RH PetroGas
常青石油及天然气

RESHAPING
OUR
FUTURE

ANNUAL REPORT **2019**

CORPORATE OVERVIEW

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

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

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OVERVIEW

CORPORATE GOVERNANCE

FINANCIAL AND ADDITIONAL INFORMATION

SUMMARY OF
RESERVES AND RESOURCES

SUMMARY OF OIL AND GAS RESERVES AND RESOURCES AS AT 1 JANUARY 2020

RESERVES						
	Gross			Effective Working Interest		
	Oil (MMB)	Gas (BCF)	Total (MMBOE)	Oil (MMB)	Gas (BCF)	Total (MMBOE)
INDONESIA						
1P	39.6	35.5	45.5	22.8	20.4	26.2
2P	45.5	35.5	51.4	26.2	20.4	29.6
3P	50.9	35.5	56.8	29.3	20.4	32.7

CONTINGENT RESOURCES						
	Gross			Effective Working Interest		
	Oil (MMB)	Gas (BCF)	Total (MMBOE)	Oil (MMB)	Gas (BCF)	Total (MMBOE)
INDONESIA						
1C	33.1	300.4	83.2	19.2	173.6	48.1
2C	44.5	431.0	116.4	25.8	249.1	67.3
3C	58.6	619.0	161.7	33.9	357.9	93.5

Notes

1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
1C	Low Estimate of Contingent Resources
2C	Best Estimate of Contingent Resources
3C	High Estimate of Contingent Resources

MMB	Million Barrels
BCF	Billion Cubic Feet
MMBOE	Million Barrels of Oil Equivalent

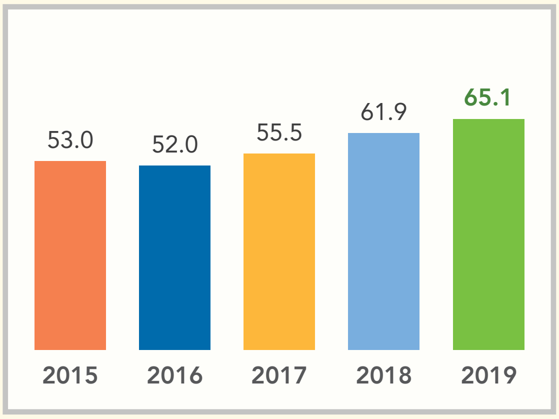
1 barrel of oil equivalent is approximately 6,000 cubic feet of gas

KEY

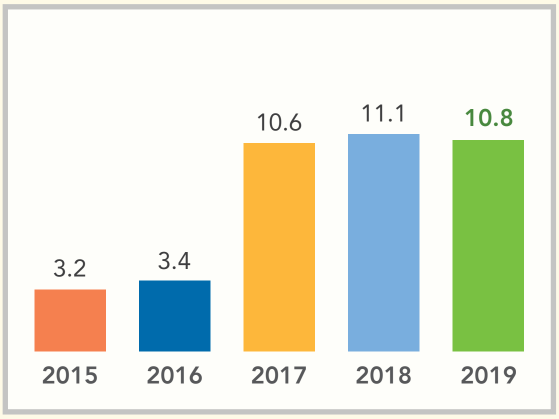
STATISTICS

FINANCIAL HIGHLIGHTS

REVENUE
US$ MILLION

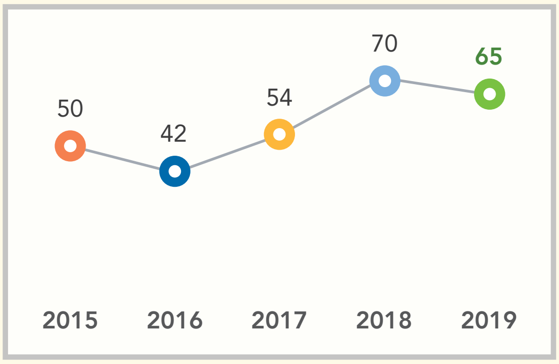


EBITDAX[1]
US$ MILLION

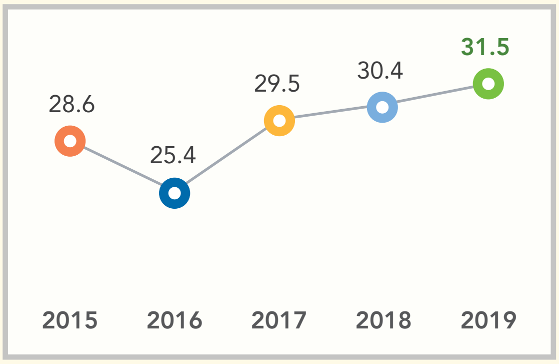


(1) EBITDAX – Earnings before interest, tax, depreciation, amortisation, exploration expenses, impairment and other non-recurring items

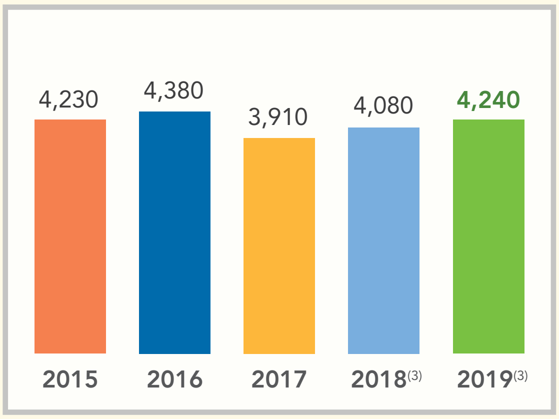
REALISED OIL PRICE
US$ PER BARREL



PRODUCTION COST
US$ PER BARREL

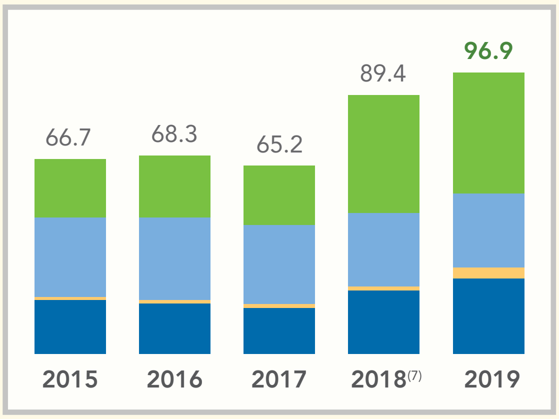


PRODUCTION
BOEPD[2]



(2) BOEPD – Barrels of Oil Equivalent Per Day
(3) Before accounting for the share of non-controlling interest

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



(4) 2P – Proved plus Probable Reserves
(5) 2C – Best Estimate of Contingent Resources
(6) MMBOE – Million Barrels of Oil Equivalent
(7) Excludes 2C of 27.2 MMBO for Fuyu 1 PSC

- 2C-Gas
- 2C-Oil
- 2P-Gas
- 2P-Oil

ECONOMIC, ENVIRONMENT, SOCIAL
AND GOVERNANCE REVIEW

EMBRACING SUSTAINABILITY

RH Petrogas strives to uphold sustainable business practices which are central to our mission to be a trusted and responsible energy partner. We aim for excellence and take sustainability issues seriously. Embracing sustainable business practices support us in delivering on our business objectives and help to promote long-term value creation for our shareholders.

IDENTIFIED MATERIAL FACTORS TO ADDRESS SUSTAINABILITY

Economic Performance

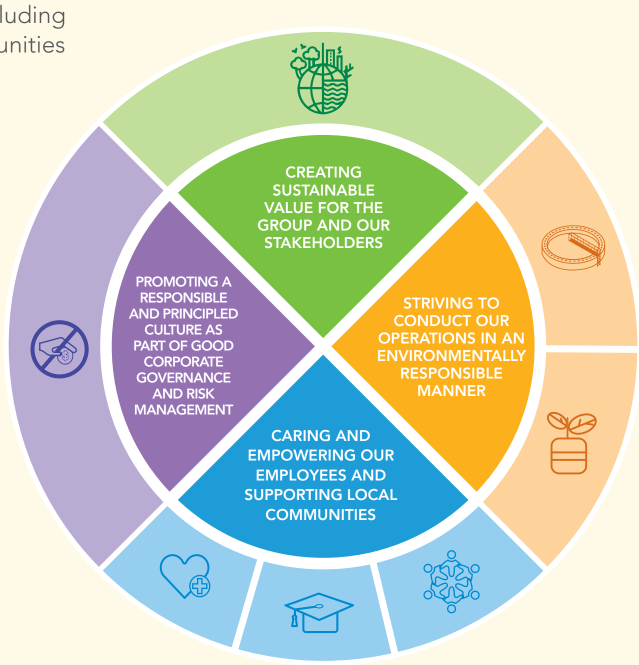
Aim to generate economic value for sustaining our business and deliver value to our stakeholders including jobs creation for local communities and local supply chain

Effluents and Waste

Waste management and oil spillage control to prevent pollution to the surrounding ecosystem and to protect human health

Anti-Corruption

Anti-corruption policy to guide our employees on how to recognize, resolve and prevent corruption and bribery



Environmental Compliance

Committed to complying with the relevant environmental laws and regulations in the countries where we operate

Occupational Health and Safety

Strong emphasis on cultivating good safety habits as part of Health, Safety and Environment (HSE) with the aim of strengthening workplace safety and keeping accidents at bay

Training and Education

Encouraging a life-long learning and skills upgrading culture in our work places that includes enrolling employees for suitable and applicable courses

Local Communities

Contributing to the local communities which includes implementing outreach programmes on certain focus areas including education, health assistance and infrastructure development

AWARDS AND CERTIFICATIONS

- Blue PROPER rating awarded for Arar LPG Plant, Basin PSC, from Indonesia's environmental ministry
- OHSAS 18001 Occupational Health and Safety Management Certification for Arar block, Basin PSC
- ISO 14001 Environmental Management Certification for Arar block, Basin PSC
- Zero Accident award for 10.8 million man hours of work as of 31 December 2019 without lost time accident for Petrogas (Basin) Ltd from Ministry of Manpower of Indonesia
- SMK-3 Accreditation for Occupational Safety Management System based on Government Regulation of the Republic of Indonesia No. 50 Year 2012

CHAIRMAN'S MESSAGE

Dear Shareholders,

The upstream oil and gas industry continued to experience supply and demand imbalances in 2019. The global oil supply dynamics has been altered by the U.S. shale oil revolution, which propelled the U.S. from a net importer to a net exporter of oil. According to the U.S. Energy Information Administration ("**EIA**"), April 2019 marked the first time that monthly U.S. crude oil production levels surpassed 12 million barrels per day ("**MMBPD**"). 2019 ended with the International Energy Agency ("**IEA**") in December 2019 reporting that the U.S. will lead oil-supply growth over the next six years on the strength of its shale industry and that by 2024, the U.S. will export more oil than Russia and will close in on Saudi Arabia. 2019 also saw the Organisation of the Petroleum Exporting Countries ("**OPEC**") together with Russia and its allies (collectively referred to as "**OPEC+**") having had to twice agree to cut oil production, which coupled with disruptions to key oil facilities and sanctions on oil-producing nations helped to mitigate a larger supply glut and offered some level of support to oil prices. Market volatility remained a feature during the year with Brent oil prices trading between US$53 to US$75 per barrel in 2019 and averaged around US$64 per barrel for the year, a drop of approximately 10% as compared to the average for 2018. The heightened trade tension between the U.S. and China contributed significantly to the subdued growth in the global economy in 2019 and adversely impacted demand for oil and gas.

Operation Review

Indonesia

The Basin and Island blocks consist of mature oilfields which have long histories of production, with total cumulative oil production of around 400 million barrels to date. As the operator of the Basin block, the Group has been maintaining the block through series of well workovers and services to achieve relatively stable oil production over the years.

The Basin block's oil production saw an increase in 2019 over the preceding year, contributed mainly from the reactivation of shut-in wells and well workover and servicing activities. As the Basin block enters a new 20-year production sharing contract ("**PSC**") (i.e. the Kepala Burung PSC, referred to as the "**New Basin PSC**"), the Group will be focusing on increasing oil and gas production to enhance returns to the Group and to support the energy needs of West Papua and in particular Sorong city.

The Group will also be assuming the operatorship for the Island block when the block enters a new 20-year PSC (i.e. the Salawati PSC, referred to as the "**New Island PSC**") with effect from 23 April 2020. Discussion with existing joint-operators on the handover of operatorship commenced back in early 2019. The discussions have been constructive and the Group is confident that the operatorship takeover will have minimal disruption to the block's daily operations.

In addition to maintaining and increasing production from existing fields in the New Basin PSC and New Island PSC (collectively, the "**New PSCs**"), the Group plans to embark on an exploration programme which include acquiring new 3D seismic data and drilling of new exploration wells to help unlock the untapped resources in the blocks.

Malaysia

2019 was an active year for Block SK331 as the Group successfully completed the acquisition and processing of 200 line-kilometers of new 2D full fold seismic. To facilitate the interpretation, evaluation and reporting of the new seismic results, the Group has obtained Petronas' approval for a six (6) month Operational Extension until 5 June 2020. The Group will review the results of the seismic interpretation before considering its next course of action in relation to the SK331 PSC. With the completion of the new 2D seismic programme, all minimum work commitments under the PSC have been fulfilled.

China

During 2019, the Group disposed of its wholly-owned subsidiary Mastique Investments Ltd ("**Mastique**") together with Mastique's wholly-owned subsidiary Kingworld Resources Limited ("**KRL**"), which holds the Fuyu 1 PSC in China (the "**Mastique Disposal**").

Fuyu 1 PSC is a heavy oil development project which is geologically complex and capital intensive. The heavy oil recovered from its shallow reservoirs was of high viscosity which was not mobile at reservoir temperature, and required thermal stimulation such as steam injection and steam flooding for production. This added process resulted in higher project cost for development and production. The Group had suspended development works in the block in early 2016 following the collapse in global oil prices which severely affected the cash flow of the Group and its ability to access capital markets. A review of the development wells drilled revealed reservoir discontinuity in the field, which impacted on the effectiveness of the steam injections during pilot production tests conducted on selected wells. Through the years, the Group consulted heavy oil experts and employed several state-of-the-art technologies to help improve oil recovery, including a trial microbial flooding conducted in 2018 over certain selected wells. Unfortunately, none yielded sufficiently successful results.

After assessing the development risks and current market conditions which posed significant challenges to the Group's ability to secure the required funding and to move forward on the project, the Group considered that development of the Yongping oilfield at the Fuyu 1 PSC was no longer tenable. The priority for the Group was to free up resources to better focus on developing the New PSCs in Indonesia, namely the New Basin PSC and the New Island PSC, which were awarded in July 2018 over the acreages of the existing Basin and Island blocks respectively. These two blocks remain highly prospective and the Group will seek to unlock their upside potential through a series of development and exploration programmes when the New PSCs commence in 2020.

Financial Review

For FY2019, the Group reported revenue of US$65.1 million, an increase of 5% over the US$61.9 million recorded for FY2018. The improvement was attributable to higher lifting of crude oil and gas, notwithstanding a 7% decrease in the average realised oil price for the year from US$70 per barrel in FY2018 to US$65 per barrel in FY2019. Despite the higher revenue recorded for FY2019, the Group registered a net loss of US$1.3 million for the year as compared to a net profit of US$4.0 million recorded for FY2018. The loss was mainly due to the lower gross profit and the increase in other expenses as well as higher finance costs for FY2019.

Gross profit decreased by 30% from US$13.3 million in the preceding year to US$9.3 million in FY2019 mainly due to higher cost of production in view of the increase in well services activities in Basin PSC, as well as higher depletion and amortisation charges.

While administrative expenses remained relatively unchanged, other expenses increased from US$0.5 million in FY2018 to US$8.2 million in FY2019 mainly due to the net impairment loss of approximately US$4.0 million (after taking into account the write back of exploration and evaluation payables of US$2.55 million) arising from the acquisition and processing of the new 2D seismic programme, being the remaining work commitment under the SK331 PSC. The Group had also accrued plug and abandonment costs of US$2.0 million for the TBA offshore field in the Island PSC and recorded an expense of US$1.2 million for settlement of the FY2018 over-lifting for both the Basin and Island PSCs. Finance costs increased from US$0.5 million in the prior year to US$1.3 million in FY2019, as a result of the recognition of interest expense on lease liabilities and the increase in finance charges relating to decommissioning provisions.

The loss for FY2019 was partially offset by the gain on disposal of US$5.6 million from the divestment of Mastique and its only subsidiary KRL (both indirect wholly owned subsidiaries of the Company), as well as lower income tax expense.

Notwithstanding the above, EBITDAX[1] for FY2019 remained positive at US$10.8 million which is comparable to the US$11.1 million recorded for FY2018. The Group continued to generate a positive net cash flow from operations with US$15.3 million recorded in FY2019 as compared to US$5.3 million recorded in the prior year. With no outstanding bank loan to service, the Group is able to deploy its cash for its operational requirements and other areas. The substantial shareholders of the Group continue to provide strong support to the Group, with one of the substantial shareholders extending a letter of financial support to the Group to meet the Group's working capital requirement until 30 June 2021.

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

CHAIRMAN'S MESSAGE

Giving Back to the Local Community

Over the years, the Group has been driving social and environment initiatives with the aim of benefiting the local communities and contributing to environmental and biodiversity preservation in the Group's core operating areas in West Papua, Indonesia. The Group will touch on these initiatives in the sustainability update section of this Annual Report and will provide a more comprehensive data, progress and accounts of its sustainable initiatives and achievements in the Group's sustainability report for FY2019 to be issued in May 2020. The Group is fully committed to meeting its corporate social responsibilities and will continue to work with the various stakeholders towards a sustainable future.

Upstream Oil and Gas Industry in 2020

The upstream oil and gas industry continues to be impacted by uncertainties and concerns stemming from oil supply overhang and global geopolitical conflicts that are likely to continue to drive volatility and sway on oil prices. The COVID-19 virus outbreak which was first reported in China and which has spread around the world has affected global economies as supply chains have been disrupted and global demand significantly dented, causing oil prices to fall sharply as the markets entered the new year. The situation was further aggravated by the failure of OPEC+ members in reaching an agreement in Vienna on 6 March 2020 on deeper production cuts to support the oil markets ravaged by the COVID-19 outbreak. The breakdown in talks prompted Saudi Arabia to slash its official selling prices for all its crude grades, while threatening to significantly increase its oil production after the current OPEC+ agreement on production cuts was to lapse in end-March 2020. Shortly after, on 11 March 2020, World Health Organisation (WHO) officially declared COVID-19 as a pandemic (the "**Pandemic**"). These events unleashed widespread panic in the financial and oil markets and triggered Brent oil prices to fall to US$22.76 per barrel on 30 March 2020, which was reportedly to be the lowest in 17 years on fears that a global recession would dampen the demand for energy.

