   | 137   | 28                            | 511               |
| Disposal (Note 5)  | –                                    | –   | (6)   | –                             | (6)               |
| Exchange realignment                                     | –                                    | (5)   | (2)   | (2)                           | (9)               |
| At 31 December 2014                                      | 28                                   | 1,385   | 393   | 581                           | 2,387             |
| <b>Net carrying amount:</b>                              |                                      |   |   |                               |                   |
| At 31 December 2013                                      | –                                    | 1,322   | 150   | 121                           | 1,593             |
| At 31 December 2014                                      | 83                                   | 1,011   | 177   | 92                            | 1,363             |

Cash outflow for the purchase of other plant and equipment was US\$289,000 (2013: US\$1,083,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 10. Other plant and equipment (cont'd)

|  | Furniture,<br>fittings<br>and office<br>equipment<br>US\$'000 |
|--|---|
| <b>Company</b>                                       |   |
| <b>Cost:</b>   |   |
| At 1 January 2013                                    | 198   |
| Additions  | 9   |
| At 31 December 2013 and 1 January 2014               | 207   |
| Additions  | 7   |
| At 31 December 2014                                  | 214   |
| <b>Accumulated depreciation and impairment loss:</b> |   |
| At 1 January 2013                                    | 75  |
| Charge for the financial year                        | 45  |
| At 31 December 2013 and 1 January 2014               | 120   |
| Charge for the financial year                        | 40  |
| At 31 December 2014                                  | 160   |
| <b>Net carrying amount:</b>                          |   |
| At 31 December 2013                                  | 87  |
| At 31 December 2014                                  | 54  |

## 11. Exploration and evaluation assets

|   | Group            |                  |
|---|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
| At 1 January  | 59,519           | 66,571           |
| Additions   | 26,536           | 30,084           |
| Transfer to oil and gas properties (Note 8)                   | (12,146)         | (1,105)          |
| Unsuccessful exploration and evaluation expenditures (Note 5) | (2,965)          | (36,892)         |
| Reversal of unbill cost                                       | (664)            | -                |
| Change in decommissioning provision (Note 22)                 | 47               | (11)             |
| Exchange realignment  | (133)            | 872              |
| At 31 December  | 70,194           | 59,519           |

Cash outflow for additions to exploration and evaluation assets was US\$26,536,000 (2013: US\$28,578,000). There is US\$ Nil (2013: US\$1,506,000) additions relates to accruals made for the unbilled costs for the exploration wells of Basin and Island PSCs.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 12. Goodwill

|  | <b>Goodwill<br/>US\$'000</b> |
|--|------------------------------|
| <b>Cost:</b>   |                              |
| At 1 January 2013, 31 December 2013 and 31 December 2014 | 139,872                      |
| <b>Accumulated impairment loss:</b>                      |                              |
| At 1 January 2014  | 28,757                       |
| Impairment loss for the financial year (Note 5)          | 20,760                       |
| At 31 December 2014                                      | 49,517                       |
| <b>Net carrying amount:</b>                              |                              |
| At 31 December 2013                                      | 111,115                      |
| At 31 December 2014                                      | 90,355                       |

### Impairment testing of goodwill

The goodwill acquired through business combinations has been allocated to the following cash generating unit ("CGUs"):

|                       | Group            |                  |
|-----------------------|------------------|------------------|
|                       | 2014<br>US\$'000 | 2013<br>US\$'000 |
| <b>Contract area:</b> |                  |                  |
| Basin and Island PSCs | –                | 20,475           |
| Fuyu 1 Block          | 90,355           | 90,355           |
| West Belida Block     | –                | 285              |
| At 31 December        | 90,355           | 111,115          |

The recoverable amounts of the significant CGUs are 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 contracts (including the possible extension period). The calculations of the value in use of the oil exploration and production CGUs are most sensitive to the following assumptions:

(i) *Production volume*

The production volumes are estimated based on the 2015 resource evaluation report appraised by independent qualified valuers and the development and production plans of the Operators for the respective contract areas. 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 or extension period of the PSCs.

(ii) *Crude oil price and production cost*

The future oil price is estimated based on the actual crude oil price per barrel of 2014, and adjusted for forecasted crude oil price trend which impact by global demand and supply of crude oil. The production cost per barrel is estimated based on the actual production cost incurred in 2014 and the forecast from the Operators, and adjusted for forecasted inflation.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 12. Goodwill (cont'd)

### Impairment testing of goodwill (cont'd)

#### (iii) Discount rate

Discount rate represents the current market assessment of the risks specific to each CGU, 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 CGUs and derived from weighted average cost of capital (WACC) of the CGUs. 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 of 10% (2013: 10%) per annum.

### Impairment testing as of end-2014

With regards to the assessment of value in use for Fuyu 1 Block, management believes that there is currently no reasonable material changes in any of the above key assumptions which would cause the carrying value of the unit to materiality exceed its recoverable amount.

During the financial year, management performed a review on the contingent resources of Basin and Island PSCs following the decrease in crude oil price. The recoverable amount is estimated at US\$84,417,000 (2013: US\$108,326,000), which is less than the carrying amount of the CGU by approximately US\$20,760,000 (2013: US\$28,757,000). An impairment loss of the same amount was recognised to write-down the carrying amount of goodwill attributable to the CGU, in profit or loss under the line item "Other expenses".

Consequently, any adverse change in a key assumption would result in a further impairment loss.

## 13. Investment in subsidiaries

|                          | Company          |                  |
|--------------------------|------------------|------------------|
|                          | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Unquoted shares, at cost | 30               | 30               |
| Impairment losses        | (30)             | (30)             |
|                          | -                | -                |

Details of subsidiaries are as follows:

| Name of company<br>(Country of incorporation)                        | Principal activities<br>(Place of business)        | Cost of investment |                  | Proportion of ownership interest |           |
|--|--|--------------------|------------------|----------------------------------|-----------|
|  |  | 2014<br>US\$'000   | 2013<br>US\$'000 | 2014<br>%                        | 2013<br>% |
| <i>Held by the Company</i>   |  |                    |                  |                                  |           |
| RH Petrogas Investments Pte. Ltd. <sup>(1)</sup><br>(Singapore)      | Oil and gas exploration and production (Singapore) | #                  | #                | 100                              | 100       |
| Tri-M Technologies Inc. <sup>(4)</sup><br>(United States of America) | Dormant<br>(United States of America)              | 30                 | 30               | 100                              | 100       |
|  |  | 30                 | 30               |                                  |           |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 13. Investment in subsidiaries (cont'd)

| Name of company<br>(Country of incorporation)                                    | Principal activities<br>(Place of business)           | Proportion of<br>ownership interest |           |
|--|---|-------------------------------------|-----------|
|  |   | 2014<br>%                           | 2013<br>% |
| <i>Held by subsidiaries</i>  |   |                                     |           |
| Mastique Investments Limited <sup>(4)</sup><br>(British Virgin Islands)          | Investment holding<br>(British Virgin Islands)        | 100                                 | 100       |
| Kingworld Resources Limited <sup>(3)</sup><br>(British Virgin Islands)           | Oil and gas exploration and production<br>(China)     | 100                                 | 100       |
| Great Prime Investments Limited <sup>(4)</sup><br>(British Virgin Islands)       | Investment holding<br>(British Virgin Islands)        | 100                                 | 100       |
| RH Petrogas Singapore Pte. Ltd. <sup>(1)</sup><br>(Singapore)                    | Investment holding<br>(Singapore)                     | 100                                 | 100       |
| RH Petrogas Holdings Pte. Ltd. <sup>(1)</sup><br>(Singapore)                     | Investment holding<br>(Singapore)                     | 100                                 | 100       |
| RH Petrogas Global Ventures Limited <sup>(3)</sup><br>(British Virgin Islands)   | Investment holding<br>(British Virgin Islands)        | 100                                 | 100       |
| RH Petrogas Indonesia Holding Limited <sup>(4)</sup><br>(British Virgin Islands) | Investment holding<br>(British Virgin Islands)        | 100                                 | 100       |
| Orchard Energy (West Belida) Limited <sup>(3)</sup><br>(British Virgin Islands)  | Oil and gas exploration and production<br>(Indonesia) | 100                                 | 100       |
| RHP (Mukah) Pte. Ltd. <sup>(1)</sup><br>(Singapore)                              | Oil and gas exploration and production<br>(Malaysia)  | 51                                  | 100       |
| RHP Salawati Holdings BV <sup>(3)</sup><br>(The Netherlands)                     | Investment holding<br>(The Netherlands)               | 100                                 | 100       |
| Petrogas Basin Holding BV <sup>(3)</sup><br>(The Netherlands)                    | Investment holding<br>(The Netherlands)               | 100                                 | 100       |
| Petrogas Island Holding BV <sup>(3)</sup><br>(The Netherlands)                   | Investment holding<br>(The Netherlands)               | 100                                 | 100       |
| RHP Salawati Basin BV <sup>(2)</sup><br>(The Netherlands)                        | Oil and gas exploration and production<br>(Indonesia) | 100                                 | 100       |
| RHP Salawati Island BV <sup>(2)</sup><br>(The Netherlands)                       | Oil and gas exploration and production<br>(Indonesia) | 100                                 | 100       |
| Petrogas (Basin) Ltd <sup>(3)</sup><br>(British Virgin Islands)                  | Oil and gas exploration and production<br>(Indonesia) | 100                                 | 100       |
| Petrogas (Island) Ltd <sup>(3)</sup><br>(British Virgin Islands)                 | Oil and gas exploration and production<br>(Indonesia) | 100                                 | 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 13. Investment in subsidiaries (cont'd)

### (a) Dissolution of subsidiaries

TRIM Technologies (M) Sdn Bhd (“**TRIM Malaysia**”) and Tri-M Technologies (Philippines) Inc. (“**TRIM Phil**”), which have been dormant since the change of the Group’s core business from electronics to oil and gas industry in 2010, have been dissolved in May and December 2013 respectively.

|  | 2014<br>US\$'000 | 2013<br>US\$'000 |
|--|------------------|------------------|
| Net identifiable assets  | –                | –                |
| Realisation of foreign currency translation on dissolution of subsidiaries | –                | 4,557            |
| Loss on dissolution of subsidiaries (Note 5)                               | –                | 4,557            |

### (b) Partial disposal of subsidiary without change in control

On 24 September 2014, the Company disposed of 3,184,881 ordinary shares representing 49% of the entire issued share capital of RHP (Mukah) Pte. Ltd. to Tumbuh Tiasa Enterprises Sdn. Bhd. for an aggregate sale consideration of US\$2,786,000.