The full impact to the oil industry remains unclear. The concurrent occurrence of the Pandemic and the all-out price-volume war waged by Saudi Arabia represent a black swan event and the industry will have to be prepared to weather and to counteract the economic fallout from these events.

Entering a New Chapter and Our Future Prospect

The current environment presents challenges to businesses as well as opportunities. The upstream oil and gas industry is likely to be impacted by recent developments in the short-term. Nevertheless, the Group will continue to strive towards sustainable value creation in the long run through periodic strategic reviews to identify opportunities for growth and to explore areas where potential synergies or operational efficiency can be enhanced.

Against the challenging backdrop, the Group will continue to exercise financial prudence and discipline in managing its portfolio through optimising its field exploration and development plans and prioritising its capital expenditure needs. The Group believes that these measures will help to deliver its performance in a sustainable manner in the best interest of the Group and its stakeholders. The Group will stay perceptive to market developments and will continue to evaluate and fine-tune its project and budget plans accordingly.

As a new decade begins, the Group will also be entering into a new chapter with the commencement of the New PSCs. The New Island PSC and the New Basin PSC will come into effect in April and October 2020 respectively. The Group plans to extend the current production of these blocks through enhanced oil recovery schemes and to further exploit the potentials of the blocks where significant exploration prospects and leads remain. As the operator for both assets under the New PSCs, the Group will be able to better optimise operational and cost synergies between these contiguous blocks.

In view of the planned exploration and development programmes for the New PSCs, the Group will continue to explore various funding options and strategies and may consider tapping the capital market for additional funding. The Group will make the requisite announcements as required.

Note of Appreciation

In closing, on behalf of the Board, I would like to extend my appreciation to the management and staff for their dedication and commitment. I would also like to thank our shareholders for the continual support, belief and confidence in the Company and the Group. We look forward to making progress in all facets of our business and deliver long-term value to our shareholders.

Dato' Sri Dr Tiong Ik King
Non-Executive and Non-Independent Chairman
30 March 2020

ASSETS REVIEW
EXPLORATION & PRODUCTION

Arar Gas & LPG Plant

Basin and Island Production Sharing Contracts ("PSC") – West Papua, Indonesia

The Kepala Burung PSC ("**Basin PSC**") is located onshore in the "Bird's Head" area of West Papua in eastern Indonesia, covering an area of 872 square kilometers ("**km²**"). The Group has two subsidiaries which hold an aggregate 60% working interest ("**WI**") in the Basin PSC. The two subsidiaries are Petrogas (Basin) Ltd ("**PBL**"), an 82.654% owned subsidiary of the Group, holding a 34.064% WI and RHP Salawati Basin BV, a wholly-owned subsidiary of the Group, holding a 25.936% WI. The other 17.346% shareholder of PBL is PT Citra Wahana Abadi ("**CWA**"). Hence, the Group's effective working interest in the Basin PSC is 54.0913%. PBL is the operator of the Basin PSC on behalf of its partners in the Basin PSC, namely Pertamina (10% WI) and PetroChina (30% WI). The block started producing oil since the 1970s and total cumulative oil production to date is around 360 million barrels. Production from the Basin PSC has remained relatively stable in recent years through an on-going programme of well optimisation and well workovers, supplemented by near field exploration discoveries and infill development drillings. There are currently 18 active oil and gas producing fields in the Basin block, with the biggest being the Walio field, which currently accounts for more than 50% of the block's oil production. Over the last few years, the Basin PSC has consistently contributed close to 80% of the Group's annual oil and gas production.

The Salawati Kepala Burung PSC ("**Island PSC**") is located next to the Basin PSC and covers an area of approximately 1,097 km² both onshore and offshore. The Group has two subsidiaries which hold an aggregate 33.2142% WI in the Island PSC. The two subsidiaries are Petrogas (Island) Ltd ("**PIL**"), an 82.654% owned subsidiary of the Group, holding an 18.702% WI and RHP Salawati Island BV, a wholly-owned subsidiary of the Group, holding a 14.5122% WI. The other 17.346% shareholder of PIL is CWA. Hence, the Group's effective working interest in the Island PSC is 29.9702%. The Island PSC is jointly operated by Pertamina and PetroChina through a joint operating body ("**JOB P-PS**"). Given its close proximity to the Basin PSC, the operations at the Island PSC are able to tap on the extensive facilities and infrastructure of the Basin block's Kasim Marine Terminal ("**KMT**") which is operated by the Group, through various facility sharing arrangements. Such arrangements help to optimise the utilisation of the capacities of the KMT and afford cost savings for both PSCs.

The current term of the Island PSC and Basin PSC will expire on 22 April 2020 and 15 October 2020 respectively. Thereafter a new 20-year PSC will come into effect for each of the blocks, namely the Kepala Burung PSC over the Basin block ("**New Basin PSC**") and the Salawati PSC over the Island block ("**New Island PSC**") (collectively, the "**New PSCs**"). The New Basin PSC covers essentially the existing acreages of the Basin PSC plus certain extended areas nearby the block, which yields an expanded area of around 1,030 km^2 onshore. The New Island PSC covers an area of around 1,137 km^2 onshore and offshore over essentially the existing acreages of the Island PSC. PBL and PIL have been awarded a 70% WI and operatorship in the New Basin PSC and the New Island PSC respectively, with Pertamina holding the remaining 30% WI. Under the terms of the New PSCs, a local government-owned entity in the respective regions where the blocks are located has the option to participate for up to 10% WI in the respective New PSCs, and such participation shall be contributed by all PSC contractors in proportion to their working interests in the respective PSCs.

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

Based on an independent third-party audit concluded in early 2020, the combined proved plus probable reserves ("**2P reserves**") for the Basin PSC, the Island PSC and the New PSCs was around 30 million barrels of oil equivalent ("**MMBOE**") as at 1 January 2020 net to the Group's effective working interests. These reserve numbers include the Indonesian Government's share of production under the terms of the respective PSCs.

The Group's working interest share of production (before accounting for the share of non-controlling interest) from the Basin and Island PSCs averaged around 4,240 barrels of oil equivalent per day ("**BOEPD**") for 2019, which is higher than the 4,080 BOEPD achieved in the previous year. The improvement was contributed entirely by higher production in the Group's operated Basin block.

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

In 2019, the Group carried out 16 well workovers and reactivated 7 previously shut-in wells. These wells were selected based on the results of the multi-disciplinary subsurface interpretation study concluded recently. In addition to the well workovers and reactivation, the Group also carried out 228 well services during the year. These well activities helped to relieve the natural production decline and helped to increase and/or maintain oil production from several oil fields within the block. The Group plans to apply the same approach to other oil fields in the block and hopes to enhance production yield from these fields. In addition, continual improvements have been made to the fields' power distribution networks which enhanced the reliability of electricity supply needed for field operations, thereby reducing production downtime and contributing towards the higher production for 2019.

Continuing on the success of the pilot enhanced oil recovery ("**EOR**") programmes conducted at the Wakamuk field in 2018, the Group extended the EOR programmes to three wells in the Walio field in 2019. This involved the application of the "huff and puff" process with chemical surfactant to enhance oil extraction and recovery from the reservoirs. Initial result was promising and based on the knowledge and experience gained from the Wakamuk field, the Group will continue to fine-tune its EOR programmes to improve the likelihood of success for the project.

During the year, the Group obtained approvals from the Indonesian government, through Indonesian oil and gas regulator SKK Migas, for further development plans to optimise production at the Walio and Kasim fields. The approvals for these field optimisation plans are important milestones for the maturation and development of these oil fields. Pursuant to the above-mentioned approved field optimisation plans, the Group drilled two infill wells in the Walio field which holds the biggest oil reserves in the Basin block, during 2019. The drilling operations for these two wells were conducted under stringent safety measures with zero lost-time incident and injury. Initial production results from the two infill wells were encouraging. The Group will analyse the subsurface data acquired from the new wells for better understanding of the underlying petroleum system. This information will assist the Group in formulating and refining its exploration and drilling strategies for the field.

The Group incurred approximately US$3,388,000 (before accounting for the share of non-controlling interest) for well drillings, well workovers, EOR programmes, additions to production facilities and other capital expenditures in the Basin block during the year.

Besides crude oil, the Basin PSC also produces natural gas and liquefied petroleum gas ("**LPG**") to meet its operational needs and to support the electricity needs of Sorong city, which is close to where the block is located. Over the years, gas supply from the Basin block to the domestic market has increased. This aligns with the Indonesian government's "Bright Papua" programme and is part of an ongoing effort to improve the development of the eastern part of Indonesia, especially in the Sorong area. As economic development progresses, domestic gas demand in the region is expected to rise further. The Basin block is well placed to meet the potential increase in West Papua's future gas demand.

Island PSC
(Effective Working Interest: 29.9702%)

During 2019, operations in the Island block were focused on well optimisation and well services to maintain oil production level. In addition, an internal evaluation of the shallow potential in both the onshore and the offshore acreages was initiated to identify areas with potential upside that could be matured and developed in the near future to boost reserves and production for the block.

During the year, the total expenditure for well optimisation and well services was approximately US$645,000 net to the Group's working interest (before accounting for the share of non-controlling interest).

The New Island PSC over the Island block will commence upon the expiry of the current PSC term on 22 April 2020. The Group has been appointed as operator under the new PSC and to ensure a smooth transition of the operatorship, the Group has engaged in intense and continuous discussions with JOB P-PS since early 2019. The Group is excited about its new role in the new PSC and will do its utmost to operate the Island block in an effective and efficient manner. The Group plans to further exploit the potential of the block which holds a large inventory of exploration prospects and leads, and to exploit greater operational synergies and cost savings through the Group's operatorship of both the Island block and the adjacent Basin block.

Fuyu 1 PSC – onshore Jilin Province, China
(Effective Working Interest prior to completion of disposal on 31 October 2019: 49% post-CNPC deemed back-in, Operator)

Fuyu 1 PSC is located in the Jilin Province in the northeastern part of China, and covers an area of approximately 255 km^2.

In March 2019, the Group initiated the relinquishment of its working interest in the Fuyu 1 PSC with China National Petroleum Corporation ("**CNPC**") following a comprehensive assessment of the technical risks and complexities associated with the heavy oil development project, the prevailing market conditions and the Group's financial position (please refer to the Company's announcement SG190308OTHR3Q3I issued on 8 March 2019).

Around the same time, an investor approached the Group and expressed its interest to acquire the Group's interest in the Fuyu 1 PSC. Discussions with the investor ensued and culminated in the execution of a share purchase agreement and the successful completion and disposal of the Company's indirect subsidiary Mastique Investments Limited ("**Mastique**") and its sole subsidiary Kingworld Resources Limited ("**KRL**"), which held the Fuyu 1 PSC concession ("**Fuyu Disposal**"). The Fuyu Disposal was completed on 31 October 2019 (please refer to the Company's announcements SG190924OTHR6GHL, SG191004OTHR620V and SG191031OTHRCUB9 issued on 24 September 2019, 4 October 2019 and 31 October 2019 respectively). With the disposal, Mastique and KRL ceased to be members of the Group.

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

The SK331 PSC is located onshore Sarawak in East Malaysia and covers a large area of 8,963 km^2. The Group operates the SK331 PSC via its subsidiary RHP (Mukah) Pte Ltd ("**RHPM**"), which holds an 80% WI in the PSC. Petronas Carigali Sdn Bhd, the exploration and production subsidiary of Petroliam Nasional Berhad ("**PETRONAS**"), holds the remaining 20% WI. RHPM is a 51% subsidiary of the Group, with the other 49% equity interest held by Tumbuh Tiasa Enterprises Sdn Bhd. Hence, the Group's effective working interest in the SK331 PSC is 40.8%.

The SK331 exploration contract was awarded in 2012 and is currently in the third exploration extension period. The current term expires on 5 June 2020 following the recent grant of a 6-month operational extension by PETRONAS. During 2019, the Group commenced on a new 2D seismic programme to acquire 200 line-kilometers of full fold seismic lines in the SK331 block. The acquisition and processing of the new 2D seismic lines were completed in December 2019, with seismic interpretation and prospect maturation works currently still in progress. With the latest development, the Group has completed all the outstanding minimum work commitments of the SK331 PSC.

The expenditure for the new 2D seismic acquisition and processing activities in 2019 was approximately US$ 6,508,000 (before accounting for the share of non-controlling interest).

BOARD OF DIRECTORS

DATO' SRI DR TIONG IK KING

Non-Executive and Non-Independent Chairman

DATO' SRI DR TIONG IK KING, who had been a Non-Executive Director since 7 March 1997 and Non-Executive Chairman since 31 March 2005, was re-designated as Executive Director on 13 March 2008. On 2 March 2017, he was re-designated as a Non-Executive and Non-Independent Director and on 29 March 2018, he was appointed as Deputy Chairman. On 26 April 2019, Dato' Sri Dr Tiong was appointed Non-Executive and Non-Independent Chairman of the Company. He graduated with a M.B.B.S Degree from National University of Singapore in 1975 and attained M.R.C.P. from the UK Royal College of Physicians, United Kingdom, in 1977.

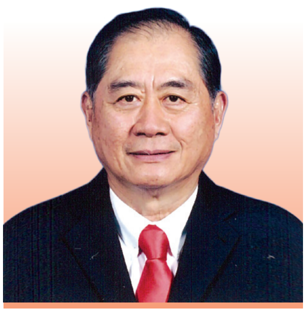
Dato' Sri Dr Tiong is the Non-executive Chairman of Media Chinese International Limited, a publicly listed media company in both Hong Kong and Malaysia, which publishes 5 Chinese-language newspapers and over 30 magazines in key cities in North America, Southeast Asia, and China. He also sits on the board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

MR CHANG CHENG-HSING FRANCIS

Group CEO and Executive Director

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

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



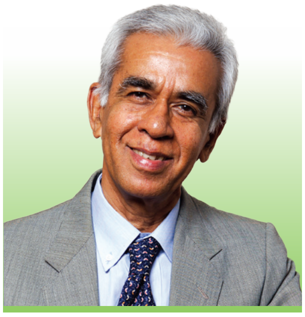
MR TIONG KIONG KING

Non-Executive and Non-Independent Director

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

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

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



MR ABBASBHOY HAIDER NAKHODA

Independent Director

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

Mr Nakhoda has more than 35 years of experience as a Certified Public Accountant, having been a partner of Ernst & Young since 1974 and its Managing Partner from 1989 until his retirement in 1996. He holds a degree in Economics from the London School of Economics and is presently a Life member of the Singapore Institute of Directors, a Life member of the Institute of Singapore Chartered Accountants and a Life member of the Institute of Chartered Accountants in England and Wales.

MR YEO YUN SENG BERNARD

Independent Director

MR YEO YUN SENG BERNARD was appointed as an Independent Director on 1 November 2001. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Currently, Mr Yeo is the principal partner of HT & BY Financial Management Consultants. He is an Independent Director of Sin Heng Heavy Machinery Limited, a Singapore listed company and Chairman of its Audit Committee and member of its Remuneration and Nomination Committees.

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

MR LEE HOCK LYE

Independent Director

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

Currently, Mr Lee is Business Advisor at Lombard Odier (Singapore) Ltd. He has extensive experience in banking and finance and had held several senior positions with HSBC Group in Singapore, where he spent more than 30 years prior to his retirement.

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

BOARD OF
DIRECTORS

MR ACHMAD LUKMAN KARTANEGARA

Independent Director

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

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

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

MS KUAN LI LI

Independent Director

MS KUAN LI LI was appointed as an Independent Director on 22 October 2019. She is a member of the Audit and Nominating Committees.

Ms Kuan has over 30 years of banking, finance and tax leadership roles gained in banks, engineering, real estate and the big four accounting firms. She is currently a Non-Executive Independent Director of CapitaLand Retail China Trust, a Singapore listed real estate investment trust. She is also a Member of the Valuation Review Board of Singapore, Legal Inquiry Panel of Singapore and the Skills-Future Committee of CPA Australia Ltd as well as an Audit Committee Member of the World Wide Fund for Nature (Singapore) Limited. Previously, she was the Country Head and Chief Operating Officer of Barclays Bank PLC's Singapore Branch and Chief Executive Officer of Barclays Merchant Bank (Singapore) Ltd and Barclays Capital Futures (Singapore) Private Limited. She has also served on the boards of Barclays' investment banking and securities subsidiaries in Malaysia, Indonesia and Thailand.

Ms Kuan is a tax specialist, a Certified Public Accountant and has been admitted to the Supreme Court of New South Wales as a barrister and a solicitor. She holds a Bachelor of Economics degree and a Bachelor of Laws degree, from the University of Sydney.

KEY MANAGEMENT

MR CHANG CHENG-HSING FRANCIS

GROUP CEO AND EXECUTIVE DIRECTOR

Please refer to Board of Directors section on page 10.

MR SAMUEL CHEONG

VICE PRESIDENT, COMMERCIAL

MR SAMUEL CHEONG is Vice President for Commercial. Prior to joining the Company, he was Commercial Director at Orchard Energy Pte Ltd, which was owned by Temasek Holdings before it was acquired by the Company. Mr Cheong started his career with Singapore Petroleum Company Limited and has worked in both its upstream and downstream divisions for over 17 years, serving in various capacities ranging from business development and new venture, upstream commercial, risk management and crude operation. He also led the company's asset team in managing its entire portfolio of upstream exploration and production assets spread across Australia, China, Indonesia and Vietnam.

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

MR EDWIN TAN

VICE PRESIDENT, LEGAL

MR EDWIN TAN is Vice President for Legal. Mr Tan has a number of years of legal experience and practice, encompassing a broad range of matters including the areas of corporate commercial law, corporate regulatory and compliance, company secretarial and oil & gas. Before joining the Company, he was legal counsel at Singapore Petroleum Company Limited ("**SPC**") for over 8 years, where he also managed the group's company secretarial function. Prior to SPC, he was in legal practice in Singapore, at law firms including Shook Lin & Bok and Khattar Wong & Partners where he also headed their corporate secretarial practices.

Mr Tan graduated with a Bachelor of Arts with Honours (Law) degree from the University of Kent at Canterbury, England and was admitted as an Advocate and Solicitor in Singapore.

MR THEN GUANG YAW

VICE PRESIDENT, FINANCE

MR THEN GUANG YAW is Vice President for Finance. He joined the Company in 2006 as Internal Audit Manager and was appointed as the Group Financial Controller in 2007 before assuming his current position in 2013. Mr Then has extensive experience in the areas of management, finance, accounting and audit. Prior to joining the Group, he spent 6 years in South America as the Financial Controller and later as General Manager with a company of the Rimbunan Hijau Group. Mr Then is a Fellow of the Association of Chartered Certified Accountants.

CORPORATE GOVERNANCE REPORT

RH Petrogas Limited (the "**Company**") is committed to maintaining high standards of corporate governance. The Company believes that good corporate governance is about principled and prudent corporate values, practices and checks and balances. It involves establishing and maintaining appropriate policies, procedures, practices and customs, upheld by a responsible and principled culture that is led by the Board and embraced by Management and staff. Such a framework and culture will facilitate and result in the enhancement of the interests of all stakeholders. This report describes the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2018 (the "**Code**"). For the financial year ended 31 December 2019 ("**FY2019**"), the Company has complied in all material respects with the principles and provisions as set out in the Code and will continue to review its practices on an ongoing basis. Where the Company may have adopted a variation to and/or may not have fully complied with any provision, a comprehensive and meaningful explanation on how the Company's practices are consistent with the aim and philosophy of the principle in question has been provided for such matters. Information provided in other sections of this Annual Report may be relevant to corporate governance. Please read this report together with those other sections of this Annual Report.

BOARD OF DIRECTORS

Role of the Board of Directors

The Board of Directors (the "**Board**") is entrusted with the responsibility for the overall management and control of the business and corporate affairs of the Company and its subsidiaries (the "**Group**"). The primary role of the Board is to decide on strategic and material affairs of the Group, oversee the Group's business and governance framework, set corporate values and standards and maximise long term shareholder value. The Board objectively takes decisions in the interests of the Group. The Board firmly believes in the importance of establishing and maintaining high ethical standards at all levels of the Group. In setting the desired organisational culture, values and ethical standards of conduct, the Board believes in leading by example and in setting the right tone from the top. The Company has various policies to provide support and guidance, including an Office Code of Conduct Policy, a Conflict of Interest Policy and an Insider Trading Policy. In addition to Director's statutory duties, all Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company and the Group. All Directors are to act in good faith and exercise due and reasonable care, skill, diligence and objective judgment in dealing with the business affairs of the Company and the Group. In addition, Directors facing conflicts of interest are to recuse themselves from discussions and decisions involving the issues of conflict.

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 and setting strategic objectives, which include appropriate focus on value creation, innovation and sustainability, as appropriate;
- 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;
- Instilling an ethical corporate culture and ensuring that the Company's values, standards, policies and practices are consistent with the culture;
- Reviewing and approving annual budgets, major funding proposals, potential investment and divestment proposals, including material capital investment;

- Endeavouring to ensure that the necessary resources are in place for the Company to meet its strategic objectives;

- 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.

The Board works with Management to achieve these objectives and Management remains accountable to the Board. Pursuant to the above oversight and strategic focus of the Board, the Board has adopted internal guidelines setting forth matters that require Board approval. Transactions that require Board approval include investment and divestment proposals, major and significant corporate or strategic projects and actions, annual budgets, and fund-raising proposals. The Board has established and delegated specific responsibilities to three Board Committees to assist the Board in its functions. These are the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). The key functions and responsibilities of these committees are explained below, in this report. The number of Committee meetings held in the FY2019 is set out below in this report and at the respective Committee meetings, the Directors attend to the matters as set out under the respective Committee's Terms of Reference, which is also set out below in this report.

Board Composition

The Board currently consists of eight Directors, five of whom are Independent Non-Executive Directors. Independent Non-Executive Directors make up the majority of the Board. The Board is of the view that:

- the current board size is appropriate, taking into account the nature and scope of the Group's operations;

- the objective judgment of the Independent Non-Executive Directors on corporate affairs and their collective experience and contributions are valuable to the Company; and

- there is a strong and independent element on the Board.

The Board recognises and embraces the benefits of Board diversity to support the Company in achieving its strategic objectives and its sustainable development. The Board believes that Board diversity complements and enhances corporate governance and promotes the inclusion of different perspectives, opinions, values and ideas and mitigates against groupthink. Board diversity affords and equip the Board with broader skill sets, expertise and experience and allows for greater creativity and enhanced critical assessment. Board diversity extends beyond the usual core competencies (such as accounting, finance, banking, human resource and legal backgrounds, business and management experience and industry knowledge) to include gender, age, culture, ethnicity, nationality, education and background. The Company's Board Diversity Policy affirms the Board's commitment to maintain a Board comprising of Directors who as a group have the necessary expertise and experience required by the Group, with an appropriate balance and diversity of skills, experience, knowledge, background and core competencies. The policy provides that in reviewing the Board's composition and the progressive renewal of the Board, the NC will not only satisfy itself that Directors as a group provide an appropriate balance and diversity of skills, experience, knowledge, background and core competencies required by the Group, the NC will also consider Board diversity (and its benefits) from a number of aspects. The selection of candidates for Board appointment will be based on merit and contribution that the candidate is able to bring to the Board, with due regard for the benefits of Board diversity. As a testament to the Board's commitment to promote diversity, in particular gender diversity on the Board, the Board is pleased to welcome Ms Kuan Li Li to the Board. Ms Kuan was appointed as an Independent Director and member of the Audit and Nominating Committees on 22 October 2019. Ms Kuan is eminently qualified. She holds a Bachelor of Economics degree and a Bachelor of Laws degree from the University of Sydney and has over 30 years of banking, finance and tax leadership roles gained in banks, engineering, real estate and the big four accounting firms. She was previously, the Country Head and Chief Operating Officer of Barclays Bank PLC's Singapore Branch and Chief Executive Officer of Barclays Merchant Bank (Singapore) Ltd and Barclays Capital Futures (Singapore) Private Limited.

CORPORATE GOVERNANCE
REPORT

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

The nature of Directors' appointments on the Board and details of their membership on Board Committees in the year 2019 are set out in the table below:

Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Tan Sri Datuk Sir Tiong Hiew King (1)	Executive Chairman	–	–	–
Dato' Sri Dr Tiong Ik King (2)	Non-Executive and Non-Independent Chairman	Member	Member	Member
Chang Cheng-Hsing Francis	Group CEO and Executive Director	–	–	–
Tiong Kiong King	Non-Executive and Non-Independent 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	Independent Director	Member	Member	–
Kuan Li Li (3)	Independent Director	Member	Member	–

Notes:

(1) Tan Sri Datuk Sir Tiong Hiew King retired at the conclusion of Annual General Meeting ("**AGM**") held on 26 April 2019.

(2) Appointed as Non-Executive and Non-Independent Chairman of the Company at the conclusion of the AGM held on 26 April 2019.

(3) Appointed as an Independent Director of the Company on 22 October 2019.

The Board meets on a quarterly basis. Additional meetings are convened when required and as warranted by circumstances. The Company's Constitution provides and allow for meetings to be held by way of telephonic, video conferencing and by other electronic means. Board and Committee decisions may also be obtained by resolutions in writing which are circulated to Directors with the necessary background and papers for consideration and approval. The Non-Executive Directors constructively participate in developing and setting proposals on business strategies for the Company.

The number of Board and Committee meetings and Company general meeting(s) held in the FY2019 and the attendance by each member is set out as follows:

Meeting of	Board	Audit Committee	Nominating Committee	Remuneration Committee	Annual General Meeting
Total held for the FY2019	***4***	***4***	***1***	***1***	***1***
Tan Sri Datuk Sir Tiong Hiew King (1)	–	–	–	–	–
Dato' Sri Dr Tiong Ik King (2)	4	4	1	1	1
Chang Cheng-Hsing Francis	4	–	–	–	1
Tiong Kiong King (3)	3	–	–	–	–
Abbasbhoy Haider Nakhoda (3)	4	4	1	1	–
Yeo Yun Seng Bernard	4	4	1	1	1
Lee Hock Lye	4	4	1	1	1
Achmad Lukman Kartanegara	4	4	1	–	1
Kuan Li Li (4)	1	1	–	–	–

Notes:

(1) Tan Sri Datuk Sir Tiong Hiew King was on medical leave during FY2019 until he retired at the conclusion of AGM held on 26 April 2019.

(2) Appointed as the Non-Executive and Non-Independent Chairman of the Company at the conclusion of the AGM held on 26 April 2019.

(3) Mr Tiong Kiong King and Mr Abbasbhoy Haider Nakhoda were unable to attend the AGM held on 26 April 2019 and they have sent their apologies for not attending the AGM.

(4) Appointed as an Independent Director of the Company on 22 October 2019.

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

A newly-appointed Director will be provided with a formal letter setting out his/her key duties and responsibilities. Newly appointed Directors are provided a tailored induction and briefed by the Management on the business activities of the Group and its strategic directions, policies and procedures, governance practices as well as key business risks faced by the Group and the regulatory environment in which the Group operates. There are also orientation programmes tailored to familiarise newly appointed Directors with the statutory and fiduciary duties and responsibilities of a Director of a public company in Singapore. First-time Directors are required to undergo training in the roles and responsibilities of a listed company director and are to attend the Listed Company Directors Programme organised by the Singapore Institute of Directors ("**SID**") with the support of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), as well as the modules relevant to his/her appointment on the Board. Directors will be provided training and updates in areas such as accounting, legal and industry-specific knowledge as may be appropriate and will have opportunities to develop and maintain their skills and knowledge at the Company's expense.

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

To facilitate a better understanding of the Group's business, the Directors are also given the opportunity to visit the Group's offices and facilities and meet with the Management.

Access to Information

To enable the Board to make informed decisions and fulfill its duties and responsibilities, Management provides the Board with quarterly/periodic management and financial reports containing adequate, clear and timely information on an on-going basis. In addition, all relevant information, including background and explanations, on the Group's annual budgets and forecasts, financial statements, material events and transactions are circulated to Directors as and when required and on a timely basis prior to Board meetings. Directors are entitled to request for such additional information as needed to assist them to make informed decisions.

The Directors have access to the Company's Management and the advice and services of the Company Secretary. The Directors, whether as a group or individually, may seek and obtain independent professional advice in furtherance of their duties as Directors of the Company, and such expense is borne by the Company.

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

Non-Executive and Non-Independent Chairman and Chief Executive Officer

The Non-Executive and Non-Independent 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. The Non-Executive and Non-Independent Chairman and the Chief Executive Officer are not related and are not immediate family members. Dato' Sri Dr Tiong Ik King who is the Company's Non-Executive and Non-Independent Chairman plays an important role in setting and adjusting the strategic direction and facilitating the growth of the business, encouraging constructive relations among the Directors and between the Board and Management, encouraging open and constructive debate at the Board as well as constructive relations within the Board and between the Board and Management and ensures timely flow of information between Management and the Board. The Chairman also facilitates the effective contribution of all Directors; and promotes high standards of corporate governance. 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 and provides insights to the Board on the Company's day-to-day operations, as appropriate. The CEO works together with Non-Executive Directors for the long term success of the Company.

Lead Independent Director

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

NOMINATING COMMITTEE

The Nominating Committee ("**NC**") comprises five Independent Directors and a Non-Executive and Non-Independent Director. The members of the NC are:

- Mr Lee Hock Lye (Chairman)
- Mr Yeo Yun Seng Bernard
- Mr Abbasbhoy Haider Nakhoda
- Mr Achmad Lukman Kartanegara
- Ms Kuan Li Li
- Dato' Sri Dr Tiong Ik King

The NC is regulated by a set of written Terms of Reference and is responsible for making recommendations to the Board on all Board appointments and re-appointments through a formal and transparent process. Its key functions include:

- To review CEO and Board/Director(s) succession plans and renewal including Board composition and progressive renewal of the Board;
- To review and determine the independence of each Director;
- To assess suitable candidates for appointment or election to the Board, based on their requisite qualifications, expertise, experience and character and with due regard for the benefits of Board diversity;
- To conduct a formal assessment of the effectiveness of the Board as a whole, the Board Committees and the contribution by each Director to the effectiveness of the Board, particularly when a Director serves on multiple boards;
- To review Board diversity including Board composition (including that Directors as a group provide an appropriate balance and diversity of skills, experience, knowledge, background and core competencies required by the Group) and Board Diversity Policy performance;
- To review the appointment and re-appointment of Directors; and
- To review training and professional development programmes for the Board and Director's competencies.

Under the Company's Constitution, each Director is required to retire at least once in every three years by rotation and all newly appointed Directors would have to retire at the next Annual General Meeting following their appointment. The retiring Directors are eligible to offer themselves for re-election.

In accordance with the Company's Constitution, Mr Abbasbhoy Haider Nakhoda, Mr Yeo Yun Seng Bernard and Mr Achmad Lukman Kartanegara will be retiring by way of rotation at the forthcoming AGM. Under the Company's Constitution, Ms Kuan Li Li as a newly appointed Director of the Company in FY2019 is also required to retire and is eligible to offer herself for re-election at the forthcoming AGM. Mr Abbasbhoy Haider Nakhoda who is due for retirement by rotation at the forthcoming AGM will not be seeking re-election as a Director. The NC, as part of its annual assessment, has assessed the contribution and performance of Directors and recommended the re-appointment and re-election of the following Directors who will be retiring at the forthcoming AGM:

- Ms Kuan Li Li;
- Mr Yeo Yun Seng Bernard; and
- Mr Achmad Lukman Kartanegara.

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

Name [1]	Date of Initial Appointment	Date of Directors' Last Re-election
Dato' Sri Dr Tiong Ik King [2]	7 March 1997	26 April 2019
Mr Chang Cheng-Hsing Francis	1 January 2014	26 April 2018
Mr Tiong Kiong King [2]	15 September 2016	26 April 2019
Mr Abbasbhoy Haider Nakhoda [3]	17 June 1997	26 April 2018
Mr Yeo Yun Seng Bernard	1 November 2001	27 April 2017
Mr Lee Hock Lye	27 November 2003	26 April 2018
Mr Achmad Lukman Kartanegara	22 August 2014	27 April 2017
Ms Kuan Li Li	22 October 2019	Not Applicable

Notes:

(1) Please refer to the Board of Directors section of this Annual Report for information on Directors including details of Directors' current directorships in other listed companies and other principal commitments.

(2) Dato' Sri Dr Tiong Ik King and Mr Tiong Kiong King are brothers.

(3) Mr Abbasbhoy Haider Nakhoda will not be seeking re-election as a Director.

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

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

The NC considers that the multiple board representations presently held by some Directors do not impede their respective performance as these Directors have carried out their duties as required and as they have dedicated sufficient time and attention to the affairs of the Company. Further, the NC is of the view that no Director currently holds a significant number of directorships in other listed company and other principal commitments that impacts on the Director's ability to diligently discharge his or her duties to the Company. 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/her performance and discharge of his/her 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/her own independence. The NC adopts the objective and baseline tests of independence under the Listing Manual, the provisions and the overarching principle-based definition of director independence in the Code, the other guidance/tests of director independence under the Practice Guidance of 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. Provision 2.1 of the Code, provides that an "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company. None of the Independent Directors (i) was employed by the Company or any of its related corporations for the current or any of the past three financial years; and (ii) has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the Remuneration Committee of the Company ("**No Employment Relationship**"). Therefore none of the circumstances under Rule 210(5)(d) of the Listing Manual (i.e. circumstances that deem a director not independent) applies to the Independent Directors (as the Independent Directors had No Employment Relationship with the Group). 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 his/her respective independent judgement in discharging his/her duties as an independent director 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 five Independent Directors are strong and independent, who are able to exercise objective judgement on corporate and business affairs of the Company independently, thereby providing an effective check on the Management.

The Company has no alternate Directors on its Board.

The Board has implemented an annual performance evaluation process to assess the effectiveness of the Board as a whole, its Board Committees and for assessing the contribution of the Chairman and each individual Director. The purpose of the evaluation is to increase the overall effectiveness of the Board, Board Committees and each individual Director. It is also to help ensure that the Board consists of persons who, together, provide the core competencies and skill sets necessary to meet the Company's objectives. The assessments are made against pre-established criteria, which are derived from the Board's charter and responsibilities. The performance criteria for the Board evaluation are in respect of the Board composition and size, Board processes, performance, standards of conduct, accountability and information in relation to the discharge of the Board's responsibilities and functions including the financial reporting to stakeholders. The performance assessment criteria does not change from year to year. The assessment was reviewed and updated in respect of the FY2019 evaluation following the issue of the updated Code of 6 August 2018. No external facilitator has been used for the Board evaluation for the FY2019.

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

REMUNERATION COMMITTEE

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

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

Dato' Sri Dr Tiong Ik King continues to serve as a RC member, as the Board considers Dato' Sri Dr Tiong's contribution and support to the RC invaluable. In addition, although Dato' Sri Dr Tiong is the Non-Executive and Non-Independent Chairman, 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 for the long term; and
- To review and determine the specific remuneration packages and terms of employment for Executive Directors, CEO and senior executives.

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

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

During the year 2019, the RC had met once to review and recommend to the Board matters related to:

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

Disclosure on Remuneration

The Company has a remuneration policy where the Company will take into consideration pay and employment conditions within the industry and in comparable companies. The RC has engaged external consultants to provide evaluation on remuneration matters, including the evaluation of Directors' fee structure. The appointment of the external consultants ensured the continued relevance and alignment of the Group with market practices. External consultants are independent and not related to the Group or any of its Directors. The RC considers all aspects of remuneration, including termination terms, to ensure that the remuneration packages are fair.

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

The Independent Directors and the Non-Executive and Non-Independent Directors are both paid a fixed Directors' fees formula, which is 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 and the Non-Executive and Non-Independent Directors. In addition, the Board conducts a yearly peer review evaluation exercise for Directors. The fees are subject to approval by the shareholders at each AGM. Independent Directors are eligible to participate in the RHP Share Option Scheme 2011, Independent Directors do not receive any other remuneration from the Company. For FY2019, the Board after 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 Group performance appraisal system is designed to measure individual performance based on a balanced scorecard approach, comprising both financial and non-financial metrics such as business strategy targets, operational and commercial performance. In addition, the executives are assessed on teamwork and collaboration across the Group.

The remuneration package of the CEO and the key executives comprises of a base salary and a variable component. The base salary of the key executives is approved by the Board on RC's recommendation annually, taking into account the contribution, experience and sustained long-term performance. The base salary of the CEO is approved by the Board on RC's recommendation for the duration of the service contract. The variable component comprises the performance bonus and will vary according to the actual achievement of the Group and individual objectives. The RC regularly conducts benchmarking analysis of related companies in Singapore to ensure that the remuneration paid is reasonable and not overly generous. The RC also ensures that performance-related remuneration is aligned to the interest of shareholders and other stakeholders and promotes sustainable long-term growth and success of the Company.

The Company has two share plan schemes which were approved by shareholders at a general meeting held on 8 July 2011. The RHP Share Option Scheme 2011 and the RHP Performance Share Plan are structured to promote ownership and retain key talent as a long term incentive. Both the share plan schemes are administered by the RC. Please refer to pages 38 to 40 and Notes 29 and 30 on pages 105 to 106 of the Notes to the Financial Statements of this Annual Report for details of the schemes.