Following the disposal, the Company still controls RHP (Mukah) Pte. Ltd., retaining 51% of the ownership interest, resulting in:

|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
|---|------------------|------------------|
| Proceeds from sales of 49% ownership interest | 2,786            | –                |
| Net assets attributable to NCI                | (1,991)          | –                |
| Increase in equity attributable to parent     | 795              | –                |

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

## 14. Interests in joint operations

| Contract area<br>(Date of expiry)                | Held by<br>(Place of operation)   | Description                            | Company's effective working interest |                   |
|--|---|--|--------------------------------------|-------------------|
|  |   |  | 2014<br>%                            | 2013<br>%         |
| Fuyu 1 Block<br>(9 January 2038) <sup>(1)</sup>  | Kingworld Resources Limited<br>(Jilin Province, People's Republic of China) | Oil and gas exploration and production | 49 <sup>(4)</sup>                    | 49 <sup>(4)</sup> |
| West Belida Block<br>(4 May 2039) <sup>(2)</sup> | Orchard Energy (West Belida) Limited<br>(Jambi, Indonesia)                  | Oil and gas exploration                | 94                                   | 94                |
| Basin Block<br>(15 October 2020)                 | RHP Salawati Basin BV and Petrogas (Basin) Ltd<br>(West Papua, Indonesia)   | Oil and gas exploration and production | 60                                   | 60                |
| Island Block<br>(22 April 2020)                  | RHP Salawati Island BV and Petrogas (Island) Ltd<br>(West Papua, Indonesia) | Oil and gas exploration and production | 33                                   | 33                |
| SK331 Block<br>(5 Dec 2039) <sup>(3)</sup>       | RHP (Mukah) Pte. Ltd.<br>(Sarawak, Malaysia)                                | Oil and gas exploration                | 40.8 <sup>(5)</sup>                  | 80                |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 14. Interests in joint operations (cont'd)

- (1) PSC expires after 20 years of production, or 9 January 2038, whichever is earlier.
- (2) The Group does not intend to apply for an extension of the current exploration period which is to expire on 4 May 2015.
- (3) On the basis that commercial quantity of oil/gas is discovered during the exploration period and the PSC enters into development and production periods. The three-year exploration period of the PSC expires on 5 December 2015 and has been further extended to 5 December 2016.
- (4) Under the Fuyu 1 PSC, CNPC is deemed to have backed in for a 51% working interest once commercial production commences, leaving KRL with a 49% working interest. 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 which was announced on 16 October 2014. The Group has reflected the 49% as its working interest in Fuyu 1 Block since 2009.
- (5) RHP (Mukah) Pte. Ltd. holds an 80% working interest 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. The Company has reflected the 40.8% working interest after disposal of 49% of equity interest to Tumbuh Tiasa Enterprises Sdn. Bhd..

### *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 phase, a development phase and a production phase.

Evaluation Period: The evaluation period is 3 years commencing after the Ministry of Commerce of the PRC has approved the PSC (“**Contract Implementation Commencement Date**”) and will end when the Group receives the approval of the relevant PRC authorities for the Overall Development 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, National Development and Reform Commission (“NDRC”) have approved the ODP for the first phase development of the Yongping Field 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 for the ODP for the development of the said oilfield, and will end on the date of the completion of the development operations. The Group shall bear all the development costs during the development period. Following the receipt of the final ODP approval from NDRC on 16 October 2014, KRL has commenced development drilling at the Yongping field, and has drilled and completed 15 wells by the end of 2014. The approved ODP entails the drilling of up to 1,008 wells over 5 years.

Production Period: The production period of the oilfield(s) shall be twenty consecutive production years from the commencement of commercial production of the relevant oilfield. Production from the Yongping field is expected to come on stream progressively as the planned development wells are being drilled and completed over the development period.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 14. Interests in joint operations (cont'd)

### *Fuyu 1 Block (cont'd)*

The total duration of the PSC shall not exceed 30 years from the approval of the Ministry of Commerce for the PSC.

#### Financing and cost recovery

Funds required for 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 the Group, 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 entity will deduct all applicable taxes and royalty that might apply in PRC from the production in kind or in cash as they are applicable. The Group's "shared oil" is subject to payment of all other corporate income tax that may be applicable in the PRC.

#### Pricing of the crude oil

The 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 works within the PSC area during the production period. After the full recovery of the development costs actually incurred, CNPC shall, at any time, have the right to take over the production operations by giving written notice to the Group.

#### Reserve

Based on an assessment performed by an international energy technical advisor specialising in petroleum reservoir evaluation and economic analysis in 2015, the gross proved plus probable ("2P") reserves as of 1 January 2015 for the Fuyu 1 Block is around 21.4 million barrels of oil. This work out to around 10.5 million barrels of oil equivalent net to the Group based on its working interests in the Fuyu 1 PSC. This numbers have been calculated based on the Group's 49% working interest in the Fuyu 1 PSC after taking into consideration the rights of CNPC to back-in for a 51% working interest after the commencement of commercial production.

### *West Belida Block*

Orchard Energy (West Belida) Limited ("**OE West Belida**"), together with its joint venture partner, P.T. BEL West Belida ("**JV Partner**"), holds a production sharing contract ("**PSC**") in relation to the exploration and production of petroleum in West Belida Block, Jambi, South Sumatra, Indonesia ("**Contract Area**").

The PSC was awarded to OE West Belida and JV Partner (collectively, the "**Contractor**") in May 2009. OE West Belida has 94% interest in the PSC. The Contract Area currently covers an area of approximately 1,046.28 km<sup>2</sup> following relinquishment in 2012 under the terms of the PSC.

#### Contractual commitment

Under the terms of the PSC, the Contractor shall carry out exploration of the Contract Area under an agreed minimum work program over the first three-year exploration period ("**Work Program**") with an estimated financial commitment of US\$5,760,000 ("**Financial Commitment**"). The actual expenditures for the Work Program may be higher or lower than the Financial Commitment, depending on the then prevailing costs of products and services needed to carry out the Work Program. If the Work Program can be fulfilled at a cost lower than the Financial Commitment, the Contractor will not be liable to pay the difference. OE West Belida is fully responsible for the cost to carry out the Work Program.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 14. Interests in joint operations (cont'd)

### *West Belida Block (cont'd)*

#### Duration of the PSC

The PSC is for a term of 30 years commencing from 5 May 2009 (each period of twelve months from 5 May 2009 to be referred to as a “**Contract Year**”). If results of exploration activities are found to be promising at the end of the first 3 Contract Years, then under the terms of the PSC, the Contractor may continue to carry out further exploration work for another 3 Contract Years. The Contractor has the option at the end of the initial 6 Contract Years to request for a one time extension of up to a maximum period of 4 Contract Years subject to governmental approval, after which the PSC shall automatically terminate if no petroleum in commercial quantities is discovered in the Contract Area. The Group does not intend to apply for an extension of the current exploration period which is to expire on 4 May 2015.

#### Share of proceeds of exploitation

If petroleum or natural gas is discovered in the Contract Area, the Contractor shall share the production with SKK MIGAS, according to an agreed mechanism as stated in the PSC.

### *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), 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.

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) and Lundin Indonesia BV (now renamed as RHP Salawati Island B.V.) .

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 km<sup>2</sup>, while the Island PSC covers an area of 1,097 km<sup>2</sup> including both onshore and offshore areas.

#### Production and reserve

The assets are primarily oil-weighted with oil, gas and liquefied petroleum gas production from the two PSCs averaging around 4,370 barrels of oil equivalent per day (boepd) net to the Group’s working interests (2013: 4,100 boepd).

Based on an assessment performed by an international energy technical advisor specialising in petroleum reservoir evaluation and economic analysis in 2015, the gross proved plus probable (“**2P**”) reserves as of 1 January 2015 for the Basin PSC and Island PSC combined is around 13.2 million barrels of oil, 24.6 billion cubic feet of gas and 5,840 metric tons of liquefied petroleum gas. These work out to around 9.4 million barrels of oil equivalent net to the Group based on its working interests in the respective PSCs. The above 2P reserve numbers include the Indonesian Government’s share of production under the terms of the PSCs.

#### Duration of the PSCs

The Basin PSC, dated 15 October 1970, was renewed in 1996 with the current licence expiring on 15 October 2020. The Island PSC is effective from 23 April 1990 for a 30-year term, expiring on 22 April 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 14. Interests in joint operations (cont'd)

### *SK331 Onshore Sarawak Block*

On 6 December 2013, the Group through its wholly owned subsidiary, RHP (Mukah) Pte. Ltd. ("**RHP (Mukah)**"), entered into a Petroleum Production Sharing Contract ("**PSC**") with Petroliaam Nasional Berhad ("**PETRONAS**") for Block SK331 onshore Sarawak (the "**Block**"). The Group will operate the 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. The Company divested 49% of its shareholding interest in RHP (Mukah) to Tumbuh Tiasa Enterprises Sdn. Bhd. which was completed on 24 September 2014. Following the completion of the divestment, the Company's effective working interest in the PSC was reduced from 80% to 40.8%.

The Block is located onshore Sarawak and covers an area of approximately 11,600 km<sup>2</sup>. Geologically, the Block is the onshore extension of the Balingian Basin which contains several oil and gas field in the offshore area.

#### 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 PSC has just entered into its third exploration year and most of the work commitments had been fulfilled with the remaining commitment to drill one (1) exploration well. In February 2015, PETRONAS approved the extension of the exploration period by one further year to 5 December 2016 for drilling of the remaining exploration well commitment.

#### Duration of the PSC

The PSC shall be for a term of 27 years commencing from 6 December 2013. At the end of the initial three-year exploration period, any sub-areas within the PSC Contract Area where commercial discoveries of oil/gas were found 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 of crude oil or till the expiry of the term of the PSC, whichever is earlier. For projects involving the development of non-associated natural gas, the production of non-associated natural gas can be carried out for a period of 20 years commencing from the date of first commercial production of natural gas or till the expiry of the term of the PSC plus an additional 5 years, whichever is earlier.

## 15. Inventories

|   | Group    |          |
|---|----------|----------|
|   | 2014     | 2013     |
|   | US\$'000 | US\$'000 |
| <b>Balance sheet:</b>                                       |          |          |
| Raw materials   | 267      | 194      |
| Well supplies   | 506      | 759      |
| Total inventories at lower of cost and net realisable value | 773      | 953      |
| <b>Income statement:</b>                                    |          |          |
| Inventories recognised as an expense in cost of sales       | 3,768    | 1,641    |
| Allowance for inventory obsolescence (Note 5)               | 1,223    | 4,356    |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 16. Other current assets

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2014<br>US\$'000 | 2013<br>US\$'000 | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Prepaid operating expenses                       | 60               | 80               | 55               | 51               |
| Upfront fees paid for banking facilities granted | 366              | 541              | –                | –                |
|  | 426              | 621              | 55               | 51               |

## 17. Trade and other receivables

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2014<br>US\$'000 | 2013<br>US\$'000 | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Trade receivables                      | 1,641            | 27,567           | –                | –                |
| Share of joint venture receivables     | 4,541            | 5,824            | –                | –                |
| Refundable deposits                    | 486              | 457              | 402              | 403              |
| Sundry receivables                     | 1,257            | 973              | 9                | 154              |
| Total trade and other receivables      | 7,925            | 34,821           | 411              | 557              |
| Add:                                   |                  |                  |                  |                  |
| Amounts due from subsidiaries          | –                | –                | 93,838           | 148,042          |
| Cash and short-term deposits (Note 19) | 36,717           | 52,448           | 2,146            | 21,927           |
| Total loans and receivables            | 44,642           | 87,269           | 96,395           | 170,526          |

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

Included in share of joint venture receivables are value added tax receivables of US\$3,263,000 (2013: US\$3,353,000).

### Amounts due from subsidiaries

These amounts are non-trade related, unsecured, non-interest bearing and are to be settled in cash.

### Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$1,095,000 (2013: US\$1,373,000) 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            |                  |
|--|------------------|------------------|
|  | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Trade receivables past due but not impaired: |                  |                  |
| 31 to 60 days                                | 546              | 668              |
| 61 to 90 days                                | 226              | 97               |
| 91 to 120 days                               | 315              | 506              |
| More than 120 days                           | 8                | 102              |
|  | 1,095            | 1,373            |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 17. Trade and other receivables (cont'd)

### 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            |                  |
|---|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Trade receivables-nominal amounts         | 2,257            | 802              |
| Less: Allowance for impairment            | (2,257)          | (802)            |
|   | -                | -                |
| Movements in allowance accounts:          |                  |                  |
| At 1 January                              | (802)            | (802)            |
| Charge during the financial year (Note 5) | (1,455)          | -                |
| At 31 December                            | (2,257)          | (802)            |

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.

## 18. Derivatives

|   | Contract/<br>Notional Amount | Group              |                         |
|---|------------------------------|--------------------|-------------------------|
|   |                              | Assets<br>US\$'000 | Liabilities<br>US\$'000 |
| <b>2014:</b>  |                              |                    |                         |
| Crude oil commodity options   | 160,000 barrels              | 590                | -                       |
| Interest rate swaps   | US\$34,666,408               | -                  | (109)                   |
| Total derivatives   |                              | 590                | (109)                   |
| Add:  |                              |                    |                         |
| Other liabilities (Note 24)   |                              | -                  | (1,301)                 |
| Total financial assets/(liabilities) at fair value through profit or loss |                              | 590                | (1,410)                 |
| <b>2013:</b>  |                              |                    |                         |
| Crude oil commodity options   | 140,000 barrels              | 1                  | -                       |
| Interest rate swaps   | US\$38,346,000               | -                  | (257)                   |
| Total derivatives   |                              | 1                  | (257)                   |
| Add:  |                              |                    |                         |
| Other liabilities (Note 24)   |                              | -                  | (1,301)                 |
| Total financial assets/(liabilities) at fair value through profit or loss |                              | 1                  | (1,558)                 |

The Group carries its derivatives at fair value, with changes in fair values being recognised in profit or loss. The Group engaged financial services valuation experts to assess fair value as at 31 December 2014. The key assumptions used to determine the fair value of derivative and sensitivity analysis are provided in Note 30.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 18. Derivatives (cont'd)

### Crude oil commodity options

As required under certain banking facilities granted (Note 21), the Group entered into crude oil commodity options. The put options renewed on 22 July 2014, for which an option premium of US\$48,000 (2013: US\$300,000) was paid, is to hedge over a portion of the Group's net entitlements for a period of 12 months and subject to annual hedging at each anniversary of the hedging agreement.

The Group did not adopt hedge accounting for such hedge relationship. The resulting US\$590,000 (2013: US\$1,000) fair value of these contracts has been recognised in the balance sheet as derivative assets. The fair value of these put options of US\$542,000 gain (2013: US\$299,000 loss) has been recognised in profit or loss during the year as part of the net fair value gain on derivatives.

### Interest rate swaps

The interest rate swaps receive floating interest equal to one month LIBOR + 3% per annum (2013: LIBOR + 3% per annum), pay a fixed rate ranging from 3.8% to 3.9% (2013: 3.8% to 3.9%) per annum and mature in 2017. The change in the fair value of these interest rate swaps of US\$148,000 gain (2013: US\$231,000 gain) has been recognised in profit or loss during the year as part of the net fair value gain on derivatives.

## 19. Cash and short-term deposits

|                              | Group            |                  | Company          |                  |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | 2014<br>US\$'000 | 2013<br>US\$'000 | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Cash at banks and on hand    | 36,717           | 47,716           | 2,146            | 17,195           |
| Short-term deposits          | –                | 4,732            | –                | 4,732            |
| Cash and short-term deposits | 36,717           | 52,448           | 2,146            | 21,927           |

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group. There is no interest earned during the financial year (2013: 1% per annum).

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

|                                    | Group            |                  | Company          |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2014<br>US\$'000 | 2013<br>US\$'000 | 2014<br>US\$'000 | 2013<br>US\$'000 |
| United States Dollar (US\$ or USD) | 27               | 164              | –                | –                |
| Singapore Dollar (S\$ or SGD)      | 1,851            | 21,299           | 1,839            | 21,294           |
| Euro (€ or EUR)                    | 140              | 70               | –                | –                |

Similar to 2013, there is 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 (2013: US\$2,767,000) as at 31 December 2014. The fixed charge was provided to a bank to fulfil collateral requirements of banking facilities granted by the bank (Note 21).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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

|                              | Group            |                  |
|------------------------------|------------------|------------------|
|                              | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Cash and short-term deposits | 36,717           | 52,448           |
| Less:                        |                  |                  |
| Charge over project accounts | (2,767)          | (2,767)          |
| Cash and cash equivalents    | 33,950           | 49,681           |

## 20. Trade and other payables

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Trade payables  | 8,440            | 28,662           | –                | –                |
| Amounts due to related parties                              | 2,967            | 2,980            | –                | –                |
| Accrued operating expenses                                  | 5,482            | 4,995            | 767              | 778              |
| Accruals for over-claimed cost recovery                     | 8,788            | 8,788            | –                | –                |
| Proportionate share of joint venture's other payables       | 8,390            | 8,937            | –                | –                |
| Accrued plug and abandonment costs                          | 1,051            | 1,168            | –                | –                |
| Over-lifted hydrocarbons                                    | 9,900            | 8,217            | –                | –                |
| Payable relating to exploration and evaluation expenditures | 3,632            | 320              | –                | –                |
| Sundry payables   | 2                | 12               | 2                | 2                |
| Total trade and other payables                              | 48,652           | 64,079           | 769              | 780              |
| Add:  |                  |                  |                  |                  |
| Loans and borrowings (Note 21)                              | 33,526           | 47,206           | –                | –                |
| Loan from non-controlling interest                          | 5,317            | –                | –                | –                |
| Total financial liabilities carried at amortised cost       | 87,495           | 111,285          | 769              | 780              |

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

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

Accruals for over-claimed cost recovery 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 accumulated cost recovery from an oil field, which the joint venture partners of the Basin PSC will be required to refund to the Indonesia Government. In addition, the amounts include potential over-claim cost recovery in 2006 and 2007, which joint venture partners of the Basin and Island PSC will be required to refund SKK MIGAS.

Over-lifted hydrocarbons refer to the excess of products sold during the period over the Group's ownership share of the production from Basin and Island PSCs.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 20. Trade and other payables (cont'd)

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

|                         | Group            |                  | Company          |                  |
|-------------------------|------------------|------------------|------------------|------------------|
|                         | 2014<br>US\$'000 | 2013<br>US\$'000 | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Singapore Dollar (SGD)  | 769              | 780              | 769              | 780              |
| Malaysian Ringgit (MYR) | 3,666            | 142              | –                | –                |

## 21. Loans and borrowings

|                            | Maturity | Group            |                  | Company          |                  |
|----------------------------|----------|------------------|------------------|------------------|------------------|
|                            |          | 2014<br>US\$'000 | 2013<br>US\$'000 | 2014<br>US\$'000 | 2013<br>US\$'000 |
| <b>Current</b>             |          |                  |                  |                  |                  |
| USD Term Loan 1            | 2015     | 5,280            | 5,280            | –                | –                |
| USD Term Loan 1            | 2015     | 8,400            | 8,400            | –                | –                |
|                            |          | 13,680           | 13,680           | –                | –                |
| <b>Non-current</b>         |          |                  |                  |                  |                  |
| USD Term Loan 1            | 2017     | 7,346            | 12,626           | –                | –                |
| USD Term Loan 2            | 2017     | 12,500           | 20,900           | –                | –                |
|                            |          | 19,846           | 33,526           | –                | –                |
| Total loans and borrowings |          | 33,526           | 47,206           | –                | –                |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 22. Provisions

|                                  | Group            |                  |
|----------------------------------|------------------|------------------|
|                                  | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Termination liabilities          | 10,696           | 10,667           |
| Decommissioning provision        | 9,090            | 8,050            |
|                                  | 19,786           | 18,717           |
| Less: Cash calls contributed for |                  |                  |
| - Termination liabilities        | (10,696)         | (10,667)         |
| - Decommissioning provision      | (5,154)          | (3,853)          |
|                                  | (15,850)         | (14,520)         |
|                                  | 3,936            | 4,197            |