Remuneration of Directors and Key Executives

The Company understand and agrees with the principle of being transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation and believes that providing a reasonably adequate amount of disclosure of such matters aligns with the aim and philosophy of the principle and at the same time reasonably protects the business interest of the Company. In this respect, the Company wishes to explain that the remuneration of the Independent Directors, the Non-Executive and Non-Independent Directors, the CEO and the key executives (who are not Directors or the CEO) is on an earned basis and the RC ensures that the remuneration is commensurate with their contributions and the performance of the Company, giving due regard to the commercial health and business needs of the Company and there was no termination, retirement and post-employment benefit granted to Directors, the CEO and the top three key executives (who are not Directors or the CEO) for FY2019. The Company also believes that full disclosure of the remuneration and contractual terms of each individual Director and the CEO (including retirement benefits granted) on a named basis is disadvantageous to the business interests of the Company, in view of the shortage of talented and experienced personnel in the upstream oil and gas industry and is disclosing based on level and mix of the remuneration of the Directors and CEO in bands of S$250,000. The Non-Executive and Non-Independent Chairman does not receive a salary and as with all Independent Directors and Non-Executive Directors and Non-Independent Directors, is paid a fixed Directors' fees, which is determined by the Board. The Non-Executive and Non-Independent Chairman as with all Directors, is required to retire at least once in every three years by rotation and as a retiring Director, he is eligible to offer himself for re-election.

A breakdown showing the level and mix of each individual Director's remuneration payable for the FY2019 is as follows:

Remuneration Bands	Salary including CPF %	Bonus/ Profit-sharing %	Allowances & Others %	Directors' Fees(1) %	Performance Shares %	Total %
S$750,000 to S$1,000,000						
Chang Cheng-Hsing Francis	58.49	24.37	17.14	–	–	100
Below S$250,000						
Tan Sri Datuk Sir Tiong Hiew King (2)	–	–	–	100	–	100
Dato' Sri Dr Tiong Ik King (3)	–	–	–	100	–	100
Abbasbhoy Haider Nakhoda	–	–	–	100	–	100
Yeo Yun Seng Bernard	–	–	–	100	–	100
Lee Hock Lye	–	–	–	100	–	100
Achmad Lukman Kartanegara	–	–	–	100	–	100
Tiong Kiong King	–	–	–	100	–	100
Kuan Li Li (4)	–	–	–	100	–	100

Notes:

(1) Directors' fees totaling S$448,633 is to be tabled for shareholders' approval at the forthcoming AGM. The total Directors' fees include S$6,300 being payment for Directors' fees from associate companies.

(2) Retired as Executive Chairman at the conclusion of the AGM held on 26 April 2019.

(3) Appointed as the Non-Executive and Non-Independent Chairman at the conclusion of the AGM held on 26 March 2019.

(4) Appointed as an Independent Director on 22 October 2019.

The Company believes that full disclosure of the remuneration and contractual terms 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.

A breakdown showing the level and mix of each individual key executive's remuneration payable for the FY2019 is as follows:

Remuneration Bands	Salary including CPF %	Bonus/ Profit-sharing %	Allowances & Others %	Performance Shares %	Total %
S$250,000 to S$500,000					
Samuel Cheong	81.79	9.51	8.70	–	100
Edwin Tan	84.88	6.53	8.59	–	100
Then Guang Yaw	76.51	13.85	9.64	–	100

Note:

There were only three key executives (who are not Directors or the CEO) in the Company in the FY2019.

There is no employee of the Group who is a substantial shareholder of the Company or an immediate family member of any Director or CEO, and whose remuneration exceeded S$100,000 during the financial year.

The RC has reviewed and approved the remuneration packages of the Independent Directors, Non-Executive and Non-Independent Directors, the CEO and key executives (who are not Directors or the CEO), having regard to their contributions as well as the financial performance and commercial and business needs of the Group and has ensured that the Directors and key executives are adequately but not excessively remunerated. The RC has the discretion to void unexercised and/or unvested share options that have been awarded, if an executive is involved in misconduct or fraud resulting in financial loss to the Company.

AUDIT COMMITTEE

The Audit Committee ("**AC**") comprises six members, five 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
- Ms Kuan Li Li
- Dato' Sri Dr Tiong Ik King

Dato' Sri Dr Tiong Ik King continues to serve as an AC member, as the Board considers Dato' Sri Dr Tiong's contribution and support to the AC invaluable, having business and finance experience and is familiar with the Group's business and operations. The AC members have accounting and related financial management expertise. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties. None of the AC members has any financial interest in Messrs Ernst & Young LLP, the Company's external auditors and no Director was a partner or director of Messrs Ernst & Young LLP or was appointed as an AC member within a period of two years of his ceasing to be a partner or director of Messrs Ernst & Young LLP.

As disclosed in page 19 and page 20 of this report, Mr Abbasbhoy Haider Nakhoda who is due for retirement by rotation at the forthcoming AGM will not be seeking re-election as a Director. Upon his cessation as Director after the forthcoming AGM, Mr Abbasbhoy Haider Nakhoda will also cease to be the Chairman of the Audit Committee. Mr Lee Hock Lye will succeed Mr Abbasbhoy Haider Nakhoda as Chairman of the AC. Pursuant to the recommendation of the NC, which had reviewed the credentials, qualification, knowledge, contributions and experience of Mr Lee Hock Lye, the Board has approved the appointment of Mr Lee Hock Lye to be the Chairman of the Audit Committee, to succeed Mr Abbasbhoy Haider Nakhoda, following Mr Abbasbhoy Haider Nakhoda's retirement as Director at the conclusion of the forthcoming AGM.

The AC has explicit authority delegated to it by the Board to investigate any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The key responsibilities of the AC include the following:

- To review annually the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also provide non-audit services to the Group, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;

- To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

- To review and report to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal controls systems, including financial, operational, compliance and information technology controls;

- To review the external and internal audit plans, including the nature and scope of the audit before the audit commences, the Internal Auditor's evaluation of the Group's system of internal controls, the external and internal audit reports and management letter issued by the external auditors (if any) and Management's response to the letter;

- To review announcements of the quarterly and full year results prior to their submission to the Board for approval for release to the SGX-ST;

- To review interested person transactions in accordance with the requirements of the Listing Rules of the SGX-ST;

- To review all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the external auditors;

- To review and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors;

- To review the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function; and

- To review the assurance from the CEO and the Vice President, Finance on the financial records and financial statements.

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

The AC met four times during the year 2019 to review the Group's financial performance for the year, the audit plan/report, the audit findings, the internal audit activities for the year, and the announcements of the quarterly and full year results before being approved by the Board for release to the SGX-ST. In addition, the AC had met informally with Management and the Auditors on several occasions during the year to discuss the Group's business and financial performance.

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

The AC has reviewed the independence and objectivity of the external auditors for the FY2019 including the non-audit services provided by the external auditors, Messrs Ernst & Young LLP as well as the relative size of audit fees and non-audit fees, and is of the opinion that the provision of such services does not affect their independence. The external auditors have also confirmed their independence. The Company complies with Rule 712 and 715 of the Listing Manual. For details and a breakdown of the fees paid in total for audit and non-audit services Messrs Ernst & Young LLP, please refer to Note 6 on page 79 of the Notes to the Financial Statements of this Annual Report. Accordingly, the AC has recommended to the Board the re-appointment of Messrs Ernst & Young LLP as external auditors at the forthcoming AGM.

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

The AC has implemented a whistle blowing policy whereby staff of the Group may, in good faith and in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters. Reporting on serious concerns relating to financial reports, unethical or illegal conduct, are to be reported in writing to the Chairman of the AC. Reporting on employment-related concerns are to be reported to normal channels such as to supervisors, the local General Manager/Operation Manager, or the Human Resources and Administrative Manager. The AC has ensured that arrangements are in place for independent investigations of such matters and for appropriate follow-up action.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

INTERNAL CONTROLS AND INTERNAL AUDIT

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

The Board believes in the importance of maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets. To achieve this, annual, periodical as well as ad hoc audit reviews are undertaken by the Internal Auditor and/or by Management. In addition, the Board and Management regularly keep the system of internal controls under review with the objective of ensuring that the internal controls are adequate to provide reasonable assurance that:

- the Group's assets are safeguarded against loss from unauthorised use or disposition;
- business transactions are properly authorised and executed;

- there is ongoing compliance with the financial reporting regulatory framework and environmental regulation; and
- proper and accurate financial records are maintained.

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

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

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

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

The Board retains the responsibility for oversight of the Group's risk management responsibilities, internal controls and governance processes delegated to Management and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. During FY2019, the AC assisted the Board to review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Based on the review and oversight guidance by the AC, the Board is satisfied that Management has developed and implemented an appropriate and sound system of risk management and internal controls and governance processes that are designed to govern, monitor and/or reveal financial, compliance and information technology risks as well as safeguard shareholders' investments and the Group's assets. Based on the internal and external audit results and discussions with Management, the Board, with the concurrence of the AC is of the opinion that the Group's internal controls addressing financial, operational, compliance and information technology control risks and risk management systems of the Group are adequate and effective as at 31 December 2019 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.

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 the relevant assurances from:

a. the CEO and the Vice President, Finance that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2019 give a true and fair view of the Group's operations and finances; and

b. the CEO and other key management personnel who are responsible for the Group's risk management and internal control systems that, as at 31 December 2019, the Group's risk management and internal control systems were adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

The Group's financial risk management objectives and policies are disclosed under Note 32 on pages 107 to 111 of the Notes to the Financial Statements of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

The Board believes in the importance of treating all shareholders fairly and equitably. The Board is committed to provide timely and fair disclosure of material information. The Board is accountable to the shareholders while Management is accountable to the Board.

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

a. announcements of quarterly and full year financial results and on major developments which are published via the SGXNet and the Company's website www.rhpetrogas.com;

b. annual reports or circulars of the Company that are prepared and published via the SGXNet, are mailed to all shareholders and published on the Company's website;

c. notices of AGMs and Extraordinary General Meetings ("**EGM**") are published in the newspapers and on the Company's website;

d. corporate presentations and minutes of general meetings are published on the Company's website; and

e. press releases on major developments of the Group when issued, are published via the SGXNet and the Company's website.

The Company has an Investor Relations Policy which sets out the principles and practices for the Company to provide material, comprehensive, relevant accurate and timely information on the Group, to assist investors to make informed investment decisions and to enable the Company to effectively engage its stakeholders and communicate the Group's financial, environmental, social and governance performance.

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

Shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability. These general meetings are the principal forum for dialogue with shareholders. The Company recognises the value of feedback from shareholders and Company's general meetings are a good platform for a healthy and practical exchange of views with shareholders. All Directors and the external auditors endeavor to attend the Company's general meetings. The chairmen of the respective Board Committees are present to address the relevant questions that shareholders may have. The Chairman of the Company's general meeting will provide ample time and opportunities for shareholders to raise their questions relating to each resolution tabled for approval and to air their views and concerns.

The Company's approach is to have separate resolutions at general meetings on each substantially separate or distinct issue. The Company avoids the "bundling of" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. All resolutions tabled at general meetings will be put to a vote by way of a poll, and procedures for the poll are clearly explained by the scrutineers at such general meetings. Time will be allocated for shareholders at the general meetings to cast their poll votes. The voting process and results are witnessed and verified by the scrutineers. The results of the poll vote on each resolution tabled at the Company's general meetings, including the total number of votes cast for or against each resolution and the respective percentages, are announced at the general meetings and the detailed results of the general meetings are also announced via the SGXNet thereafter.

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

The Company Secretary prepares the minutes of the general meetings, which incorporates key discussion points including relevant comments and queries from shareholders and responses from the Board and Management. These meeting minutes are uploaded and published on the Company's website as soon as practicable and are available to shareholders upon their request.

The Company is committed to engaging its shareholders and the investment community. The Company employs various platforms to engage its shareholders and the investment community and is keen to participate in events, panel discussions, roadshows and conferences organised by major brokerage houses, regulators, institutions and agencies. Such forums serve as a platform to solicit feedback and gain perspectives and views from shareholders and the investment community and to facilitate a healthy and practical exchange of views that promotes regular, effective and fair communication with shareholders and the investment community. From time to time, the CEO will also conduct media interviews with major publications and provide relevant insights on the Company's prospects to shareholders and investors.

Our stakeholders play an important role in the Company's decisions, actions, objectives and policies. The Board believes in the importance of identifying and engaging with its material stakeholder groups and to manage its relationships with such groups. Our main stakeholders are our shareholders, suppliers, customers, regulators, partners, associates, employees, local communities, investor community and public media. The Company strives to develop an inclusive approach by considering and balancing the needs and interests of the Group's material stakeholders while ensuring that the best interests of the Group are served. The Company makes efforts to engage the stakeholders to understand their views and concerns as part of its strategy to the approach.

The Company believes that the business conducts and decisions of the Group's material stakeholders can also have significant impact to the Group's sustainability, operations and reputation; these are the key areas of focus for the Company in managing the Group's material stakeholders. For fuller understanding of the Company's approach to identifying and engaging the stakeholder groups, please refer to the Company's Sustainability Report to be published on the SGXNet and the Company's website in May 2020.

The Company does not have a fixed dividend policy at present. Key considerations that affect dividend decisions and the level of payouts are: (i) Group's profit growth, (ii) level of cash available, (iii) projected levels of capital expenditure and investment plans and (iv) any other factors as the Board may deem appropriate. No dividend has been proposed by the Board for financial year ended 31 December 2019. The Group is conserving its cash towards funding the work programmes of its assets and to grow its reserve and production base.

DEALINGS IN THE COMPANY'S SECURITIES

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

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

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

INTERESTED PERSON TRANSACTIONS ("IPT")

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

The IPTs entered are set out as follows:

Name of Interested Person	Nature of Relationship	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)[3]		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$100,000)	
		FY2019 US$'000	FY2018 US$'000	FY2019 US$'000	FY2018 US$'000
RHP (Mukah) Pte. Ltd. [1] - Loans from RH Petrogas Investments Pte. Ltd.	An associate of the Company's Directors and Controlling Shareholders [1]	3,228	2,749	Not applicable	Not applicable

Notes:

(1) Loans provided by RH Petrogas Investments Pte. Ltd. ("**RHPI**"), a wholly owned subsidiary of the Company, to RHP (Mukah) Pte. Ltd. ("**RHP (Mukah)**") following the completion of the sale (the "**Sale**") by RHPI of 3,184,881 ordinary shares representing 49% of the entire issued share capital of RHP (Mukah), to Tumbuh Tiasa Enterprises Sdn. Bhd. ("**TTE**") on 24 September 2014 (which was announced by the Company on 24 September 2014 under SGXNET Announcement No. SG140924OTHRNNKS), pursuant to the shareholders' agreement between RHPI, TTE and RHP (Mukah), under which RHPI and TTE are to provide the funding required by RHP (Mukah) for the exploration and evaluation activities under the Production Sharing Contract in respect of Block SK331 to RHP (Mukah) in proportion to their equity interest in RHP (Mukah). Tan Sri Datuk Sir Tiong Hiew King[2], a Controlling Shareholder, Dato' Sri Dr Tiong Ik King, a Director and Controlling Shareholder, Mr Tiong Kiong King, a Director, together with their family members, indirectly own the majority of the issued share capital of TTE.

(2) Retired as a Director and ceased to be the Executive Chairman of the Company at the conclusion of the Company's Annual General Meeting held on 26 April 2019.

(3) As announced on 7 October 2016 (SGXNET No. SG161007OTHR39JX), SGX-ST has granted its approval in a letter dated 4 October 2016, allowing the Company to determine the materiality of interested person transactions for the purposes of Rules 905 and 906 of the SGX-ST Listing Manual based on the Company's market capitalisation as at the previous financial year end, for so long as the Group's latest audited consolidated net tangible assets ("**NTA**") or the Group's latest audited consolidated net asset value ("**NAV**") remains negative. The Group's NTA and NAV are currently negative.

MATERIAL CONTRACTS

Except for the transactions/agreements disclosed under IPTs above, there was no other material contract(s) entered between the Company or any of its subsidiaries with any Director or controlling shareholder in the FY2019.

SUSTAINABILITY REPORT SUMMARY

Background

The Group believes that sustainable business practices are the basic building blocks in its vision to be a leading independent oil and gas company in the region and fundamental to the Group's mission to be a trusted energy partner and to create value for its shareholders.

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

The Group will be publishing the full version of its third sustainability report for FY2019 by May this year. The Group aims to provide stakeholders with an understanding of the Group's sustainability practices as well as an update in respect of the Group's environmental, social and governance ("**ESG**") performance on issues that are considered notably material to the Company's stakeholders. The report will outline the sustainable approaches embedded in the Group's business operations and value chain and highlight the Group's sustainability initiatives, best practices and performance in respect of ESG matters.

The full version of the report will be prepared in accordance with the Global Reporting Initiative ("**GRI**") standards:Core option and with reference to the primary components set out in Singapore Exchange Securities Trading Limited's ("**SGX-ST**") Listing Rule 711B on a 'comply or explain' basis. In line with paragraph 5.1 in Practice Note 7.6 of the SGX-ST Listing Rules, a summary of the sustainability report, which includes a summary highlight of the Group's key areas of focus and initiatives for 2019, is provided below.

Environmental and Safety Track Records

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

- Blue PROPER rating awarded for Arar LPG Plant, Basin PSC, from the Ministry of Environment and Forestry of Indonesia
- OHSAS 18001 Occupational Health and Safety Management Certification for Arar block, Basin PSC
- ISO 14001 Environmental Management Certification for Arar block, Basin PSC
- Zero Accident award for 10.8 million man hours of work as of 31 December 2019 without lost time accident for Petrogas (Basin) Ltd from Ministry of Manpower of Indonesia
- SMK-3 Accreditation for Occupational Safety Management System based on Government Regulation of the Republic of Indonesia No. 50 Year 2012

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

Strategy and Key Focuses

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

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

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

Stakeholders and Materiality Assessment

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

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

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

The Group has established sustainability policies in place to address these material ESG factors. Some of the Group's key initiatives in 2019 are summarised below:

Occupational Health and Safety
In 2019, the Group achieved the target of zero incident and zero lost day due to personnel injury and occupational diseases. The Group continues to implement programmes that are in line with its occupational health and safety strategies, with the objectives of improving the performance and safety standards of the workplace environment.

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

Education
The Group continued to provide education assistance funding support for students in need to pursue further education. The education assistance programme complements the teachers' competency enhancement programme that is conducted by the Group. In 2019, 100 teachers from Sorong Regency, a regency of West Papua Province of Indonesia, attended professional training to upgrade their competencies. Around 40 students from the Kawor Village, Seget district, also benefited from the education funding support.

Health Assistance
Following its medical assistance programme in 2018, the Group organised public health consultations and programmes focusing on the prevention of malaria, malnutrition and stunting among children for 2019. These programmes were conducted in collaboration with the Health Office and Food Security Office of Sorong Regency for more than 250 expectant mothers and children in the various districts close to the Group's operating areas.

Economic Development
The small and medium enterprises ("**SME**") assistance programme was set up in 2018 to assist in business sustainability and economic development within the local community. As part of the SME assistance programme, the Group in 2019, organised equipment training for the local fishermen in the Arar village of the Mayamuk district. The Group also initiated the procurement of fish supplies from the village-owned enterprises to meet the consumption needs of its employees at its Arar and Kasim Marine Terminal facilities.

Infrastructure Development
Several of the facilities improvements which the Group participated in 2018 were inaugurated in 2019. These included the construction of an early childhood centre and places of worship. In 2019, the Group continued to contribute to improve existing infrastructure as well as construct new facilities in the areas that it operates in. These included the construction of a new school library and monetary contribution to the upgrading of electrical installations for domestic households in the Sorong Regency.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of RH Petrogas Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Dato' Sri Dr Tiong Ik King (1)
Chang Cheng-Hsing Francis
Tiong Kiong King
Abbasbhoy Haider Nakhoda
Yeo Yun Seng Bernard
Lee Hock Lye
Achmad Lukman Kartanegara
Kuan Li Li (2)

Notes:

(1) Appointed as Non-Executive and Non-Independent Chairman on 26 April 2019.

(2) Appointed as an Independent Director on 22 October 2019.

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of Director	At the beginning of financial year or date of appointment	At the end of the financial year	At the beginning of financial year or date of appointment	At the end of the financial year
Ordinary shares of the Company				
Dato' Sri Dr Tiong Ik King [(1)]	–	–	212,073,086	212,073,086
Share options of the Company				
Chang Cheng-Hsing Francis	3,200,000	5,000,000	–	–
Abbasbhoy Haider Nakhoda	100,000	100,000	–	–
Yeo Yun Seng Bernard	100,000	100,000	–	–
Lee Hock Lye	100,000	100,000	–	–
Achmad Lukman Kartanegara	50,000	50,000	–	–

Note:

(1) Appointed as Non-Executive and Non-Independent Chairman on 26 April 2019.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Dato' Sri Dr Tiong Ik King is deemed to have interest in the Company and its subsidiaries. Dato' Sri Dr Tiong Ik King's deemed interest comprised of 212,073,086 shares held by Surreyville Pte Ltd ("**Surreyville**"), which arises from his shareholding in Woodsville International Limited, the holding company of Surreyville.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

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

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 3,060,000 share options under the Scheme. These options expire on 5 March 2024 and are exercisable if the eligible participant remains in service for two years from the date of grant.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 31 December 2019 are as follows:

				Number of options				
Date of grant of options	**Expiry date**	**Exercise period**	**Exercise price (S$)**	**Balance as at 01.01.19**	**Granted during the financial year**	**Exercised during the financial year**	**Cancelled/ lapsed during the financial year**	**Balance as at 31.12.19**
07.03.2014	07.03.2019	08.03.2016 to 06.03.2019	0.420	550,000	–	–	(550,000)	–
06.03.2015	06.03.2020	07.03.2017 to 05.03.2020	0.275	2,540,000	–	–	–	2,540,000
06.03.2017	06.03.2022	07.03.2019 to 05.03.2022	0.084	1,400,000	–	–	–	1,400,000
06.03.2018	06.03.2023	07.03.2020 to 05.03.2023	0.074	1,970,000	–	–	–	1,970,000
05.03.2019	05.03.2024	06.03.2021 to 04.03.2024	0.044	–	3,060,000	–	–	3,060,000
				6,460,000	3,060,000	–	(550,000)	8,970,000

Options (continued)

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

Name of Director	Options granted during financial year	Aggregate options granted since commencement of the Scheme to beginning of financial year	Aggregate options exercised since commencement of the Scheme to end of financial year	Aggregate options cancelled/ lapsed since commencement of the Scheme to end of financial year	Aggregate options outstanding as at end of financial year
Chang Cheng-Hsing Francis	2,000,000	3,200,000	–	(200,000)	5,000,000
Abbasbhoy Haider Nakhoda	–	100,000	–	–	100,000
Yeo Yun Seng Bernard	–	100,000	–	–	100,000
Lee Hock Lye	–	100,000	–	–	100,000
Achmad Lukman Kartanegara	–	50,000	–	–	50,000
Total	2,000,000[(1)]	3,550,000	–	(200,000)	5,350,000

Note:

(1) These options are exercisable between the periods from 6 March 2021 to 4 March 2024 at the exercise price of S$0.044 if the vesting conditions are met.

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

(a) No options have been granted to the controlling shareholders of the Company and their associates;

(b) No participant other than one director mentioned above and one director who retired on 31 December 2013 has received 5% or more of the total options available under the Scheme;

(c) No options have been granted to directors and employees of the holding company and its subsidiaries;

(d) No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted;

(e) There were 3,060,000, 2,000,000, 1,450,000, 2,950,000 and 711,800 options granted respectively during the financial years of 2019, 2018, 2017, 2015 and 2014 at a discount of 20.0%, 19.6%, 19.2%, 19.6% and 19.7% respectively from the average of the closing prices of the Company's shares on the last three consecutive trading days before the date of grant. The 711,800 options granted in 2014 lapsed on 7 March 2019; and

(f) No options have been granted to any participants at a discount of 10% or less.

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 2019 pursuant to the Performance Share Plan.

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

(a) No share awards were granted to the controlling shareholders of the Company and their associates;

(b) No participant other than one director who retired on 31 December 2013 has received 5% or more of the total shares or awards available under the Share Plan;

(c) No directors and employees of the holding company and its subsidiaries had received 5% or more of the total number of shares or awards available under the Share Plan; and

(d) No shares have been awarded to directors and employees of the holding company and its subsidiaries.

Audit committee

The Audit Committee ("**AC**") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans and reports of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Group and the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;

- Reviewed adequacy and effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls, and risk management via reviews and results of the audits carried out by the internal auditor and external professional consultants and discussion with senior management;

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;

- Reviewed the nature and extent of non-audit services provided by the external auditor;

- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

Audit committee (continued)

- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

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

The AC convened four meetings during the year with full attendance from all members, except for one member who was appointed as an Independent Director on 22 October 2019. The AC has also met with external and internal auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:

Chang Cheng-Hsing Francis
Director

Dato' Sri Dr Tiong Ik King
Director

Singapore
30 March 2020

INDEPENDENT
AUDITOR'S REPORT

TO THE MEMBERS OF RH PETROGAS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RH Petrogas Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements. As at 31 December 2019, the Group's and the Company's net current liabilities are US$14,664,000 and US$402,000 respectively, and net liabilities are US$26,006,000 and US$1,268,000 respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as going concern. The ability of the Group to continue as a going concern depends on its ability to generate sufficient cash flow to meet the Group's short-term obligations as and when they fall due, and the financial support from a substantial shareholder to provide adequate funds to the Group till 30 June 2021 to meet the Group's working capital needs.

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

Key Audit Matters

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

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

Impairment Assessment of Oil and Gas Properties

At 31 December 2019, the carrying amount of oil and gas properties was US$7,291,000 (2018: US$9,305,000) which represent approximately 17.3% of total assets of the Group's balance sheet.

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

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

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

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

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

30 March 2020

CONSOLIDATED
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$'000	2018 US$'000
Revenue	5	65,144	61,918
Cost of sales		(55,852)	(48,589)
Gross profit		9,292	13,329
Other income		6,405	1,040
Administrative expenses		(4,976)	(4,928)
Other expenses		(8,189)	(503)
Finance costs		(1,326)	(450)
Profit before tax	6	1,206	8,488
Income tax expense	7	(2,492)	(4,484)
(Loss)/Profit for the financial year		(1,286)	4,004
Attributable to:			
Owners of the Company		2,117	3,753
Non-controlling interests		(3,403)	251
		(1,286)	4,004
Earnings per share (cents per share)			
Basic	8	0.29	0.51
Diluted	8	0.29	0.51

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 2019

	2019 US$'000	2018 US$'000
(Loss)/Profit for the financial year	(1,286)	4,004
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	989	2,263
Realisation of foreign currency translation reserve upon disposal of foreign operation	(2,773)	–
Other comprehensive income for the financial year, net of tax	(1,784)	2,263
Total comprehensive income for the financial year	(3,070)	6,267
Attributable to:		
Owners of the Company	333	6,016
Non-controlling interests	(3,403)	251
	(3,070)	6,267

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

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Non-current assets					
Oil and gas properties	9	7,291	9,305	–	–
Development expenditures	10	–	–	–	–
Other plant and equipment	11	29	24	26	8
Right-of-use assets	12	3,734	–	217	–
Exploration and evaluation assets	13	–	2,536	–	–
Cash and bank balances	20	2,560	1,308	–	–
Amounts due from subsidiaries	19	–	–	6,740	10,778
Other non-current assets	14	2,741	2,741	–	–
Investment in subsidiaries	15	–	–	–	–
		16,355	15,914	6,983	10,786
Current assets					
Inventories	17	745	1,026	–	–
Other current assets	18	76	56	28	32
Trade and other receivables	19	15,369	13,336	578	567
Cash and bank balances	20	9,511	12,420	536	784
		25,701	26,838	1,142	1,383
Current liabilities					
Income tax payable		2,443	1,464	–	–
Provisions	24	171	–	–	–
Lease liabilities	22	4,043	–	123	–
Trade and other payables	21	33,226	33,567	939	762
Loans and borrowings	23	482	2,500	482	2,500
Other liabilities	26	–	–	–	–
		40,365	37,531	1,544	3,262
Net current liabilities		(14,664)	(10,693)	(402)	(1,879)
Non-current liabilities					
Provisions	24	725	2,189	27	–
Loan from non-controlling interest	21	15,825	12,724	–	–
Deferred tax liabilities	25	774	1,972	–	–
Lease liabilities	22	228	–	91	–
Loans and borrowings	23	10,145	11,368	7,731	8,720
Other liabilities	26	–	–	–	–
		27,697	28,253	7,849	8,720
Net (liabilities)/assets		(26,006)	(23,032)	(1,268)	187
Equity attributable to owners of the Company					
Share capital	27	258,160	258,160	258,160	258,160
Reserves	28	(270,946)	(271,375)	(259,428)	(257,973)
		(12,786)	(13,215)	(1,268)	187
Non-controlling interests		(13,220)	(9,817)	–	–
Total (deficit)/equity		(26,006)	(23,032)	(1,268)	187

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

Group	Attributable to owners of the Company								
	Share capital US$'000	Capital reduction reserve US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Equity reserve US$'000	Employee share option reserve US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total deficit US$'000
Opening balance at 1 January 2018	258,160	2,886	(569)	(282,483)	795	950	(278,421)	(10,202)	(30,463)
Profit for the financial year	–	–	–	3,753	–	–	3,753	251	4,004
Other comprehensive income for the financial year	–	–	2,263	–	–	–	2,263	–	2,263
Total comprehensive income for the financial year	–	–	2,263	3,753	–	–	6,016	251	6,267
Contributions by and distributions to owners									
Share-based payments (Note 29)									
- Grant of equity-settled share options	–	–	–	–	–	61	61	–	61
- Expiry of employee share options	–	–	–	415	–	(415)	–	–	–
Change in ownership interest in subsidiaries									
Issuance of new shares in subsidiaries to non-controlling interest	–	–	–	–	969	–	969	134	1,103
At 31 December 2018	258,160	2,886	1,694	(278,315)	1,764	596	(271,375)	(9,817)	(23,032)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company								
Group (continued)	Share capital US$'000	Capital reduction reserve US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Equity reserve US$'000	Employee share option reserve US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total deficit US$'000
Opening balance at 1 January 2019	258,160	2,886	1,694	(278,315)	1,764	596	(271,375)	(9,817)	(23,032)
Profit/(Loss) for the financial year	–	–	–	2,117	–	–	2,117	(3,403)	(1,286)
Other comprehensive income for the financial year	–	–	989	–	–	–	989	–	989
Realisation of foreign currency translation upon disposal of foreign operation	–	–	(2,773)	–	–	–	(2,773)	–	(2,773)
Total comprehensive income for the financial year	–	–	(1,784)	2,117	–	–	333	(3,403)	(3,070)
Contributions by and distributions to owners									
Share-based payments (Note 29)	–	–	–	–	–	96	96	–	96
- Grant of equity-settled share options									
- Expiry of employee share options	–	–	–	133	–	(133)	–	–	–
At 31 December 2019	258,160	2,886	(90)	(276,065)	1,764	559	(270,946)	(13,220)	(26,006)

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

Company	**Share capital US$'000**	**Capital reduction reserve US$'000**	**Accumulated losses US$'000**	**Employee share option reserve US$'000**	**Total reserves US$'000**	**Total Equity/ (Deficit) US$'000**
At 1 January 2018	258,160	2,886	(260,880)	950	(257,044)	1,116
Loss for the financial year, representing total comprehensive income for the financial year	–	–	(990)	–	(990)	(990)
Contributions by and distributions to owners						
Share-based payments (Note 29)						
- Grant of equity-settled share options	–	–	–	61	61	61
- Expiry of employee share options	–	–	415	(415)	–	–
At 31 December 2018 and 1 January 2019	258,160	2,886	(261,455)	596	(257,973)	187
Loss for the financial year, representing total comprehensive income for the financial year	–	–	(1,551)	–	(1,551)	(1,551)
Contributions by and distributions to owners						
Share-based payments (Note 29)						
- Grant of equity-settled share options	–	–	–	96	96	96
- Expiry of employee share options	–	–	133	(133)	–	–
At 31 December 2019	258,160	2,886	(262,873)	559	(259,428)	(1,268)

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 2019

	Note	2019 US$'000	2018 US$'000
Operating activities			
Profit before tax		1,206	8,488
Adjustments for:			
- Depletion and amortisation of oil and gas properties	9	7,938	4,479
- Depreciation of other plant and equipment	11	19	28
- Depreciation of right-of-use assets	12	4,328	–
- Gain on disposal of subsidiaries	15	(5,601)	–
- Impairment loss on development expenditures	10	–	73
- Impairment loss on exploration and evaluation assets	13	6,508	114
- Interest expense on lease liabilities	22	667	–
- Interest income on bank deposits	6	(152)	(46)
- Other plant and equipment written off	6	–	418
- Provision for plug and abandonment costs	6	1,993	–
- Share-based payments	29	96	61
- Unrealised foreign exchange loss/(gain)		294	(270)
- Unwinding of discount on decommissioning provisions	24	659	450
- (Write back of)/Allowance for doubtful trade receivables	19	(875)	54
- Write back of exploration and evaluation payables	6	(2,550)	(2,550)
- Write back of inventory obsolescence	17	–	(76)
Operating cash flows before changes in working capital		14,530	11,223
Changes in working capital			
Decrease/(Increase) in inventories		281	(216)
Increase in trade and other receivables		(1,748)	(4,192)
Increase in trade and other payables		4,748	1,958
Cash flows from operations		17,811	8,773
Income tax paid		(2,711)	(3,536)
Interest received		152	46
Net cash flows from operating activities		15,252	5,283
Investing activities			
Additions to development expenditures	10	–	(44)
Additions to exploration and evaluation assets	13	(5,987)	(62)
Additions to oil and gas properties	9	(3,629)	(2,988)
Cash call contributions for termination liabilities and decommissioning provisions	24	(2,824)	(844)
Proceeds from disposal of subsidiaries	15	160	–
Payment for signature bonus and related costs		–	(2,741)
Purchase of other plant and equipment	11	(25)	(30)
Net cash flows used in investing activities		(12,305)	(6,709)

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 2019

	Note	2019 US$'000	2018 US$'000
Financing activities			
Increase in deposits pledged	20	(1,252)	(6,308)
Loan from non-controlling interest		3,101	2,641
Payment of lease liabilities	22	(4,431)	–
Proceeds from issuance of new shares in subsidiaries to non-controlling interests	15	–	1,103
Repayment of advances to related parties	23	(3,273)	(2,641)
Net cash flows used in financing activities		(5,855)	(5,205)
Net decrease in cash and cash equivalents		(2,908)	(6,631)
Effect of exchange rate changes on cash and cash equivalents		(1)	(7)
Cash and cash equivalents at beginning of the financial year		7,420	14,058
Cash and cash equivalents at end of the financial year	20	4,511	7,420

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

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 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 15 to the financial statements.

2. Fundamental accounting concept

For the financial year ended 31 December 2019, whilst the Group generated positive operating cash flows of US$15,252,000 (2018: US$5,283,000), the Group recorded a net loss of US$1,286,000 (2018: net profit of US$4,004,000).

As at 31 December 2019, the Group's and the Company's net current liabilities are US$14,664,000 (2018: US$10,693,000) and US$402,000 (2018: US$1,879,000) respectively, and net liabilities are US$26,006,000 (2018: US$23,032,000) and US$1,268,000 (2018: net assets of US$187,000) respectively. 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 as the Group believes that its business operations would be able to generate sufficient cash flow to meet its short-term obligations as and when they fall due. In addition, the Group has received a letter of financial support from a substantial shareholder to provide continuing financial support to the Group till 30 June 2021 to meet the Group's working capital needs.

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

3. Summary of significant accounting policies

3.1 *Basis of preparation*

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

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

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

3. Summary of significant accounting policies (continued)

3.2 ***Changes in accounting policies***

The Group applied SFRS(I) 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The adoption of SFRS(I) 16 as at 1 January 2019 resulted in the following increase:

	US$'000
Assets:	
Right-of-use assets	6,865
Total assets	**6,865**
Liabilities:	
Lease liabilities – current	3,481
Lease liabilities – non-current	3,357
Trade and other payables	27
Total liabilities	**6,865**

The Group has lease contracts for office and warehouse, plant and machinery, motor vehicles and other equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 3.21 for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 3.21 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

3. Summary of significant accounting policies (continued)

3.2 ***Changes in accounting policies (continued)***

SFRS(I) 16 *Leases* (continued)

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of-use assets of US$6,865,000 were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of US$6,838,000 were recognised.
- Provision for reinstatement costs of US$27,000 (included in trade and other payables) were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, using a weighted average incremental borrowing rate of 10.26%, as follows:

	US$'000
Operating lease commitments as at 31 December 2018	948
Lease commitments for Indonesia subsidiaries	10,902
Less:	
Commitments related to short-term and low-value leases	(3,645)
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	271
Revised operating lease commitments as at 31 December 2018	8,476
Discounted operating lease commitments as at 1 January 2019, representing lease liabilities as at 1 January 2019	6,838

3. Summary of significant accounting policies (continued)

3.3 ***Standards issued but not yet effective***

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

Description	*Effective for annual periods beginning on or after*
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: *Interest Rate Benchmark Reform*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
SFRS(I) 17: *Insurance Contracts*	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

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

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.