### 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            |                  |
|--|------------------|------------------|
|  | 2014<br>US\$'000 | 2013<br>US\$'000 |
| At 1 January                           | 10,667           | 12,912           |
| Utilisation                            | (890)            | (2,249)          |
| Charge for the financial year (Note 5) | 919              | 4                |
| At 31 December                         | 10,696           | 10,667           |

### 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 2014 range from 7% to 15% (2013: 7% to 15%).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 22. Provisions (cont'd)

### Decommissioning provision (cont'd)

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 fund 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.

|  | Group            |                  |
|--|------------------|------------------|
|  | 2014<br>US\$'000 | 2013<br>US\$'000 |
| At 1 January                                 | 8,050            | 5,314            |
| (Utilised)/Arising during the financial year | (21)             | 1,959            |
| Unwinding of discount (Note 5)               | 1,061            | 777              |
| At 31 December                               | 9,090            | 8,050            |

The changes in decommissioning provisions are related to:

|   |      |       |
|---|------|-------|
| - Oil and gas properties (Note 8)             | (68) | 1,970 |
| - Exploration and evaluation assets (Note 11) | 47   | (11)  |
|   | (21) | 1,959 |

## 23. Deferred tax

Deferred tax at 31 December relates to the following:

|   | Consolidated<br>balance sheet |                  | Consolidated<br>Income statement |                  |
|---|-------------------------------|------------------|----------------------------------|------------------|
|   | 2014<br>US\$'000              | 2013<br>US\$'000 | 2014<br>US\$'000                 | 2013<br>US\$'000 |
| <i>Deferred tax liabilities:</i>                      |                               |                  |                                  |                  |
| Differences in depreciation for tax purposes          | 29,387                        | 30,698           | (1,311)                          | (330)            |
| Fair value adjustments on acquisition of subsidiaries | 5,020                         | 8,576            | (3,556)                          | (213)            |
| Impairment of oil and gas properties                  | (4,508)                       | -                | (4,508)                          | -                |
|   | 29,899                        | 39,274           |                                  |                  |
| <i>Deferred tax assets:</i>                           |                               |                  |                                  |                  |
| Provisions  | (916)                         | (1,208)          | 292                              | (1,208)          |
|   | 28,983                        | 38,066           |                                  |                  |
| Deferred tax credit                                   |                               |                  | (9,083)                          | (1,751)          |

### Unrecognised tax losses

At the end of the reporting period, the Group and the Company have tax losses of approximately US\$37,853,483 (2013: US\$38,167,819) and US\$37,853,483 (2013: US\$38,167,819), 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 24. Other liabilities

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Contingent consideration for business combination (Note 30) | 1,301            | 1,301            | –                | –                |

As part of the purchase agreement with the previous owner of RHP Salawati Island BV (“RHPSIBV”), a contingent consideration has been agreed on. Additional cash payments shall be due to the previous owner of RHPSIBV upon the appraisal and final approval of the plan of the development for a new oil field located within the offshore area of the Island PSC. The payment amount is determined based on the fields’ proved and probable reserves. The fair value of the contingent consideration was assessed at US\$1,301,000 at the date of acquisition. This fair value was calculated with reference to RHPSIBV’s net share of the estimated proved and probable reserves under the said plan of development. The contingent consideration as at 31 December 2014 and 2013 remains the same as the circumstances giving rise to the contingent liability have not changed.

## 25. Share capital

|   | Group and Company     |          |                       |          |
|---|-----------------------|----------|-----------------------|----------|
|   | 2014                  |          | 2013                  |          |
|   | No. of shares<br>'000 | US\$'000 | No. of shares<br>'000 | US\$'000 |
| Issued and fully paid:                  |                       |          |                       |          |
| At 1 January                            | 733,277               | 257,650  | 614,277               | 199,640  |
| Issuance of new shares                  | –                     | –        | 116,000               | 58,199   |
| Share issuance expenses                 | –                     | –        | –                     | (2,093)  |
| Share-based payments (Note 27):         |                       |          |                       |          |
| - Award of performance shares           | –                     | –        | 1,000                 | 397      |
| - Grant of equity-settled share options | 1,000                 | 510      | 2,000                 | 1,507    |
| At 31 December                          | 734,277               | 258,160  | 733,277               | 257,650  |

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 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.

### (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.

## 27. Employee benefits

|   | Group            |                  |
|---|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
| <b>Employee benefits expense (including directors):</b> |                  |                  |
| Salaries and bonus                                      | 2,088            | 2,698            |
| Central Provident Fund contributions                    | 96               | 124              |
| Share-based payments:                                   |                  |                  |
| - Performance share plan                                | -                | 397              |
| - Employee share-option plan                            | 116              | 568              |
| Other short-term benefits                               | 332              | 387              |
|   | 2,632            | 4,174            |

### Performance share plan

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

On 24 June 2013, the Company awarded 1,000,000 ordinary shares under the RHP Performance Share Plan to a director of the Company who retired on 31 December 2013 and credited the same as fully paid. The fair value of each share as at grant date is S\$0.50, which was the published closing price of the share on the business day immediately before the share award.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 27. Employee benefits (cont'd)

### Employee share option plan

Under the RHP Share Option Scheme 2011, share options are granted to selected employees and directors of the Company, its subsidiaries and associated companies. The exercise price of the options is set at a discount of no more than 20% to the average of the last dealt prices for a share, as determined by reference to the daily official list published by the SGX-ST for a period of 3 consecutive market days immediately prior to the relevant date of grant of the option. Eligible participants must remain in service for a period of two years from the date of the grant. The contractual life of the options is five years. There are no cash settlement 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.

### Modification of share options relating to a director

In 2013, with the recommendation from RC, the Board has approved the exercise of 50% of the balance of unexercised share options, within the relevant exercise period, totalling 2,500,000 share options (the "**Modified Options**") granted to a director (retired on 31 December 2013) in 2012 (2,000,000 share options) and 2013 (3,000,000 share options). The remaining unexercised share options shall lapse and become null and void with effect from 31 December 2013.

Consequently, the remaining share-based expense of US\$200,000 relating to the Modified Options which was initially to be recognised in 2014 and 2015, was fully recognised in profit or loss in 2013 (2014: Nil).

Upon the retirement of the above-mentioned director, all share options granted to him in 2012 and 2013 lapsed except for the Modified Options.

Except as disclosed in this report, there has been no cancellation or other modification of the share option plan since its inception in 2011.

### Movement of share options during the financial year

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

|                            | 2014        |             | 2013        |             |
|----------------------------|-------------|-------------|-------------|-------------|
|                            | Number      | WAEP<br>S\$ | Number      | WAEP<br>S\$ |
| Outstanding at 1 January   | 3,726,500   | 0.42        | 4,742,000   | 0.48        |
| - Granted                  | 711,800     | 0.42        | 3,638,500   | 0.42        |
| - Forfeited                | (154,000)   | 0.43        | (2,654,000) | 0.40        |
| - Exercised                | (1,000,000) | 0.37        | (2,000,000) | 0.59        |
| Outstanding at 31 December | 3,284,300   | 0.43        | 3,726,500   | 0.42        |
| Exercisable at 31 December | 594,000     | 0.37        | 325,000     | 0.59        |

The weighted average fair value of the option granted during the financial year was S\$0.30 (2013: S\$0.26).

The range of exercise prices for options outstanding at the end of the financial year was S\$0.37 to \$0.59 (2013: S\$0.37 to S\$0.59). The weighted average remaining contractual life for these options is 3.13 years (2013: 3.68 years).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 27. Employee benefits (cont'd)

### Fair value of share options granted

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

The following table lists the inputs to the option pricing model for the financial year ended 31 December 2014 and 2013:

|                                  | 2014  | 2013  |
|----------------------------------|-------|-------|
| Dividend yield (%)               | 0.00  | 0.00  |
| Expected volatility (%)          | 60.74 | 50.90 |
| Risk-free interest rate (% p.a.) | 0.61  | 0.37  |
| Expected life of option (years)  | 5.00  | 5.00  |
| Share price (S\$)                | 0.54  | 0.52  |
| Exercise price (S\$)             | 0.42  | 0.42  |

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.

## 28. Related party transactions

### (a) Sales and purchases of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between parties during the financial year.

|   | Group    |          |
|---|----------|----------|
|   | 2014     | 2013     |
|   | US\$'000 | US\$'000 |
| Sale and purchase agreement with<br>Tumbuh Tiasa Enterprises Sdn. Bhd. <sup>(1)</sup> | 2,786    | –        |

- (1) RH Petrogas Investments Pte. Ltd. (“RHPI”), a wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement with Tumbuh Tiasa Enterprises Sdn. Bhd. (“TTE”) to sell 3,184,881 ordinary shares representing 49% of the entire issued share capital of RHP (Mukah) Pte. Ltd., a wholly-owned subsidiary of RHPI, to the TTE for an aggregate sale consideration of US\$2,786,000 (“Proposed Sale”). Tan Sri Datuk Sir Tiong Hiew King and Dato’ Sri Tiong Ik King, who are both Directors of the Company, together with their family members, indirectly own majority of the issued share capital of TTE. The Proposed Sale has been completed on 24 September 2014.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 28. Related party transactions (cont'd)

### (b) Compensation of key management personnel

|   | Group            |                  |
|---|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Short-term employee benefits                        | 1,340            | 1,717            |
| Central Provident Fund contributions                | 32               | 38               |
| Other short-term benefits                           | 164              | 203              |
| Share-based payments                                | 104              | 866              |
| Total compensation paid to key management personnel | 1,640            | 2,824            |
| Comprise amounts paid to:                           |                  |                  |
| - Directors of the Company                          | 850              | 1,727            |
| - Other key management personnel                    | 790              | 1,097            |
|   | 1,640            | 2,824            |

#### Directors' interests in employee share option plan

During the financial year, 200,000 options were granted to an executive director under the RHP Share Option Scheme 2011 (Note 27) at an exercise price of S\$0.42 each.

In 2013, 3,073,500 options were granted to two of the Company's executive directors and three of the Company's non-executive directors, respectively under the RHP Share Option Scheme 2011 (Note 27) at an exercise price of S\$0.42 each.

At the end of the reporting period, the number of outstanding share options granted by the Company to the abovementioned directors under the RHP Share Option Scheme 2011 was 533,500 (2013: 2,603,500).

## 29. Commitments

### (a) Capital commitments

|   | Group            |                  |
|---|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Contractual commitments in respect of evaluation and exploration expenditures | 11,552           | 17,100           |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 29. Commitments (cont'd)

### (b) Operating lease commitments

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

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2014 amounted to US\$139,000 (2013: US\$138,000).

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

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Not later than one year                           | 380              | 324              | 148              | 92               |
| Later than one year but not later than five years | 337              | 388              | 129              | –                |
|   | 717              | 712              | 277              | 92               |

## 30. Fair value of assets and liabilities

### (a) Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 30. Fair value of assets and liabilities (cont'd)

### (b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

|   | Group<br>US\$'000  |   |  |       |
|---|--|---|--|-------|
|   | Quoted prices<br>in active<br>markets for<br>identical<br>instruments<br>(Level 1) | Significant<br>observable<br>inputs other<br>than quoted<br>prices<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) | Total |
| <b>2014</b>   |  |   |  |       |
| <b>Recurring fair value measurements</b>                    |  |   |  |       |
| <b>Financial assets</b>                                     |  |   |  |       |
| Derivatives (Note 18)                                       |  |   |  |       |
| - Crude oil commodity Options                               | -  | 590   | -  | 590   |
| At 31 December 2014   | -  | 590   | -  | 590   |
| <b>Financial liabilities:</b>                               |  |   |  |       |
| Derivatives (Note 18)                                       |  |   |  |       |
| - Interest rate swaps                                       | -  | 109   | -  | 109   |
| Contingent consideration for business combination (Note 24) | -  | -   | 1,301  | 1,301 |
| At 31 December 2014   | -  | 109   | 1,301  | 1,410 |
| <b>2013</b>   |  |   |  |       |
| <b>Recurring fair value measurements</b>                    |  |   |  |       |
| <b>Financial assets</b>                                     |  |   |  |       |
| Derivatives (Note 18)                                       |  |   |  |       |
| - Crude oil commodity Options                               | -  | 1   | -  | 1     |
| At 31 December 2013   | -  | 1   | -  | 1     |
| <b>Financial liabilities:</b>                               |  |   |  |       |
| Derivatives (Note 18)                                       |  |   |  |       |
| - Interest rate swaps                                       | -  | 257   | -  | 257   |
| Contingent consideration for business combination (Note 24) | -  | -   | 1,301  | 1,301 |
| At 31 December 2013   | -  | 257   | 1,301  | 1,558 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 30. Fair value of assets and liabilities (cont'd)

### (c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

#### *Derivatives*

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

### (d) Level 3 fair value measurements

#### (i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

| Description                                       | Fair value<br>at 31<br>December<br>2014 | Valuation<br>techniques | Unobservable inputs   |
|---|---|-------------------------|---|
| <b>Recurring fair value measurements</b>          |   |                         |   |
| Contingent consideration for business combination | 1,301                                   | Discounted cash flows   | Discovery of a certain quantum of proved and probable reserve at a new offshore oil field of Island PSC |

A significant increase (decrease) in the quantum of proved and probable reserve would result in a significantly higher (lower) fair value measurement of the contingent consideration.

The following table shows the impact on the Level 3 fair value measurement of financial instruments that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

|   | 31 December 2014            |   |
|---|-----------------------------|---|
|   | Carrying amount<br>US\$'000 | Effect of reasonably possible alternative assumptions<br>Profit or loss<br>US\$'000 |
| <b>Recurring fair value measurements</b>          |                             |   |
| Contingent consideration for business combination | 1,301                       | 130   |

For contingent consideration for business combination, the Group adjusted the estimated quantum of proved and probable reserve at a new offshore oil field of Island PSC by 10%.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 30. Fair value of assets and liabilities (cont'd)

### (d) Level 3 fair value measurements (cont'd)

#### (ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for the financial instruments measured at fair value based on significant unobservable inputs (Level 3):

|                                     | Group<br>2014<br>US\$'000  |       |
|-------------------------------------|--|-------|
|                                     | Fair value measurements<br>using significant<br>unobservable inputs<br>(Level 3) |       |
|                                     | Contingent<br>consideration  | Total |
| Opening balance and closing balance | 1,301  | 1,301 |

#### (iii) Valuation policies and procedures

The assessment of the fair value of the contingent consideration is performed by the Group's finance department on an annual basis.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance to perform the valuation.

Management reviews and evaluates the appropriateness of the valuation methodologies and assumptions adopted and reliability of the inputs (including those developed internally by the Group) used in the valuations.

## 31. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken, except for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

#### Exposure to credit risk

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by a nominal amount of US\$33,526,000 (2013: US\$47,206,000) relating to guarantees provided by the Company and certain of its subsidiaries to a bank on a subsidiary's bank loan (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 wholly from Basin and Island PSCs as the other contract areas are still in exploration stage.

100% (2013: 100%) of the Group's trade receivables were due from 2 (2013: 2) major customers who are in the oil and gas industry located in Indonesia (2013: Indonesia). Similar to 2013, the Group's revenue is wholly contributed by these 2 customers.

#### Financial assets that are neither past due nor impaired

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

#### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 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 share placements and bank borrowings.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial 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 2014

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

### (b) Liquidity risk (cont'd)

|   | Group                         |                             |                                  | Total<br>US\$'000 |
|---|-------------------------------|-----------------------------|----------------------------------|-------------------|
|   | 1 year<br>or less<br>US\$'000 | 1 to 5<br>years<br>US\$'000 | More than<br>5 years<br>US\$'000 |                   |
| <b>2014</b>                                     |                               |                             |                                  |                   |
| <b>Financial assets:</b>                        |                               |                             |                                  |                   |
| Trade and other receivables                     | 7,925                         | –                           | –                                | 7,925             |
| Derivatives                                     | 590                           | –                           | –                                | 590               |
| Cash and short-term deposits                    | 36,717                        | –                           | –                                | 36,717            |
| Total undiscounted financial assets             | 45,232                        | –                           | –                                | 45,232            |
| <b>Financial liabilities:</b>                   |                               |                             |                                  |                   |
| Trade and other payables                        | 48,652                        | –                           | –                                | 48,652            |
| Loans and borrowings                            | 14,864                        | 20,520                      | –                                | 35,384            |
| Loan from non-controlling interest              | –                             | 5,317                       | –                                | 5,317             |
| Other liabilities                               | –                             | 1,301                       | –                                | 1,301             |
| Derivatives                                     | 109                           | –                           | –                                | 109               |
| Total undiscounted financial liabilities        | 63,625                        | 27,138                      | –                                | 90,763            |
| Net undiscounted financial liabilities          | (18,393)                      | (27,138)                    | –                                | (45,531)          |
| <b>2013</b>                                     |                               |                             |                                  |                   |
| <b>Financial assets:</b>                        |                               |                             |                                  |                   |
| Trade and other receivables                     | 34,821                        | –                           | –                                | 34,821            |
| Derivatives                                     | 1                             | –                           | –                                | 1                 |
| Cash and short-term deposits                    | 52,448                        | –                           | –                                | 52,448            |
| Total undiscounted financial assets             | 87,270                        | –                           | –                                | 87,270            |
| <b>Financial liabilities:</b>                   |                               |                             |                                  |                   |
| Trade and other payables                        | 64,079                        | –                           | –                                | 64,079            |
| Loans and borrowings                            | 15,430                        | 35,372                      | –                                | 50,802            |
| Other liabilities                               | –                             | 1,301                       | –                                | 1,301             |
| Derivatives                                     | 257                           | –                           | –                                | 257               |
| Total undiscounted financial liabilities        | 79,766                        | 36,673                      | –                                | 116,439           |
| Net undiscounted financial assets/(liabilities) | 7,504                         | (36,673)                    | –                                | (29,169)          |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

### (b) Liquidity risk (cont'd)

|  | Company                       |                             |                                  | Total<br>US\$'000 |
|--|-------------------------------|-----------------------------|----------------------------------|-------------------|
|  | 1 year<br>or less<br>US\$'000 | 1 to 5<br>years<br>US\$'000 | More than<br>5 years<br>US\$'000 |                   |
| <b>2014</b>                              |                               |                             |                                  |                   |
| <b>Financial assets:</b>                 |                               |                             |                                  |                   |
| Trade and other receivables              | 411                           | –                           | –                                | 411               |
| Amounts due from subsidiaries            | 93,838                        | –                           | –                                | 93,838            |
| Cash and short-term deposits             | 2,146                         | –                           | –                                | 2,146             |
| Total undiscounted financial assets      | 96,395                        | –                           | –                                | 96,395            |
| <b>Financial liabilities:</b>            |                               |                             |                                  |                   |
| Trade and other payables                 | 769                           | –                           | –                                | 769               |
| Total undiscounted financial liabilities | 769                           | –                           | –                                | 769               |
| Net undiscounted financial assets        | 95,626                        | –                           | –                                | 95,626            |
| <b>2013</b>                              |                               |                             |                                  |                   |
| <b>Financial assets:</b>                 |                               |                             |                                  |                   |
| Trade and other receivables              | 557                           | –                           | –                                | 557               |
| Amounts due from subsidiaries            | 148,042                       | –                           | –                                | 148,042           |
| Cash and short-term deposits             | 21,927                        | –                           | –                                | 21,927            |
| Total undiscounted financial assets      | 170,526                       | –                           | –                                | 170,526           |
| <b>Financial liabilities:</b>            |                               |                             |                                  |                   |
| Trade and other payables                 | 780                           | –                           | –                                | 780               |
| Total undiscounted financial liabilities | 780                           | –                           | –                                | 780               |
| Net undiscounted financial assets        | 169,746                       | –                           | –                                | 169,746           |

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

|   | Group                         |                             |                   | Company                       |                             |                   |
|---|-------------------------------|-----------------------------|-------------------|-------------------------------|-----------------------------|-------------------|
|   | 1 year<br>or less<br>US\$'000 | 1 to 5<br>years<br>US\$'000 | Total<br>US\$'000 | 1 year<br>or less<br>US\$'000 | 1 to 5<br>years<br>US\$'000 | Total<br>US\$'000 |
| <b>2014</b>                             |                               |                             |                   |                               |                             |                   |
| Financial Guarantee (Note 21)           | –                             | –                           | –                 | 13,680                        | 19,846                      | 33,526            |
| Contractual commitments<br>(Note 29(a)) | 11,552                        | –                           | –                 | –                             | –                           | –                 |
|   | 11,552                        | –                           | –                 | 13,680                        | 19,846                      | 33,526            |
| <b>2013</b>                             |                               |                             |                   |                               |                             |                   |
| Financial Guarantee (Note 21)           | –                             | –                           | –                 | 13,680                        | 33,526                      | 47,206            |
| Contractual commitments<br>(Note 29(a)) | 11,100                        | 6,000                       | 17,100            | –                             | –                           | –                 |
|   | 11,100                        | 6,000                       | 17,100            | 13,680                        | 33,526                      | 47,206            |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their floating rate loans and borrowings, which are contractually re-priced at intervals of less than 3 months (2013: less than 3 months) from the end of the reporting period.