3. Summary of significant accounting policies (continued)

3.4 ***Basis of consolidation and business combinations (continued)***

(b) **Business combinations and goodwill**

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates.

3.5 ***Transaction with non-controlling interests***

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

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

3. Summary of significant accounting policies (continued)

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.

(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.

3. Summary of significant accounting policies (continued)

3.7 ***Oil and gas properties, and other plant and equipment (continued)***

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.

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.

<u>Pre-licence costs</u>

Pre-licence costs are expensed in the period in which they are incurred.

3. Summary of significant accounting policies (continued)

3.8 ***Oil and gas exploration, evaluation and development expenditure (continued)***

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 at least once a year. An assessment for indicators of impairment is also performed annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off to profit or loss.

When proved reserves of oil and gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

Development costs

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

3. Summary of significant accounting policies (continued)

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 at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

3.10 ***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.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

3.11 ***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. Summary of significant accounting policies (continued)

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.

3.13 ***Financial instruments***

(a) **Financial assets**

Initial recognition and measurement

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

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

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

3. Summary of significant accounting policies (continued)

3.13 ***Financial instruments (continued)***

(a) **Financial assets (continued)**

Subsequent measurement

Investments in debt instruments

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

(i) *Amortised cost*

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

(ii) *Fair value through profit or loss*

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

Derecognition

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

(b) **Financial liabilities**

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

3. Summary of significant accounting policies (continued)

3.13 ***Financial instruments (continued)***

(b) **Financial liabilities (continued)**

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) **Financial liabilities at amortised cost**

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

3.14 ***Impairment of financial assets***

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

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

3. Summary of significant accounting policies (continued)

3.14 ***Impairment of financial assets (continued)***

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

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

3.15 ***Cash and cash equivalents***

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

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.

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.

3. Summary of significant accounting policies (continued)

3.17 ***Provisions (continued)***

Decommissioning liability

The Group recognises a decommissioning liability when it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of crude oil and/or gas are expensed as incurred.

Changes in the estimated timing of decommissioning or changes to the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to oil and gas assets.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with FRS 36. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability, nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

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

(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.

3. Summary of significant accounting policies (continued)

3.18 ***Contingencies (continued)***

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 ("**SKKMIGAS**"), which replaced Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi ("**BPMIGAS**") pursuant to a presidential decree No. 9/2013 issued on 10 January 2013, referred to as "Tabel Besar" or the "Big Table", to provide for future pension liability, which is payable upon employee retirement, or severance payment, which is payable upon termination, whichever is applicable. A Big Table scheme is a form of defined benefit plan whereby an employee is given a certain number of months' pay based on years of service. Operators of Basin PSC and Island PSC have opted to manage their pension plans by funding the pension obligation with bank time deposits and Pension Fund Financial Institution.

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

3. Summary of significant accounting policies (continued)

3.20 *Employee benefits (continued)*

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 Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office and warehouse	-	2 to 3 years
Plant and machinery	-	2 years
Motor vehicles	-	2 years
Other equipment	-	2 years

3. Summary of significant accounting policies (continued)

3.21 ***Leases (continued)***

As lessee (continued)

i) Right-of-use assets (continued)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 3.10.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Accounting policy prior to the adoption of SFRS(I) 16 on 1 January 2019

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. Summary of significant accounting policies (continued)

3.22 ***Revenue***

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

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

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

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

(ii) **Production of oil:**

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

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

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

3.23 ***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.

3. Summary of significant accounting policies (continued)

3.23 *Taxes (continued)*

(b) **Deferred tax**

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

3. Summary of significant accounting policies (continued)

3.23 *Taxes (continued)*

(b) **Deferred tax (continued)**

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.

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

In addition to corporate income taxes, the Group's financial statements also recognise other taxes on income which are calculated based on oil and gas production.

Royalties, resource rent taxes and revenue-based taxes are accounted for under SFRS(I) 1-12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income - rather than based on physical quantities produced or as a percentage of revenue - after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognised as current provisions and included in cost of sales.

(d) **Production-sharing arrangements**

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

(e) **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3. Summary of significant accounting policies (continued)

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 34, 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.

4. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

4.1 **Judgments made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

4. Significant accounting judgments and estimates (continued)

4.1 **Judgments made in applying accounting policies (continued)**

(a) **Hydrocarbon reserve and resource estimates**

Oil and gas production properties are depreciated on units of production basis at a rate calculated by reference to total proved developed and undeveloped reserves determined in accordance with Society of Petroleum Engineers rules and incorporating the estimated future cost of developing those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future oil prices. Future development costs are estimated using assumptions as to number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of oil and gas development and production assets at 31 December 2019 is shown in Note 9.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets, oil and gas properties, other plant and equipment, and goodwill may be affected due to changes in estimated future cash flows;

- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change; and

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

(b) **Exploration and evaluation expenditures**

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

4. Significant accounting judgments and estimates (continued)

4.1 **Judgments made in applying accounting policies (continued)**

(c) **Units of production depreciation of oil and gas assets**

Oil and gas properties are depreciated using the units of production method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the units of production rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved developed and undeveloped reserves, or future capital expenditure estimates change. Changes to proved reserves could arise due to changes in factors or assumptions used in estimating reserves, including:

- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions; or

- Unforeseen operational issues.

Changes are accounted for prospectively.

(d) **Recoverability of oil and gas assets**

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

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

(e) **Joint arrangements**

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work program and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries, as set out in Note 3.12.

4. Significant accounting judgments and estimates (continued)

4.1 **Judgments made in applying accounting policies (continued)**

(f) **Leases - Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4.2 **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) **Impairment of non-financial assets**

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 9 to the financial statements.

(b) **Decommissioning costs**

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

4. Significant accounting judgments and estimates (continued)

4.2 **Key sources of estimation uncertainty (continued)**

(c) **Income taxes**

The Group has exposure to income taxes in several jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable and deferred tax liabilities as at 31 December 2019 was US$2,443,000 (2018: US$1,464,000) and US$774,000 (2018: US$1,972,000) respectively.

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

5. Revenue

	Group	
	2019	**2018**
	US$'000	**US$'000**
Production of oil	59,227	56,390
Sales of natural gas	5,917	5,528
Total revenue from contracts with customers	65,144	61,918
Timing of transfer of goods		
At a point in time	65,144	61,918

6. Profit before tax

This is stated after (crediting)/charging:

	Note	Group 2019 US$'000	Group 2018 US$'000
Cost of sales:			
Depletion and amortisation of oil and gas properties	9	7,938	4,479
Depreciation of right-of-use assets	12	4,197	–
Production costs		41,894	43,266
Termination indemnity	24	1,823	844
Other income:			
Interest income from bank deposits		(152)	(46)
Management fees		(574)	(535)
Underlift income		–	(454)
Gain on disposal of subsidiaries	15	(5,601)	–
Administrative expenses:			
Audit fees:			
- Auditors of the Company		159	162
- Other auditors		112	105
Non-audit fees:			
- Auditors of the Company		65	11
- Other auditors		23	17
Total audit and non-audit fees		359	295
Depreciation of other plant and equipment	11	19	28
Depreciation of right-of-use assets	12	131	–
Employee benefits expense	29	2,494	2,386
Overseas traveling expenses		38	35
Professional fees		340	420
Other expenses:			
Directors' fees		333	327
Foreign exchange loss, net		1,327	1,850
Impairment loss on development expenditures	10	–	73
Impairment loss on exploration and evaluation assets	13	6,508	114
Other plant and equipment written off	11	–	418
Overlift expense		1,246	–
Provision for plug and abandonment costs	21	1,993	–
(Write back of)/Allowance for doubtful trade receivables	19	(875)	54
Write back of inventory obsolescence	17	–	(76)
Write back of exploration and evaluation payables		(2,550)	(2,550)
Finance costs:			
Interest expense on lease liabilities	22	667	–
Unwinding of discount on decommissioning provisions	24	659	450

7. Income tax

(a) Major components of income tax

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

	Group	
	2019	2018
	US$'000	US$'000
Current income tax:		
- Current income taxation	3,690	3,243
Deferred income tax:		
- Origination and reversal of temporary differences	(2,326)	(173)
- Under provision in respect of previous years	1,128	1,414
	(1,198)	1,241
Income tax expense recognised in profit or loss	2,492	4,484

(b) Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December are as follows:

	Group	
	2019	2018
	US$'000	US$'000
Profit before tax	1,206	8,488
Tax at 17%	205	1,443
Adjustments:		
Effect of difference between tax rates applicable to profits in the countries where the Group operates and the statutory tax rate	573	3,042
Non-deductible expenses	2,160	1,978
Income not subject to taxation	(1,504)	(3,320)
Benefits from previously unrecognised tax losses	(89)	(76)
Under provision in respect of previous years	1,128	1,414
Others	19	3
Income tax expense recognised in profit or loss	2,492	4,484

8. Earnings per share

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

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

The following tables reflect the earnings and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2019	2018
	US$'000	US$'000
Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	2,117	3,753

	Group	
	2019	2018
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic earnings per share computation	734,277,400	734,277,400
Effects of dilution:		
- Share options	–	132,899
Weighted average number of ordinary shares for diluted earnings per share computation	734,277,400	734,410,299

5,910,000 (2018: 4,490,000) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

On 6 March 2020, the Company granted 2,560,000 share options to selected employees and a director under the RHP Share Option Scheme 2011. These share options are exercisable between the periods from 7 March 2022 to 5 March 2025 at the exercise price of S$0.023 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.

9. Oil and gas properties

	Group	
	2019	2018
	US$'000	US$'000
Cost:		
At 1 January	138,547	136,412
Transfer from exploration and evaluation assets (Note 13)	2,536	–
Additions	3,388	2,135
At 31 December	144,471	138,547
Accumulated depletion and impairment:		
At 1 January	129,242	124,763
Charge for the financial year (Note 6)	7,938	4,479
At 31 December	137,180	129,242
Net carrying amount:		
At 31 December	7,291	9,305

The net book value at 31 December 2019 includes development assets under construction of US$2,011,000 (2018: US$3,208,000) which are not being depreciated.

Cash outflow for the development of oil and gas properties was US$3,629,000 (2018: US$2,988,000). There is US$241,000 (2018: US$853,000) cash outflow for accruals made in prior years for unbilled costs for the wells in Basin PSC.

Impairment of assets

During the financial year, certain subsidiaries of the Group carried out a review of recoverable amount of its oil and gas properties. There was no impairment loss recognised for the financial years ended 31 December 2019 and 2018. The recoverable amount of the oil and gas properties was determined by management based on its value in use and the pre-tax discount rate used was 11.0% (2018: 11.0%)

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

(i) *Production volume*

The production volumes are estimated based on the 2020 resource evaluation report appraised by independent qualified valuer and the development and production plans of the Operator for the contract area. The resources are categorised as proved and probable reserves, and contingent resources. When necessary, risk factors are applied to the extraction of contingent resources which are forecasted to be extracted during the current term of the PSC.

(ii) *Crude oil price and production cost*

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

9. Oil and gas properties (continued)

(iii) *Discount rate*

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

Sensitivity to changes in assumptions

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

10. Development expenditures

	Group	
	2019	**2018**
	US$'000	**US$'000**
Cost:		
At 1 January	–	–
Additions	–	44
Transfer from inventory	–	29
Impairment loss on development expenditures (Note 6)	–	(73)
At 31 December	–	–

There was no cash outflow for the development expenditures during the financial year ended 31 December 2019 (2018: US$44,000).

Impairment of assets

For the financial year ended 31 December 2018, certain subsidiaries of the Group carried out a review of recoverable amount of its development expenditures. An impairment loss of US$73,000 representing the write down of these development expenditures to the recoverable amount was recognised in "Other expenses" (Note 6) line item of profit or loss. The recoverable amount of the development expenditures was based on its value in use and the pre-tax discount rate used was 11.0%.

Apart from the pre-tax discount rate, the other key assumptions applied in the determination of the value in use are disclosed and further explained in Note 9.

11. Other plant and equipment

	Plant, machinery and equipment US$'000	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Group				
Cost:				
At 1 January 2018	2,354	649	635	3,638
Additions	3	5	22	30
Written off (Note 6)	(2,357)	(59)	(656)	(3,072)
Exchange realignment	–	2	(1)	1
At 31 December 2018 and 1 January 2019	–	597	–	597
Additions	–	25	–	25
Written off (Note 6)	–	(3)	–	(3)
At 31 December 2019	–	619	–	619
Accumulated depreciation and impairment loss:				
At 1 January 2018	2,006	645	555	3,206
Charge for the financial year (Note 6)	–	28	–	28
Written off (Note 6)	(2,001)	(99)	(554)	(2,654)
Exchange realignment	(5)	(1)	(1)	(7)
At 31 December 2018 and 1 January 2019	–	573	–	573
Charge for the financial year (Note 6)	–	19	–	19
Written off (Note 6)	–	(3)	–	(3)
Exchange realignment	–	1	–	1
At 31 December 2019	–	590	–	590
Net carrying amount:				
At 31 December 2018	–	24	–	24
At 31 December 2019	–	29	–	29

Cash outflow for the purchase of other plant and equipment was US$25,000 (2018: US$30,000).

11. Other plant and equipment (continued)

	Furniture, fittings and office equipment US$'000
Company	
Cost:	
At 1 January 2018	287
Additions	4
Written off	(6)
At 31 December 2018 and 1 January 2019	285
Additions	25
Written off	(3)
At 31 December 2019	307
Accumulated depreciation and impairment loss:	
At 1 January 2018	262
Charge for the financial year	21
Written off	(6)
At 31 December 2018 and 1 January 2019	277
Charge for the financial year	7
Written off	(3)
At 31 December 2019	281
Net carrying amount:	
At 31 December 2018	8
At 31 December 2019	26

12. Right-of-use assets

	Office and warehouse US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Other equipment US$'000	Total US$'000
Group					
Cost:					
At 1 January 2019	1,042	2,069	2,436	1,318	6,865
Additions	–	460	737	–	1,197
At 31 December 2019	1,042	2,529	3,173	1,318	8,062
Accumulated depreciation:					
At 1 January 2019	–	–	–	–	–
Charge for the financial year (Note 6)	433	1,400	1,793	702	4,328
At 31 December 2019	433	1,400	1,793	702	4,328
Net carrying amount:					
At 31 December 2019	609	1,129	1,380	616	3,734

Out of the total depreciation charge for the year, US$4,197,000 and US$131,000 of depreciation of right-of-use assets are included in cost of sales and administrative expenses respectively.

	Office US$'000
Company	
Cost:	
At 1 January 2019	348
Additions	–
At 31 December 2019	348
Accumulated depreciation:	
At 1 January 2019	–
Charge for the financial year	131
At 31 December 2019	131
Net carrying amount:	
At 31 December 2019	217

The right-of-use assets relate to lease contracts for office and warehouse, plant and machinery, motor vehicles and other equipment used in its operations. Leases of office and warehouse generally have lease terms between 2 to 3 years, while plant and machinery, motor vehicles and other equipment generally have lease terms of 2 years.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The related lease liabilities are disclosed in Note 22.

13. Exploration and evaluation assets

	Group	
	2019	2018
	US$'000	US$'000
At 1 January	2,536	2,536
Additions	6,508	114
Transfer to oil and gas properties (Note 9)	(2,536)	–
Impairment loss on exploration and evaluation assets (Note 6)	(6,508)	(114)
At 31 December	–	2,536

Cash outflows for additions of exploration and evaluation assets during the financial year ended 31 December 2019 was US$5,987,000 (2018: US$62,000). There was US$521,000 (2018: US$52,000) accruals made for unpaid costs for the exploration and evaluation expenses in SK331 PSC.

Impairment of exploration and evaluation assets

During the financial year, certain subsidiaries of the Group carried out a review of recoverable amount of its exploration and evaluation assets. An impairment loss of US$6,508,000 (2018: US$114,000), representing the write down of these exploration and evaluation assets to the recoverable amount was recognised in "Other expenses" (Note 6) line item of profit or loss for the financial year ended 31 December 2019. The recoverable amount of the exploration and evaluation assets were based on its value in use and the pre-tax discount rate used was 11.0% (2018: 11.0%).

14. Other non-current assets

	Group	
	2019	2018
	US$'000	US$'000
Signature bonuses	1,400	1,400
Upfront fees	1,341	1,341
	2,741	2,741

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

15. Investment in subsidiaries

	Company	
	2019	2018
	US$'000	US$'000
Unquoted shares, at cost	303	303
Impairment losses	(303)	(303)
	–	–

15. Investment in subsidiaries (continued)

Details of subsidiaries are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost of investment 2019 US$'000	Cost of investment 2018 US$'000	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %
Held by the Company					
RH Petrogas Investments Pte. Ltd. [(1)] (Singapore)	Investment holding (Singapore)	273	273	100	100
Tri-M Technologies Inc.[(4)] (United States of America)	Dormant (United States of America)	30	30	100	100
		303	303		

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %
Held by subsidiaries			
Mastique Investments Limited[(5)] (British Virgin Islands)	Investment holding (British Virgin Islands)	–	100[(4)]
Kingworld Resources Limited[(5)] (British Virgin Islands)	Oil and gas exploration and production (China)	–	100[(3)]
Great Prime Investments Limited[(4)] (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100
RH Petrogas Singapore Pte. Ltd.[(1)] (Singapore)	Investment holding (Singapore)	100	100
RH Petrogas Holdings Pte. Ltd.[(1)] (Singapore)	Investment holding (Singapore)	100	100
RH Petrogas Global Ventures Limited[(4)] (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100
RH Petrogas Indonesia Holding Limited[(4)] (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100
Orchard Energy (West Belida) Limited[(4)] (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	100	100
RHP (Mukah) Pte. Ltd.[(1)] (Singapore)	Oil and gas exploration and production (Malaysia)	51	51
RHP Salawati Holdings BV[(3)] (The Netherlands)	Investment holding (The Netherlands)	100	100

15. Investment in subsidiaries (continued)

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2019 %	2018 %
Held by subsidiaries (continued)			
Petrogas Basin Holding BV[(3)] (The Netherlands)	Investment holding (The Netherlands)	100	100
Petrogas Island Holding BV[(3)] (The Netherlands)	Investment holding (The Netherlands)	100	100
RHP Salawati Basin BV[(2)] (The Netherlands)	Oil and gas exploration and production (Indonesia)	100	100
RHP Salawati Island BV[(3)] (The Netherlands)	Oil and gas exploration and production (Indonesia)	100	100
Petrogas (Basin) Ltd[(3)] (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	82.65	82.65
Petrogas (Island) Ltd[(3)] (British Virgin Islands)	Oil and gas exploration and production (Indonesia)	82.65	82.65

(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.