The Group's policy is to manage interest cost in a cost-efficient manner by entering into interest rate swaps. At the end of the reporting period, after taking into account the effect of an interest rate swap, approximately 64% (2013: 71%) of the Group's borrowings are at fixed rates of interest.

#### Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD interest rates had been 75 (2013: 75) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been US\$8,500 (2013: US\$66,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and lower/higher positive fair value of an interest rate swap. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

### (d) Foreign currency risk

The Group has minimal transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD, Malaysian Ringgit ("MYR") and Renminbi ("RMB") (2013: USD, MYR and RMB). The foreign currencies in which these transactions are denominated are mainly in SGD (2013: SGD). 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 (2013: PRC).

#### Sensitivity analysis for foreign currency risk

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

|  | Group              |                    |
|--|--------------------|--------------------|
|  | 2014<br>US\$'000   | 2013<br>US\$'000   |
|  | Loss before<br>tax | Loss before<br>tax |
| USD / SGD - strengthened 3% (2013: 3%) | +34                | + 624              |
| - weakened 3% (2013: 3%)               | -34                | - 624              |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

### (e) 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 and derivative commodity contracts, i.e. crude oil commodity put options. At the end of the reporting period, the Group's exposure to commodity price risk is US\$590,000 (2013:US\$1,000).

## 32. Capital management

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

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

|   | Group            |                  |
|---|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Loans and borrowings (Note 21)  | 33,526           | 47,206           |
| Trade and other payables (Note 20)  | 48,652           | 64,079           |
| Other liabilities (Note 24)   | 1,301            | 1,301            |
| Less: Cash and short-term deposits (Note 19)                                    | (36,717)         | (52,448)         |
| Net debt  | 46,762           | 60,138           |
| Equity attributable to the owners of the Company,<br>representing total capital | 149,970          | 177,230          |
| Capital and net debt  | 196,732          | 237,368          |
| Gearing ratio   | 24%              | 25%              |

## 33. Segment information

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

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

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

There are no inter-segment transactions.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 33. Segment information (cont'd)

| (US\$'000)   | Oil and gas |          | Adjustments and eliminations |         | Notes | Per consolidated financial statements |          |
|--|-------------|----------|------------------------------|---------|-------|---------------------------------------|----------|
|  | 2014        | 2013     | 2014                         | 2013    |       | 2014                                  | 2013     |
| <b>Revenue</b>                                       | 75,234      | 86,393   | –                            | –       |       | 75,234                                | 86,393   |
| <b>Results:</b>                                      |             |          |                              |         |       |                                       |          |
| Interest income                                      | 50          | 30       | –                            | –       |       | 50                                    | 30       |
| Net fair value gain on derivatives                   | 690         | –        | –                            | –       |       | 690                                   | –        |
| Finance costs  | (3,145)     | (3,340)  | –                            | –       |       | (3,145)                               | (3,340)  |
| Depreciation and amortisation                        | (15,575)    | (10,953) | –                            | –       |       | (15,575)                              | (10,953) |
| Net fair value loss on derivatives                   | –           | (86)     | –                            | –       |       | –                                     | (86)     |
| Impairment loss on goodwill                          | (20,760)    | (28,757) | –                            | –       |       | (20,760)                              | (28,757) |
| Impairment loss on oil and gas properties            | (10,171)    | –        | –                            | –       |       | (10,171)                              | –        |
| Unsuccessful exploration and evaluation expenditures | (2,965)     | (44,213) | –                            | –       |       | (2,965)                               | (44,213) |
| Allowance for doubtful trade receivables             | (1,455)     | –        | –                            | –       |       | (1,455)                               | –        |
| Allowance for inventory obsolescence                 | (1,223)     | (4,356)  | –                            | –       |       | (1,223)                               | (4,356)  |
| Shared based payments                                | (116)       | (965)    | –                            | –       |       | (116)                                 | (965)    |
| Segment loss   | (31,577)    | (58,377) | –                            | (4,557) | (A)   | (31,577)                              | (62,934) |
| <b>Assets</b>  |             |          |                              |         |       |                                       |          |
| Total capital expenditure                            | 33,282      | 50,574   | –                            | –       | (B)   | 33,282                                | 50,574   |
| Segment assets                                       | 275,098     | 334,526  | –                            | –       |       | 275,098                               | 334,526  |
| <b>Segment liabilities</b>                           | 92,841      | 117,040  | 30,377                       | 40,256  | (C)   | 123,218                               | 157,296  |

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

- (A) The following item is added to the segment loss to arrive at “loss before taxation” presented in the consolidated statement of comprehensive income:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Realisation of foreign currency translation on dissolution of subsidiaries <sup>(1)</sup> | –                | (4,557)          |

- <sup>(1)</sup> These subsidiaries were previously operating in the electronics segment.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 33. Segment information (cont'd)

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

|                                     | Group            |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2014<br>US\$'000 | 2013<br>US\$'000 |
| Additions in:                       |                  |                  |
| - Oil and gas properties            | 5,985            | 19,407           |
| - Exploration and evaluation assets | 26,536           | 30,084           |
| - Development expenditure           | 472              | -                |
| - Other plant and equipment         | 289              | 1,083            |
|                                     | <u>33,282</u>    | <u>50,574</u>    |

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

|                          | 2014<br>US\$'000 | 2013<br>US\$'000 |
|--------------------------|------------------|------------------|
| Income tax payable       | 1,394            | 2,190            |
| Deferred tax liabilities | 28,983           | 38,066           |
|                          | <u>30,377</u>    | <u>40,256</u>    |

### 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 |               |
|-------------------------------|---------------|---------------|----------------|----------------|---------------------------|---------------|----------------------------|---------------|
|                               | 2014          | 2013          | 2014           | 2013           | 2014                      | 2013          | 2014                       | 2013          |
| (US\$'000)                    |               |               |                |                |                           |               |                            |               |
| <b>By geographical market</b> |               |               |                |                |                           |               |                            |               |
| Indonesia                     | 75,234        | 86,393        | 126,713        | 187,291        | 11,984                    | 41,242        | 15,150                     | 10,553        |
| People's Republic of China    | -             | -             | 123,929        | 121,608        | 2,489                     | 3,040         | 348                        | 351           |
| Singapore                     | -             | -             | 2,667          | 22,623         | 7                         | 9             | 39                         | 45            |
| Malaysia                      | -             | -             | 21,789         | 3,004          | 18,802                    | 2,617         | 38                         | 4             |
| Myanmar                       | -             | -             | -              | -              | -                         | 3,666         | -                          | -             |
|                               | <u>75,234</u> | <u>86,393</u> | <u>275,098</u> | <u>334,526</u> | <u>33,282</u>             | <u>50,574</u> | <u>15,575</u>              | <u>10,953</u> |

### Information about major customers

The Group derives revenue from one (2013: one) major customers as follows:

|            | 2014<br>US\$'000 | 2013<br>US\$'000 |
|------------|------------------|------------------|
| Customer A | 70,017           | -                |
| Customer B | -                | 81,542           |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## **34. Authorisation of financial statements for issue**

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 2 April 2015.

# SUMMARY OF RESERVES AND RESOURCES

Name of Asset/Country: China

| Category                     | Gross<br>Attributable to<br>Licence<br>(MMbbl / Bcf) <sup>(1)</sup> | Net Attributable to Issuer <sup>(2)</sup> |  | Remarks |
|------------------------------|---|---|--|---------|
|                              |   | (MMbbl / Bcf) <sup>(1)</sup>              | Change from<br>previous update<br>(%) <sup>(3)</sup> |         |
| <b>Reserves</b>              |   |   |  |         |
| Oil Reserves                 |   |   |  |         |
| 1P                           | 16.8  | 8.2                                       | N/A  |         |
| 2P                           | 21.4  | 10.5                                      | N/A  |         |
| 3P                           | 23.4  | 11.5                                      | N/A  |         |
| 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  |         |
| <b>Contingent Resources</b>  |   |   |  |         |
| Oil                          |   |   |  |         |
| 1C                           | 17.1  | 8.4                                       | 40%  |         |
| 2C                           | 39.3  | 19.3                                      | -43%   |         |
| 3C                           | 78.6  | 38.5                                      | -60%   |         |
| 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  |         |
| <b>Prospective Resource</b>  |   |   |  |         |
| 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 2015

(2) The volumes reported under these columns are based on the Group's net working interest, which include the Chinese Government's share under the PSC

(3) Previous updates were as disclosed in the Company's 2013 Annual Report

# SUMMARY OF RESERVES AND 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 | : | Millions of barrels    |
| Bcf   | : | Billions of cubic feet |

|   |   |  |
|---|---|--|
| Name of Qualified Person                      | : | Gordon Taylor  |
| Date  | : | 31 March 2015  |
| Professional Society Affiliation / Membership | : | Fellow, Geological Society, Chartered Geologist (C. Geol)<br>Member, Institute Mining & Metallurgy, Chartered Engineer (C.Eng) |

## Additional Notes:

(1) The information in this Summary of Reserves and Resources has been extracted from a Qualified Person Report (“QPR”), which has been prepared by a Qualified Person (with the meaning as provided under the Listing Manual of Singapore Exchange Securities Trading Limited). The QPR was prepared using the March 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System (“SPE PRMS”) as the standard for classification and reporting. Contingent resources reported in the summary are quantities of oil and gas which are estimated to be potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable due to one or more contingencies below:

- the extension of the production sharing contracts;
- the sanction of field development plans by the relevant government authorities; and/or
- the establishment of a commercially viable gas market.

There is a risk that all or part of the contingent resources may not be converted into reserves if the above contingencies do not take place.

(2) Shareholders can inspect a copy of the QPR at the Company’s office premises during office hours, after giving advance notice of the shareholder’s intent to do so, until 31 December 2015. Shareholders will not be allowed to make any copies of the QPR and the QPR will remain on the Company’s office premises, as the Company needs to protect the Company’s and its shareholders’ interest. The Company will keep a record of the shareholders who have made a request to view the QPR.

# SUMMARY OF RESERVES AND RESOURCES

**Name of Asset/Country: Indonesia**

| Category                     | Gross<br>Attributable to<br>Licence<br>(MMbbl / Bcf) <sup>(1)</sup> | Net Attributable to Issuer <sup>(2)</sup> |  | Remarks |
|------------------------------|---|---|--|---------|
|                              |   | (MMbbl / Bcf) <sup>(1)</sup>              | Change from<br>previous update<br>(%) <sup>(3)</sup> |         |
| <b>Reserves</b>              |   |   |  |         |
| Oil Reserves                 |   |   |  |         |
| 1P                           | 11.1  | 6.2                                       | -19%   |         |
| 2P                           | 13.2  | 7.2                                       | -23%   |         |
| 3P                           | 14.5  | 7.9                                       | -26%   |         |
| Natural Gas Reserves         |   |   |  |         |
| 1P                           | 21.9  | 12.0                                      | -18%   |         |
| 2P                           | 24.6  | 12.9                                      | -16%   |         |
| 3P                           | 26.1  | 13.4                                      | -16%   |         |
| 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  |         |
| <b>Contingent Resources</b>  |   |   |  |         |
| Oil                          |   |   |  |         |
| 1C                           | 21.9  | 10.0                                      | -6%  |         |
| 2C                           | 31.0  | 13.8                                      | -8%  |         |
| 3C                           | 43.1  | 18.6                                      | -8%  |         |
| Natural Gas                  |   |   |  |         |
| 1C                           | 217.3   | 78.1                                      | -1%  |         |
| 2C                           | 330.7   | 118.7                                     | -5%  |         |
| 3C                           | 508.4   | 182.0                                     | -6%  |         |
| Natural Gas Liquids          |   |   |  |         |
| 1C                           | N/A   | N/A                                       | N/A  |         |
| 2C                           | N/A   | N/A                                       | N/A  |         |
| 3C                           | N/A   | N/A                                       | N/A  |         |
| <b>Prospective Resource</b>  |   |   |  |         |
| 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 2015
- (2) The volumes reported under these columns are based on the Group's net working interest, which include the Indonesian Government's share under the PSCs
- (3) Previous updates were as disclosed in the Company's 2013 Annual Report

# SUMMARY OF RESERVES AND 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 : Millions of barrels  
Bcf : Billions of cubic feet

Name of Qualified Person : Gordon Taylor  
Date : 6 March 2015  
Professional Society Affiliation / Membership : Fellow, Geological Society, Chartered Geologist (C. Geol)  
Member, Institute Mining & Metallurgy, Chartered Engineer (C.Eng)

## Additional Notes:

(1) The information in this Summary of Reserves and Resources has been extracted from a Qualified Person Report (“QPR”), which has been prepared by a Qualified Person (with the meaning as provided under the Listing Manual of Singapore Exchange Securities Trading Limited). The QPR was prepared using the March 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System (“SPE PRMS”) as the standard for classification and reporting. Contingent resources reported in the summary are quantities of oil and gas which are estimated to be potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable due to one or more contingencies below:

- the extension of the production sharing contracts;
- the sanction of field development plans by the relevant government authorities; and/or
- the establishment of a commercially viable gas market.

There is a risk that all or part of the contingent resources may not be converted into reserves if the above contingencies do not take place.

(2) Shareholders can inspect a copy of the QPR at the Company’s office premises during office hours, after giving advance notice of the shareholder’s intent to do so, until 31 December 2015. Shareholders will not be allowed to make any copies of the QPR and the QPR will remain on the Company’s office premises, as the Company needs to protect the Company’s and its shareholders’ interest. The Company will keep a record of the shareholders who have made a request to view the QPR.

# STATISTICS OF SHAREHOLDINGS

As at 13 March 2015

|                                     |   |  |
|-------------------------------------|---|--|
| 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                       | : | On show of hands – each member present in person or by proxy shall have one vote.                                |
|                                     | : | On poll – every member present in person or by proxy shall have one vote for every share he holds or represents. |

There are no treasury shares held in the issued share capital of the Company.

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 35.52% of the issued ordinary shares of the Company were held in the hands of the public as at 13 March 2015 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                | 0                   | 0.00          | 0                  | 0.00          |
| 100 - 1,000           | 648                 | 18.18         | 641,680            | 0.09          |
| 1,001 - 10,000        | 1,276               | 35.80         | 8,701,603          | 1.18          |
| 10,001 - 1,000,000    | 1,613               | 45.26         | 94,714,799         | 12.90         |
| 1,000,001 AND ABOVE   | 27                  | 0.76          | 630,219,318        | 85.83         |
| <b>TOTAL</b>          | <b>3,564</b>        | <b>100.00</b> | <b>734,277,400</b> | <b>100.00</b> |

## TWENTY LARGEST SHAREHOLDERS

| NO.          | NAME                                 | NO. OF SHARES      | %            |
|--------------|--------------------------------------|--------------------|--------------|
| 1            | SURREYVILLE PTE LTD                  | 212,073,086        | 28.88        |
| 2            | SHARPTONE INVESTMENTS LIMITED (SB)   | 132,825,203        | 18.09        |
| 3            | RH CAPITAL LIMITED                   | 78,347,154         | 10.67        |
| 4            | RHB SECURITIES SINGAPORE PTE LTD     | 48,401,795         | 6.59         |
| 5            | KGI FRASER SECURITIES PTE LTD        | 32,791,000         | 4.47         |
| 6            | UOB KAY HIAN PRIVATE LIMITED         | 21,593,000         | 2.94         |
| 7            | CITIBANK NOMINEES SINGAPORE PTE LTD  | 17,557,000         | 2.39         |
| 8            | RAFFLES NOMINEES (PTE) LIMITED       | 17,122,000         | 2.33         |
| 9            | HSBC (SINGAPORE) NOMINEES PTE LTD    | 11,854,000         | 1.61         |
| 10           | OCBC SECURITIES PRIVATE LIMITED      | 7,441,000          | 1.01         |
| 11           | DBS NOMINEES (PRIVATE) LIMITED       | 7,212,823          | 0.98         |
| 12           | MAYBANK KIM ENG SECURITIES PTE LTD   | 5,965,700          | 0.81         |
| 13           | WONG YIING NGIHK                     | 3,923,000          | 0.53         |
| 14           | PHILLIP SECURITIES PTE LTD           | 3,622,500          | 0.49         |
| 15           | LEYAU LAY HOON                       | 3,200,000          | 0.44         |
| 16           | GREENDALE INVESTMENTS PTE LTD        | 3,129,657          | 0.43         |
| 17           | TAN YEW CHYE                         | 3,050,000          | 0.42         |
| 18           | ABN AMRO CLEARING BANK NV            | 2,656,000          | 0.36         |
| 19           | CIMB SECURITIES (SINGAPORE) PTE LTD  | 2,542,900          | 0.35         |
| 20           | HL BANK NOMINEES (SINGAPORE) PTE LTD | 2,500,000          | 0.34         |
| <b>TOTAL</b> |                                      | <b>617,807,818</b> | <b>84.13</b> |

# STATISTICS OF SHAREHOLDINGS

As at 13 March 2015

## SUBSTANTIAL SHAREHOLDERS

| Name  | Direct Interest  |       | Deemed Interest  |       |
|---|------------------|-------|------------------|-------|
|   | Number of Shares | %     | Number of Shares | %     |
| Tan Sri Datuk Sir Tiong Hiew King <sup>(1)</sup>      | 580,000          | 0.08  | 472,845,443      | 64.40 |
| Dato' Sri Dr Tiong Ik King <sup>(2)</sup>             | 0                | 0     | 212,073,086      | 28.88 |
| The Estate of Tiong Kiu King, Deceased <sup>(3)</sup> | 0                | 0     | 132,825,203      | 18.09 |
| Sharptone Investments Limited <sup>(1), (3)</sup>     | 132,825,203      | 18.09 | 0                | 0     |
| Surreyville Pte Ltd <sup>(1), (2)</sup>               | 212,073,086      | 28.88 | 0                | 0     |
| Woodsville International Limited <sup>(1), (2)</sup>  | 0                | 0     | 212,073,086      | 28.88 |
| RH Capital Limited <sup>(1), (4)</sup>                | 78,347,154       | 10.67 | 32,000,000       | 4.36  |

### 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.
4. RH Capital Limited is deemed to be interested in 32,000,000 shares registered in the name of KGI Fraser Securities Pte Ltd (formerly known as AmFraser Securities Pte Ltd), held by KGI Fraser Securities Pte Ltd as security pursuant to the terms of a banking facility which RH Capital Limited has obtained from AmBank (M) Berhad.