(5) These entities ceased to be the members of the Group following the completion of the disposal on 31 October 2019.

(a) Subscription of new shares in subsidiaries

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

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

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

15. **Investment in subsidiaries (continued)**

(a) **Subscription of new shares in subsidiaries (continued)**

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

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

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

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

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
Proceeds from issue of new shares	–	1,103
Net assets attributable to non-controlling interests	–	(134)
Increase in equity attributable to parent	–	969

(b) **Disposal of subsidiaries**

On 24 September 2019, the Group through its wholly owned subsidiary RH Petrogas Investments Pte Ltd ("**RHPI**") has entered into a share purchase agreement with Jilin Chenyang Energy Development Technology Service Co., Ltd, ("**Purchaser**") pursuant to which RHPI has agreed to sell and the Purchaser has agreed to purchase all of the issued shares in Mastique Investments Limited ("**MIL**").

MIL is an investment holding vehicle which owns all the issued shares of Kingworld Resources Limited ("**KRL**"), its only subsidiary and only asset. RHPI is the immediate holding company of MIL.

The consideration of the disposal is US$1.00, which was arrived at on a willing buyer and willing seller basis, taking into consideration that the MIL Group recorded an unaudited negative net tangible assets as at 31 October 2019.

In addition, the Purchaser provided a security deposit of an aggregate amount of RMB1,207,998.97 (equivalent to approximately US$173,000) to KRL which was used by KRL to partially repay certain outstanding loans of KRL.

The Group has completed the disposal on 31 October 2019, and following the disposal, MIL and its only subsidiary KRL have ceased to be members of the Group.

15. Investment in subsidiaries (continued)

(b) Disposal of subsidiaries (continued)

The gain on disposal of MIL and its only subsidiary KRL are calculated as follow:

	Group	
	2019	2018
	US$'000	US$'000
Cash received	–*	–
Net liabilities derecognised:		
- Cash and bank balances	(13)	–
- Trade and other receivables	(55)	–
- Other accruals	2,497	–
- Provision for asset retirement obligation	399	–
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity	2,773	–
Gain on disposal of subsidiaries	5,601	–

* Amount less than US$1,000

16. Interests in joint operations

Contract area (Date of expiry)	Held by (Place of operation)	Description	Company's effective working interest 2019 %	Company's effective working interest 2018 %
Fuyu 1 Block (9 January 2038)(1)	Kingworld Resources Limited (Jilin Province, People's Republic of China)	Oil and gas exploration and production	–(3)	49(2)
West Belida Block (4 May 2015)(4)	Orchard Energy (West Belida) Limited (Jambi, Indonesia)	Oil and gas exploration	94	94
Basin Block (15 October 2020)	RHP Salawati Basin BV and Petrogas (Basin) Ltd (West Papua, Indonesia)	Oil and gas exploration and production	54.09(5)	54.09(5)
Island Block (22 April 2020)	RHP Salawati Island BV and Petrogas (Island) Ltd (West Papua, Indonesia)	Oil and gas exploration and production	29.97(6)	29.97(6)
SK331 Block (5 June 2020)(7)	RHP (Mukah) Pte. Ltd. (Sarawak, Malaysia)	Oil and gas exploration	40.8(8)	40.8(8)

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

(2) Under the Fuyu 1 PSC, even though Kingworld Resources Limited ("**KRL**") contractually owns 100% working interest ("**WI**") in the Fuyu 1 Block, CNPC is deemed to have backed in for a 51% WI once commercial production commences based on the sharing of operating costs and profit oil by the partners under the terms of the PSC, leaving KRL with a 49% WI. The Group has reflected the 49% as its effective WI in Fuyu 1 Block since 2009.

16. Interests in joint operations (continued)

(3) The Group ceased to hold any WI in the Fuyu 1 PSC after completion of the disposal of Mastique Investments Limited and its only subsidiary KRL (both indirect wholly owned subsidiaries of the Company) on 31 October 2019.

(4) The West Belida PSC has expired on 4 May 2015. The Ministry of Energy and Mineral Resources of the Republic of Indonesia has approved the relinquishment of the West Belida Block on 31 December 2018 and follow up works are in progress as at 31 December 2019.

(5) Petrogas (Basin) Ltd ("**PBL**") and RHP Salawati Basin BV ("**RHPSB**") hold an aggregate of 60% WI in the Basin PSC. PBL is a 82.65% subsidiary of the Group which holds a 34.06% WI, and RHPSB is a wholly-owned subsidiary of the Group which holds a 25.94% WI. The other 17.35% shareholder of PBL is PT Citra Wahana Abadi ("**CWA**") (Note 15). Hence, the Group's effective WI in the Basin PSC is 54.09%.

(6) Petrogas (Island) Ltd ("**PIL**") and RHP Salawati Island BV ("**RHPSI**") hold an aggregate of 33.21% WI in the Island PSC. PIL is a 82.65% subsidiary of the Group which holds a 18.70% WI, and RHPSI is a wholly-owned subsidiary of the Group which holds a 14.51% WI. The other 17.35% shareholder of PBL is CWA (Note 15). Hence, the Group's effective WI in the Island PSC is 29.97%.

(7) The initial three-year exploration period of the PSC expired on 5 December 2015 and this was followed by three consecutive extensions, with the latest Third Exploration Period Extension due to expire on 5 June 2020 following a further six months extension granted by PETRONAS to accommodate on-going 2D seismic processing and interpretation activities.

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

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 immediate holding company of KRL is Mastique Investments Limited ("**MIL**") which owns all the issued shares of KRL.

On 24 September 2019, the Group entered into a share purchase agreement to sell 100% of the issued shares in MIL to Jilin Chengyang Energy Development Technology Service Co., Ltd. The disposal of MIL was completed on 31 October 2019, following which MIL and its only subsidiary KRL have ceased to be members of the Group.

West Belida Block

Orchard Energy (West Belida) Limited ("**OE West Belida**"), together with its joint venture partner, P.T. BEL West Belida, were awarded a production sharing contract ("**PSC**") in relation to the exploration and production of petroleum in West Belida Block, Jambi, South Sumatra, Indonesia in May 2009. OE West Belida was the operator of the block with a 94% working interest. The PSC had expired on 4 May 2015 and the Ministry of Energy and Mineral Resources of the Republic of Indonesia has approved the relinquishment of West Belida Block on 31 December 2018. All the firm work commitments under the exploration phase of the PSC have been fulfilled.

The PSC is in the process of being relinquished as at 31 December 2019.

16. Interests in joint operations (continued)

Basin PSC and Island PSC

The Basin PSC dated October 15, 1970 was renewed on October 7, 1996 (effective October 15, 2000) among Perusahaan Pertambangan Minyak Dan Gas Bumi Negara ("**Pertamina**"), Santa Fe Energy Resources (Bermuda) Ltd., Coparex International, Cieco Vogelkop Inc. and Mitsui Oil Exploration Co. Ltd., and amended by the Amendment to the Basin Block Production Sharing Contract between Pertamina, Petrochina International (Bermuda) Ltd, PearlOil (Basin) Ltd (now renamed as Petrogas (Basin) Ltd) ("**PBL**")), Lundin International S.A. (for which the working interest was transferred to Lundin Salawati Basin B.V. and which is now renamed as RHP Salawati Basin B.V.) and BPMIGAS.

On 6 July 2018, the Group have signed a subscription and shareholders' agreement with PT Citra Wahana Abadi ("**CWA**"), under which CWA has agreed to subscribe for 314,800 new Class B Shares in PBL representing 17.35% of the Class B Shares in PBL ("**PBL Subscription**") (Note 15). After the completion of PBL Subscription, the Company's effective working interest in the Basin PSC was reduced from 60% to 54.09%.

The Island PSC dated April 23, 1990 between Pertamina and Trend Kepala Burung Limited, was amended by an agreement dated 14 September 2009 between Pertamina, BPMIGAS, PT Pertamina Hulu Energi Salawati, Petrochina International Kepala Burung Ltd, PearlOil (Island) Ltd (now renamed as Petrogas (Island) Ltd ("**PIL**")) and Lundin Indonesia BV (now renamed as RHP Salawati Island B.V.).

On 6 July 2018, the Group have signed a subscription and shareholders' agreement with CWA, under which CWA has agreed to subscribe for 944,400 new Class B Shares in PIL representing 17.35% of the Class B Shares in PIL ("**PIL Subscription**") (Note 15). After the completion of PIL Subscription, the Company's effective working interest in the Island PSC was reduced from 33.21% to 29.97%.

The Basin PSC and Island PSC are two contiguous PSCs located in the "Birds Head" area of West Papua, Indonesia. The Basin PSC covers an onshore area of 872 km^2, while the Island PSC covers an area of 1,097 km^2 including both onshore and offshore areas.

<u>Duration of the PSCs</u>

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

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

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

16. Interests in joint operations (continued)

Basin PSC and Island PSC (continued)

Duration of the PSCs (continued)

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

Production and reserve

The assets are primarily oil-weighted with production from the two PSCs averaging around 4,240 barrels of oil equivalent per day (boepd) net to the Group's working interests (before accounting for the share of non-controlling interest) in 2019 (2018: 4,080 boepd).

Based on an independent audit performed by an international energy technical advisor specialising in petroleum reservoir evaluation and economic analysis in 2020, the proved plus probable ("**2P**") reserves as of 1 January 2020 for the Basin PSC, the Island PSC and the New PSCs combined was around 30 million barrels of oil equivalent net to the Group based on its effective working interests in the respective PSCs. The above 2P reserve numbers include the Indonesian Government's share of production under the terms of the PSCs.

SK331 Block Onshore Sarawak

On 6 December 2012, the Group through its then wholly owned subsidiary, RHP (Mukah) Pte. Ltd. ("**RHP (Mukah)**"), entered into a Petroleum Production Sharing Contract ("**PSC**") with Petroliam Nasional Berhad ("**PETRONAS**") for SK331 Block onshore Sarawak covering an area of approximately 8,963 km^2. The Group operates the SK331 Block with an 80% participating interest, with the remaining 20% owned by its partner, Petronas Carigali Sdn. Bhd., the exploration and production subsidiary of PETRONAS. In 2014, the Company divested 49% of its shareholding interest in RHP (Mukah) to Tumbuh Tiasa Enterprises Sdn. Bhd. The divestment was completed on 24 September 2014 with the Company's effective working interest in the PSC being reduced from 80% to 40.8%.

Contractual commitment

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

The initial 3-year exploration period of the PSC ended on 5 December 2015 and PETRONAS has since approved three consecutive extensions of the exploration period, with the last extension – being the Third Exploration Period Extension - due to expire on 5 June 2020 following a further six months extension granted by PETRONAS. For the Third Exploration Period Extension, PETRONAS has also approved the outstanding work commitment to drill one wildcat well to be replaced with the acquisition and processing of 200 line-kilometres of new 2D full fold seismic lines ("**2D Seismic Work Program**"), with the corresponding financial commitment being reduced from US$10 million to US$5 million.

The 2D Seismic Work Program was completed in the fourth quarter of 2019 and seismic interpretation was on-going at the time of this report.

16. Interests in joint operations (continued)

SK331 Block Onshore Sarawak (continued)

Duration of the PSC

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

17. Inventories

	Group	
	2019	**2018**
	US$'000	**US$'000**
Balance sheet:		
Well supplies	745	1,026
Income statement:		
Inventories recognised as an expense in cost of sales	2,051	1,741
Write back of inventory obsolescence (Note 6)	–	(76)

18. Other current assets

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Prepaid operating expenses	76	56	28	32

19. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Trade receivables	11,345	7,997	–	–
Share of joint venture receivables	2,302	2,795	–	–
Refundable deposits	404	404	399	398
Under-lift assets	669	1,516	–	–
Sundry receivables	649	624	179	169
Total trade and other receivables	15,369	13,336	578	567
Add:				
Amounts due from subsidiaries	–	–	6,740	10,778
Cash and bank balances (Note 20)	12,071	13,728	536	784
Less:				
Value added tax receivables	(336)	(1,710)	–	–
Under-lift assets	(669)	(1,516)	–	–
Total financial assets at amortised cost	26,435	23,838	7,854	12,129

Trade receivables are non-interest bearing and are generally on 15 to 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in share of joint venture receivables are value added tax receivables of US$336,000 (2018: US$1,710,000), after allowances of US$1,108,000 (2018: US$1,228,000).

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

Amounts due from subsidiaries

These amounts are non-trade related, unsecured, non-interest bearing and are to be settled in cash. These amounts are stated after allowances of US$199,205,000 (2018: US$199,205,000).

Expected credit losses

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

	Group	
	2019	2018
	US$'000	US$'000
Movements in allowance accounts:		
At 1 January	(5,053)	(4,999)
Write back/(Charge) during the financial year (Note 6)	875	(54)
At 31 December	(4,178)	(5,053)

20. Cash and bank balances

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	4,511	7,420	536	784
Short-term deposits pledged	5,000	5,000	–	–
	9,511	12,420	536	784
Long-term deposits pledged	2,560	1,308	–	–
	12,071	13,728	536	784

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

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

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
United States Dollar (US$ or USD)	5,064	5,161	–	–
Singapore Dollar (S$ or SGD)	218	201	210	192

The Group has short-term deposits pledged of US$5,000,000 (2018: US$5,000,000) to fulfil collateral requirement in relation to the issuance of the bank guarantee to PETRONAS for SK331 PSC and long-term deposits pledged of US$2,560,000 (2018: US$1,308,000) for cash collateral requirement placed with the issuing bank of the performance bonds in relation to the signing of new 20-year PSCs for the Basin and Island blocks beyond their current contract expiry in 2020.

The short-term deposits pledged of US$5,000,000 had been withdrawn in March 2020 after the collateral requirement had been fulfilled and the bank guarantee was fully discharged.

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

	Group	
	2019	2018
	US$'000	US$'000
Cash and bank balances	12,071	13,728
Less:		
Short-term deposits pledged	(5,000)	(5,000)
Long-term deposit pledged	(2,560)	(1,308)
Cash and cash equivalents	4,511	7,420

21. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Trade payables	3,974	5,231	–	–
Accrued operating expenses	14,100	13,175	937	760
Accruals for potential cost recovery claims	7,764	7,764	–	–
Proportionate share of joint venture's other payables	4,219	4,487	–	–
Accrued plug and abandonment costs	1,993	–	–	–
Payable relating to exploration and evaluation expenditures	697	2,626	–	–
Sundry payables	479	284	2	2
Total trade and other payables	33,226	33,567	939	762
Add:				
Loans and borrowings (Note 23)	10,627	13,868	8,213	11,220
Loan from non-controlling interest	15,825	12,724	–	–
Total financial liabilities carried at amortised cost	59,678	60,159	9,152	11,982

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

Accruals for potential cost recovery claims arose from net working capital adjustments on the acquisition of RHP Salawati Basin BV, Petrogas (Basin) Ltd, RHP Salawati Island BV and Petrogas (Island) Ltd in 2010. These amounts relate to the vendors' share of potential claims by Indonesia Government subject to the audit of certain cost recovery claims in both the Basin and Island PSCs.

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

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

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar (SGD)	958	767	939	762
Malaysian Ringgit (MYR)	439	252	–	–

22. Lease liabilities

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Lease liabilities – current	4,043	–	123	–
Lease liabilities – non-current	228	–	91	–
	4,271	–	605	–

The movement for the lease liabilities during the year are as follows:

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
As at 1 January	6,838	–	321	–
Addition	1,197	–	–	–
Accretion of interest	667	–	23	–
Payment	(4,431)	–	(131)	–
As at 31 December	4,271	–	213	–

The Group discounted lease payments using incremental borrowing rates from 6.17% - 12.80%. The maturity analysis of lease liabilities are disclosed in Note 32(b).

The following are the amounts recognised in profit or loss:

	Group
	2019
	US$'000
Depreciation of right-of-use assets (Note 6)	4,328
Interest expense on lease liabilities (Note 6)	667
Expense relating to short-term and low-value assets	3,645
As at 31 December	8,640

Out of the total lease expenses relating to short-term and low-value assets, US$3,602,000 and US$43,000 are included in cost of sales and administrative expenses respectively.

23. Loans and borrowings

		Group		Company	
		2019	2018	2019	2018
	Maturity	US$'000	US$'000	US$'000	US$'000
Current					
Loans from related parties	2020	482	2,500	482	2,500
		482	2,500	482	2,500
Non-current					
Loans from related parties		10,145	11,368	7,731	8,720
		10,145	11,368	7,731	8,720
Total loans and borrowings		10,627	13,868	8,213	11,220

Loans from related parties

During the financial year, the Group has made a net repayment of advances of US$3,273,000 (2018: US$2,641,000) to its related parties which two directors have a substantial interest.

During the financial year, interest free loans of US$1,000,000 from related parties are classified as current liabilities as it was repaid during the year.

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

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar (SGD)	6,531	6,818	6,531	6,818
Renminbi (RMB)	2,415	2,648	–	–

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

	2018	Cash flows	Non-cash changes		2019
			Foreign exchange movement	Others	
	US$'000	US$'000	US$'000	US$'000	US$'000
Loans from related parties					
- current	2,500	(3,270)	252	1,000	482
- non-current	11,368	(3)	(220)	(1,000)	10,145
	13,868	(3,273)	32	–	10,627

The 'others' column relates to reclassification of US$1,000,000 from non-current to current liabilities.

23. Loans and borrowings (continued)

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

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

24. Provisions

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Termination liabilities	4,068	2,824	–	–
Decommissioning provision	10,652	10,392	–	–
Provision for reinstatement cost	27	–	27	–
	14,747	13,216	27	–
Less: Cash calls contributed for				
- Termination liabilities	(3,897)	(2,074)	–	–
- Decommissioning provision	(9,954)	(8,953)	–	–
	(13,851)	(11,027)	–	–
	896	2,189	27	–
Current	171	–	–	–
Non-current	725	2,189	27	–

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.

24. Provisions (continued)

	Group	
	2019	**2018**
	US$'000	**US$'000**
At 1 January	2,824	1,899
(Utilisation)/Addition	(579)	81
Charge for the financial year (Note 6)	1,823	844
At 31 December	4,068	2,824

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. These provisions have been created based on the Operator and Group's internal estimates.