# NOTICE OF ANNUAL GENERAL MEETING

## RH PETROGAS LIMITED

(Company Registration Number 198701138Z)  
(Incorporated in the Republic of Singapore)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of **RH PETROGAS LIMITED** (the “**Company**”) will be held at Nautical III Room, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on Friday, 24 April 2015 at 10.00 a.m., for the following purposes:

### AS ORDINARY BUSINESS:

1. To receive and adopt the Directors’ Report and the Audited Accounts for the financial year ended 31 December 2014 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To approve the payment of Directors’ fees of S\$403,123 for the financial year ended 31 December 2014. (2013: S\$333,000) **(Resolution 2)**
3. To re-elect Mr Achmad Lukman Kartanegara, a Director retiring under Article 90 of the Company’s Articles of Association and who being eligible, offers himself for re-election. (see explanatory notes 1 and 4) **(Resolution 3)**
4. To re-elect Dato’ Sri Dr Tiong Ik King, a Director retiring by rotation under Article 106 of the Company’s Articles of Association and who being eligible, offers himself for re-election. (see explanatory notes 2 and 4) **(Resolution 4)**
5. To re-elect Mr Peter Ng Choong Joo, a Director retiring by rotation under Article 106 of the Company’s Articles of Association and who being eligible, offers himself for re-election. (see explanatory note 4) **(Resolution 5)**
6. To re-appoint Mr Abbasbhoj Haider Nakhoda, a Director retiring pursuant to Section 153(2) of the Companies Act of Singapore (Cap. 50) (the “**Companies Act**”) and who being eligible, offers himself for re-appointment pursuant to Section 153(6) of the Companies Act, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. (see explanatory notes 3 and 4) **(Resolution 6)**
7. To re-appoint Tan Sri Datuk Sir Tiong Hiew King, a Director retiring pursuant to Section 153(2) of the Companies Act and who, being eligible, offers himself for re-appointment pursuant to Section 153(6) of the Companies Act, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. (see explanatory note 4) **(Resolution 7)**
8. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

### AS SPECIAL BUSINESS:

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

#### 9. Authority to Allot and Issue Shares

“That pursuant to Section 161 of the Companies Act and Rule 806 of the listing manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a) issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or

# NOTICE OF ANNUAL GENERAL MEETING

- (b) make or grant offers, agreements or options that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares (collectively, “**Instruments**”),

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:

- (i) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution and including Shares which may be issued pursuant to any adjustments effected under any relevant Instrument) to be issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total number of issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);
- (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the total number of issued Shares shall be calculated and based on the total number of issued Shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (I) new Shares arising from the conversion or exercise of any convertible securities;
  - (II) new Shares arising from the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (III) any subsequent bonus issue, consolidation or subdivision of Shares;
- (iii) in exercising the authority granted by this Resolution, the Company shall comply with the provisions of Companies Act, the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (iv) (unless revoked or varied by the Company in a general meeting), such authority granted under this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”
- (see explanatory note 5)

10. To transact any other business that may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

**Wee Woon Hong**  
Company Secretary  
Singapore

9 April 2015

# NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY NOTES:

1. Mr Achmad Lukman Kartanegara will, upon re-appointment as a Director of the Company, continue to serve as a member of the Audit and Nominating Committees. Mr Lukman is considered by the Nominating Committee to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
2. Dato' Sri Dr Tiong Ik King will, upon re-appointment as a Director of the Company, continue to serve as a member of the Audit, Nominating and Remuneration Committees. Dr Tiong is considered by the Nominating Committee to be non-independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
3. Mr Abbasbhoy Haider Nakhoda will, upon re-appointment as a Director of the Company, continue to serve as the Chairman of the Audit Committee and as a member of the Nominating and Remuneration Committees. Mr Nakhoda is considered by the Nominating Committee to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
4. 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 Director and the Corporate Governance Report sections of this Annual Report.
5. The Ordinary Resolution 9, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

## Notes:

- (i) A member of the Company entitled to attend and vote at the above Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.
- (ii) Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612, not less than 48 hours before the time appointed for holding the above Annual General Meeting.

## Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s and/or representative's personal data by the Company (and/or its agents and service providers) for the purpose of the processing and administration by the Company (and/or its agents and service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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 (collectively, the "Purposes"), (ii) 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 (iii) 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. Your and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share register and/or agents and service providers or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's (and its agent's and service provider's) verification and record purposes. "personal data" in this Notice of the Annual General Meeting has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes your and your proxy's and/or representative's name, address and NRIC/Passport number.

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# RH PETROGAS LIMITED

(Company Registration Number 198701138Z)  
(Incorporated in the Republic of Singapore)

## Important:

1. For investors who have used their CPF monies to buy the shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

## PROXY FORM ANNUAL GENERAL MEETING

I/We\* \_\_\_\_\_ (Name) NRIC/Passport number\* \_\_\_\_\_ of  
\_\_\_\_\_ (Address)

being a shareholder/shareholders\* of RH PETROGAS LIMITED (the "Company") hereby appoint:

| Name    | NRIC/Passport Number | Proportion of Shareholdings |   |
|---------|----------------------|-----------------------------|---|
|         |                      | Number of Shares            | % |
| Address |                      |                             |   |

and/or\*

| Name    | NRIC/Passport Number | Proportion of Shareholdings |   |
|---------|----------------------|-----------------------------|---|
|         |                      | Number of Shares            | % |
| Address |                      |                             |   |

or failing \*him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as \*my/our \*proxy/proxies to attend and to vote for \*me/us on \*my/our behalf and, if necessary to demand a poll, at the AGM of the Company to be held at Nautical III Room, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on Friday, 24 April 2015 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of AGM. In the absence of specific directions, the \*proxy/proxies will vote or abstain as \*he/they may think fit, as \*he/they will on any other matter arising at the AGM.)

| No. | Resolutions relating to:  | For | Against |
|-----|---|-----|---------|
|     | <b>Ordinary Business</b>  |     |         |
| 1.  | Directors' Reports and Audited Accounts for the financial year ended 31 December 2014   |     |         |
| 2.  | Approval of Directors' fees amounting to S\$403,123                                     |     |         |
| 3.  | Re-election of Mr Achmad Lukman Kartanegara as a Director                               |     |         |
| 4.  | Re-election of Dato' Sri Dr Tiong Ik King as a Director                                 |     |         |
| 5.  | Re-election of Mr Peter Ng Choong Joo as a Director                                     |     |         |
| 6.  | Re-appointment of Mr Abbasbhoy Haider Nakhoda as a Director                             |     |         |
| 7.  | Re-appointment of Tan Sri Datuk Sir Tiong Hiew King as a Director                       |     |         |
| 8.  | Re-appointment of Messrs Ernst & Young LLP as Auditors                                  |     |         |
|     | <b>Special Business</b>   |     |         |
| 9.  | Authority to allot and issue new shares in the Company and make/grant/offer Instruments |     |         |

\* Delete accordingly

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

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

\_\_\_\_\_  
Signature of Shareholder(s)  
or Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

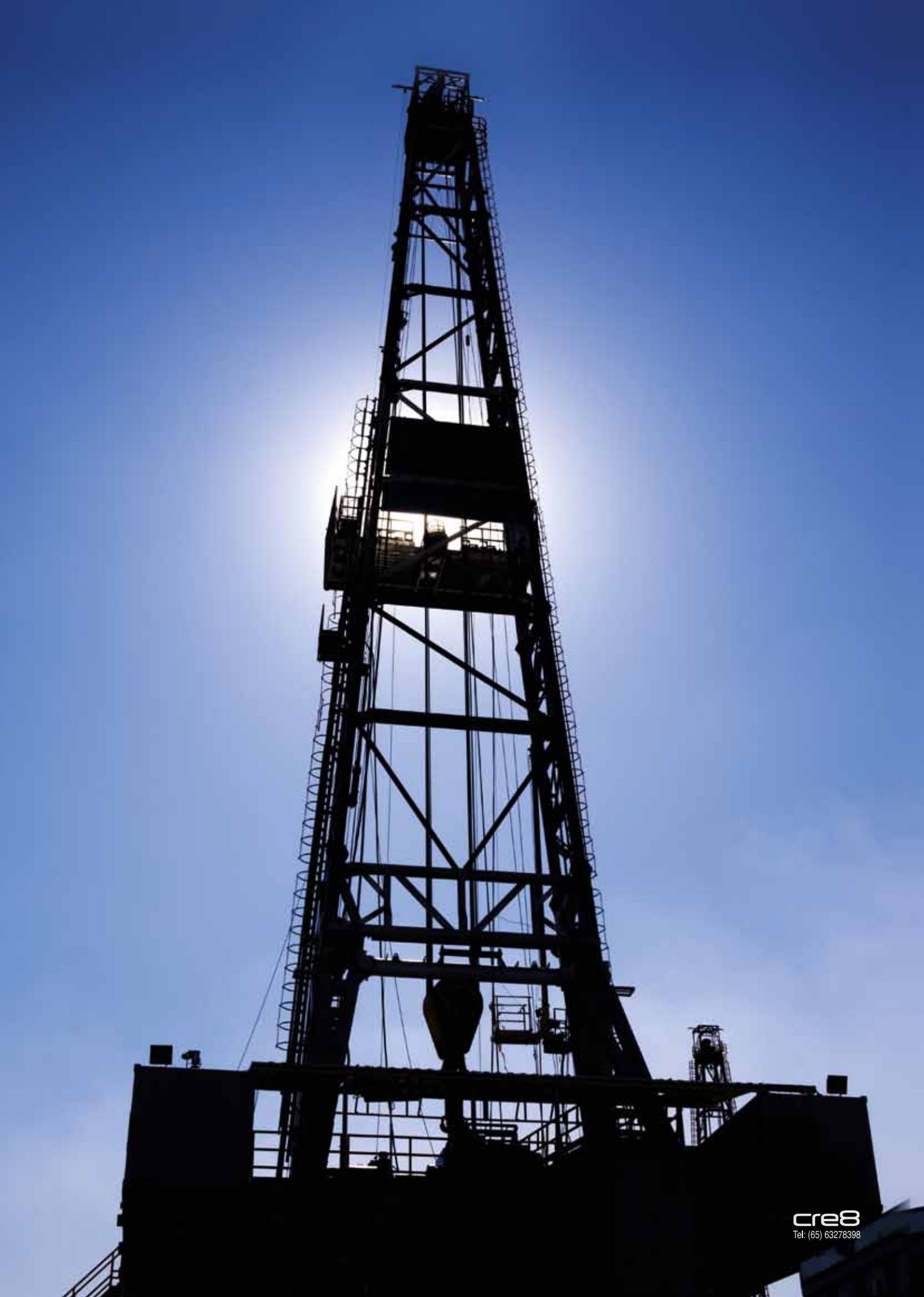


**Notes :**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at an AGM of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 20 Harbour Drive, PSA Vista #06-03, Singapore 117612, not less than 48 hours before the time appointed for the AGM. Members intending to deposit their instrument appointing a proxy on Saturdays, Sundays and public holidays or after office hours, will have to deposit the same in the Company's letter box located in the basement car park of PSA Vista next to the passenger (main) lift lobby.
4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap. 50.
8. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
10. Agent banks acting on the request of CPF investors who wish to attend the AGM as observers are required to submit in writing, a list with details of the investor's name, NRIC/Passport number, address and number of shares held. The list, signed by an authorised signatory of the agent bank, has to deposit at the registered office of the Company not less than 48 hours before the time appointed for holding the AGM, providing the contact details of the bank's officers (who should be contactable during office hours, 2 working days before the time appointed for holding the AGM up to close of business of the date of the AGM).

**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 9 April 2015.





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(Company Registration Number: 198701138Z)