Decommissioning provision was also provided for Fuyu 1 Block for the financial year ended 31 December 2018 and this provision was reversed upon the disposal of the Fuyu 1 Block on 31 October 2019 (Note 15(b)).

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 rate used in the calculation of the provision as at 31 December 2019 was 10% (2018: 5% to 10%).

For Basin and Island PSCs, funds are specifically set aside in United States Dollar time deposit accounts for the future costs related to assets retirement obligations. The funds set aside cannot be used for other purposes. If any area or field was taken over prior to its abandonment, the existing PSC contractors shall be released from its obligations to remove the equipment and installations and perform the necessary site restoration activities of the fields in the area. In such event, all the accumulated funds reserved for the removal and restoration operations shall be transferred to the new PSC contractors.

	Group	
	2019	**2018**
	US$'000	**US$'000**
At 1 January	10,392	9,942
Unwinding of discount (Note 6)	659	450
Disposal of subsidiaries (Note 15(b))	(399)	–
At 31 December	10,652	10,392

25. Deferred tax

Deferred tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Deferred tax liabilities:				
Differences in depreciation for tax purposes	7,102	10,674	(3,572)	(2,065)
Fair value adjustments on acquisition of subsidiaries	3,240	3,805	(565)	(640)
Impairment of oil and gas properties	(9,568)	(12,507)	2,939	3,946
	774	1,972		
Deferred tax (credit)/expense			(1,198)	1,241

Unrecognised tax losses

At the end of the reporting period, the Group and the Company have tax losses of approximately US$33,005,000 (2018: US$33,876,000) and US$33,005,000 (2018: US$33,876,000) respectively, that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

26. Other liabilities

As part of the purchase agreement with the previous owner of RHP Salawati Island BV ("**RHPSIBV**"), a contingent consideration has been agreed on. Additional cash payments shall be due to the previous owner of RHPSIBV upon the appraisal and final approval of the plan of the development for a new oil field located within the offshore area of the Island PSC. The payment amount is determined based on the field's proved and probable reserves. The fair value of the contingent consideration was assessed at US$1,301,000 at the date of acquisition. This fair value was calculated with reference to RHPSIBV's net share of the estimated proved and probable reserves under the said plan of development.

As at 31 December 2019 and 2018, the fair value of the contingent liabilities is Nil, as the Group does not expect to develop the field due to a sustained low crude oil price environment.

27. Share capital

	Group and Company			
	2019		2018	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid:				
At beginning and end of the reporting year	734,277	258,160	734,277	258,160

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.

28. 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 29). The reserve is made up the cumulative value of services received from directors and employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(d) **Equity reserve**

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

29. Employee benefits

	Group	
	2019	**2018**
	US$'000	**US$'000**
Employee benefits expense (including directors):		
Salaries and bonus	1,991	1,922
Central Provident Fund contributions	145	137
Share-based payments:		
- Employee share-option plan	96	61
Other short-term benefits	262	266
	2,494	2,386

Employee share option plan

Under the RHP Share Option Scheme 2011, share options are granted to selected employees and directors of the Company, its subsidiaries and associated companies. The exercise price of the options is set at a discount of no more than 20% to the average of the last dealt prices for a share, as determined by reference to the daily official list published by the SGX-ST for a period of 3 consecutive market days immediately prior to the relevant date of grant of the option. Eligible participants must remain in service for a period of two years from the date of the grant. The contractual life of the options is five years. There are no cash settlement except for general offer in the event of a take-over being made for the Company's shares. The Group does not have a past practice of cash settlement of these awards.

There has been no cancellation or modification of the share option plan during both year 2019 and 2018.

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:

	2019		2018	
	Number	**WAEP**	**Number**	**WAEP**
		S$		**S$**
Outstanding at 1 January	6,460,000	0.185	6,636,700	0.289
- Granted	3,060,000	0.044	2,000,000	0.074
- Forfeited	–	–	(176,700)	0.201
- Expired	(550,000)	0.420	(2,000,000)	0.420
Outstanding at 31 December	8,970,000	0.1220	6,460,000	0.185
Exercisable at 31 December	3,940,000	0.207	3,090,000	0.301

The weighted average fair value of the option granted during the financial year was S$0.042 (2018: S$0.068). The range of exercise prices for options outstanding at the end of the financial year was S$0.044 to S$0.275 (2018: S$0.074 to S$0.420). The weighted average remaining contractual life for these options is 2.17 years (2018: 2.43 years).

29. Employee benefits (continued)

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 2019 and 2018:

	2019	2018
Dividend yield (%)	0.00	0.00
Expected volatility (%)	105.00	94.50
Risk-free interest rate (% p.a.)	2.05	2.04
Expected life of option (years)	5.00	5.00
Share price (S$)	0.054	0.092
Exercise price (S$)	0.044	0.074

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.

30. Related party transactions

Compensation of key management personnel

	Group	
	2019	2018
	US$'000	US$'000
Short-term employee benefits	1,546	1,479
Central Provident Fund contributions	38	39
Other short-term benefits	184	183
Share-based payments	84	56
Total compensation paid to key management personnel	1,852	1,757
Comprise amounts paid to:		
- Directors of the Company	1,039	978
- Other key management personnel	813	779
	1,852	1,757

Directors' interests in employee share option plan

At the end of the reporting period, the number of outstanding share options granted to the Company's directors under the RHP Share Option Scheme 2011 was 5,350,000 (2018: 3,550,000 options).

31. Commitments

Capital commitments

	Group	
	2019	2018
	US$'000	US$'000
Contractual commitments in respect of evaluation and exploration expenditures	56,411	56,411

32. Financial risk management objectives and policies

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

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

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

(a) Credit risk

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

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

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

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

32. Financial risk management objectives and policies (continued)

(a) **Credit risk (continued)**

Credit risk concentration profile

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

89% (2018: 86%) of the Group's trade receivables were due from one major customer (2018: one major customer) who is in the oil and gas industry located in Indonesia (2018: Indonesia). The Group's revenue is mainly contributed by this one customer (2018: one customer).

(b) **Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's current funding is mainly from interest free loans from related parties.

Analysis of financial instruments by remaining contractual maturities

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

	Group			
	1 year or less US$'000	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
2019				
Financial assets:				
Trade and other receivables	15,033	–	–	15,033
Cash and bank balances	9,511	2,560	–	12,071
Total undiscounted financial assets	24,544	2,560	–	27,104
Financial liabilities:				
Trade and other payables	33,226	–	–	33,226
Loans and borrowings	482	10,145	–	10,627
Lease liabilities	4,159	229	–	4,388
Loan from non-controlling interest	–	15,825	–	15,825
Total undiscounted financial liabilities	37,867	26,199	–	64,066
Net undiscounted financial liabilities	(13,323)	(23,639)	–	(36,962)

32. Financial risk management objectives and policies (continued)

(b) **Liquidity risk (continued)**

Analysis of financial instruments by remaining contractual maturities (continued)

	Group			
	1 year or less US$'000	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
2018				
Financial assets:				
Trade and other receivables	11,626	–	–	11,626
Cash and bank balances	12,420	1,308	–	13,728
Total undiscounted financial assets	24,046	1,308	–	25,354
Financial liabilities:				
Trade and other payables	33,567	–	–	33,567
Loans and borrowings	2,500	11,368	–	13,868
Loan from non-controlling interest	–	12,724	–	12,724
Total undiscounted financial liabilities	36,067	24,092	–	60,159
Net undiscounted financial liabilities	(12,021)	(22,784)	–	(34,805)

	Company			
	1 year or less US$'000	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
2019				
Financial assets:				
Trade and other receivables	578	–	–	578
Amounts due from subsidiaries	–	–	6,740	6,740
Cash and bank balances	536	–	–	536
Total undiscounted financial assets	1,114	–	6,740	7,854
Financial liabilities:				
Trade and other payables	939	–	–	939
Loans and borrowings	482	7,731	–	8,213
Lease liabilities	135	93	–	228
Total undiscounted financial liabilities	1,556	7,824	–	9,380
Net undiscounted financial (liabilities)/assets	(442)	(7,824)	6,740	(1,526)

32. Financial risk management objectives and policies (continued)

(b) **Liquidity risk (continued)**

Analysis of financial instruments by remaining contractual maturities (continued)

	Company			
	1 year or less US$'000	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
2018				
Financial assets:				
Trade and other receivables	567	–	–	567
Amounts due from subsidiaries	–	–	10,778	10,778
Cash and bank balances	784	–	–	784
Total undiscounted financial assets	1,351	–	10,778	12,129
Financial liabilities:				
Trade and other payables	762	–	–	762
Loans and borrowings	2,500	8,720	–	11,220
Total undiscounted financial liabilities	3,262	8,720	–	11,982
Net undiscounted financial (liabilities)/assets	(1,911)	(8,720)	10,778	147

(c) **Foreign currency risk**

The Group has minimal transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD, Malaysian Ringgit ("**MYR**") and Renminbi ("**RMB**") (2018: USD, MYR and RMB). The foreign currencies in which these transactions are denominated are mainly in SGD and RMB (2018: SGD and RMB). The Group's trade receivables are denominated in USD. The Group's and the Company's exposure to foreign currency denominated trade payables at the end of the reporting period is disclosed in Note 21.

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 20.

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.

32. Financial risk management objectives and policies (continued)

(c) **Foreign currency risk (continued)**

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit (2018: profit) before tax to a reasonably possible change in the SGD and RMB exchange rates against USD, with all other variables held constant.

		Group	
		2019	**2018**
		US$'000	**US$'000**
		Profit before tax	**Profit before tax**
USD / SGD	- strengthened 3% (2018: 3%)	230	235
	- weakened 3% (2018: 3%)	(230)	(235)
USD / RMB	- strengthened 3% (2018: 3%)	72	78
	- weakened 3% (2018: 3%)	(72)	(78)

(d) **Commodity price risk**

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil and gas products it produces. The Group's policy is to manage these risks through the use of contract-based prices with customers. In both 2019 and 2018, the Group did not enter into derivative commodity contracts to hedge against its commodity price risk arising from the sale of oil and gas products.

33. Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or to obtain loans from related parties. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
Loans and borrowings (Note 23)	10,627	13,868
Lease liabilities (Note 22)	4,271	–
Trade and other payables (Note 21)	33,226	33,567
Less: Cash and bank balances (Note 20)	(12,071)	(13,728)
Net debt	36,053	33,707
Equity attributable to the owners of the Company, representing total capital	(12,786)	(13,215)
Capital and net debt	N.M.	N.M.
Gearing ratio	N.M.	N.M.

N.M.: not meaningful

34. Segment information

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

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

34. Segment information (continued)

(US$'000)	Oil and gas 2019	Oil and gas 2018	Adjustments and eliminations 2019	Adjustments and eliminations 2018	Notes	Per consolidated financial statements 2019	Per consolidated financial statements 2018
Revenue	65,144	61,918	–	–		65,144	61,918
Results:							
Depreciation and amortisation	(7,957)	(4,507)	–	–		(7,957)	(4,507)
Depreciation of right-of-use assets	(4,328)	–	–	–		(4,328)	–
Finance costs	(1,326)	(450)	–	–		(1,326)	(450)
Gain on disposal of subsidiaries	5,601	–	–	–		5,601	–
Impairment loss on development expenditures	–	(73)	–	–		–	(73)
Impairment loss on exploration and evaluation assets	(6,508)	(114)	–	–		(6,508)	(114)
Interest income	152	46	–	–		152	46
Provision for plug and abandonment costs	(1,993)	–	–	–		(1,993)	–
Segment profit before tax	1,206	8,488	–	–		1,206	8,488
Share-based payments	(96)	(61)	–	–		(96)	(61)
Write back of inventory obsolescence	–	76	–	–		–	76
Write back of/(Allowance for) doubtful trade receivables	875	(54)	–	–		875	(54)
Write back of exploration and evaluation payables	2,550	2,550	–	–		2,550	2,550
Assets			–	–			
Total capital expenditure	9,921	2,352	–	–	A	9,921	2,352
Segment assets	42,056	42,752	–	–		42,056	42,752
Segment liabilities	64,845	62,348	3,217	3,436	B	68,062	65,784

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

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

	Group 2019 US$'000	Group 2018 US$'000
Additions in:		
- Oil and gas properties	3,388	2,135
- Exploration and evaluation assets	6,508	114
- Development expenditures	–	73
- Other plant and equipment	25	30
	9,921	2,352

34. Segment information (continued)

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

	2019 US$'000	2018 US$'000
Income tax payable	2,443	1,464
Deferred tax liabilities	774	1,972
	3,217	3,436

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	
	2019	2018	2019	2018	2019	2018	2019	2018
(US$'000)								
By geographical market								
Indonesia	65,019	61,808	35,527	36,091	3,388	2,135	12,135	4,479
People's Republic of China	125	110	–	195	–	99	–	–
Singapore	–	–	1,386	1,390	25	4	137	20
Malaysia	–	–	5,143	5,076	6,508	114	13	8
	65,144	61,918	42,056	42,752	9,921	2,352	12,285	4,507

Information about major customer

The Group derives revenue from one major customer (2018: one major customer) as follows:

	2019 US$'000	2018 US$'000
Customer A	58,470	55,615

35. Events occurring after the reporting period

Subsequent to the year end, there are unprecedented market conditions with significant pressure on oil prices following the demand and supply implications driven by the COVID-19 pandemic and the failure of OPEC+ members to reach an agreement on deeper production cuts to support the oil markets. These subsequent events will have an adverse effect on the Group's earnings and cash flow for the financial year ending 31 December 2020. As these events are still unfolding and the scale and duration of their development remains unclear, the extent of the financial impact on the Group cannot be ascertained at this point in time.

36. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 30 March 2020.

Name of Asset/Country: Indonesia

Asset Name	Issuer's Effective Working Interest	Development Status	Licence Expiry Date	Licence Area	Type of mineral, oil or gas deposit
Basin PSC	54.09%	Production	15 October 2020	872 km^2	Oil and Gas
Island PSC	29.97%	Production	22 April 2020	1,097 km^2	Oil and Gas
New Basin PSC#	57.86%	Production	15 October 2040	1,030 km^2	Oil and Gas
New Island PSC#	57.86%	Production	22 April 2040	1,137 km^2	Oil and Gas

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

Category	Gross Attributable to Licence (MMbbl/Bcf)(1)(4)	Net Attributable to Issuer(2)		Risk Factors(5)	Remarks
		(MMbbl/Bcf)(1)(4)	Change from previous update (%)(3)		
Reserves					
Oil Reserves					
1P	39.6	22.8	57%(6)		
2P	45.5	26.2	17%(6)		
3P	50.9	29.3	13%(6)		
Natural Gas Reserves					
1P	35.5	20.4	542%(7)		
2P	35.5	20.4	542%(7)		
3P	35.5	20.4	542%(7)		
Natural Gas Liquids Reserves					
1P	N/A	N/A	N/A		
2P	N/A	N/A	N/A		
3P	N/A	N/A	N/A		
Contingent Resources					
Oil					
1C	33.1	19.2	-15%(6)	70%	
2C	44.5	25.8	1%(6)	70%	
3C	58.6	33.9	1%(6)	70%	
Natural Gas					
1C	300.4	173.6	6%	70%	
2C	431.0	249.1	1%	70%	
3C	619.0	357.9	2%	70%	
Natural Gas Liquids					
1C	N/A	N/A	N/A		
2C	N/A	N/A	N/A		
3C	N/A	N/A	N/A		

SUMMARY OF
RESERVES AND RESOURCES

Category	Gross Attributable to Licence (MMbbl/Bcf)(1)(4)	Net Attributable to Issuer(2) (MMbbl/Bcf)(1)(4)	Net Attributable to Issuer(2) Change from previous update (%)(3)	Risk Factors(5)	Remarks
Prospective Resources					
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 2020.

(2) Net Attributable to Issuer means the Company's effective working interest share under the respective PSCs. The Company is entitled to a share of these volumes after considering the Indonesian Government's share pursuant to the terms of the PSCs.

(3) Previous evaluation was conducted by RPS Energy Consultants Limited with an effective date of 1 January 2019.

(4) The volumes presented in this report have been estimated using the 2018 Petroleum Resources Management System ("**PRMS**") sponsored by the SPE/WPC/SEG/AAPG/EAGE/SPEE/SPWLA as the standard for classification and reporting.

(5) Applicable to Resources. "Risk Factor" for Contingent Resources means the estimated chance, or probability, that the volumes will be commercially extracted.

(6) The increases in Oil Reserves from the previous update are due mainly to reserve upgrade in producing fields based on latest production data and reclassification from contingent resources due to improved economics.

(7) The increases in Gas Reserves from the previous update are due mainly to the extension of existing gas sales from the Basin block to 2030 based on RPS' updated review of Basin block gas resources and gas demand information from existing and potential new buyers. Gas sold from the Basin block has been increasing over the years and is used mainly for the purposes of power generation to satisfy local electricity requirements.

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

MMbbl : Million barrels
Bcf : Billion cubic feet

Name of Qualified Person : Gordon Taylor of RPS Energy Consultants Limited

Date : 24th Feb 2020

Professional Society Affiliation/ Membership : Fellow, Geological Society, Chartered Geologist (C. Geol)
Member, Institute Materials, Minerals & Mining, Chartered Engineer (C.Eng)

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2020

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

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

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 35.52% of the issued ordinary shares of the Company were held in the hands of the public as at 16 March 2020 and therefore Rule 723 of the Listing Manual is complied with.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.03	27	0.00
100 - 1,000	614	20.01	599,494	0.08
1,001 - 10,000	937	30.53	6,143,123	0.84
10,001 - 1,000,000	1,486	48.42	115,541,178	15.73
1,000,001 AND ABOVE	31	1.01	611,993,578	83.35
TOTAL	**3,069**	**100.00**	**734,277,400**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SURREYVILLE PTE LTD	212,073,086	28.88
2	SHARPTONE INVESTMENTS LIMITED	132,825,203	18.09
3	RH CAPITAL LIMITED	110,347,154	15.03
4	RHB SECURITIES SINGAPORE PTE LTD	49,535,995	6.75
5	CITIBANK NOMINEES SINGAPORE PTE LTD	16,567,623	2.26
6	RAFFLES NOMINEES (PTE) LIMITED	9,874,200	1.34
7	UOB KAY HIAN PRIVATE LIMITED	8,590,360	1.17
8	HSBC (SINGAPORE) NOMINEES PTE LTD	8,240,000	1.12
9	OCBC SECURITIES PRIVATE LIMITED	6,505,100	0.89
10	MAYBANK KIM ENG SECURITIES PTE LTD	6,332,500	0.86
11	TING SIE TECK	5,173,000	0.70
12	DBS NOMINEES (PRIVATE) LIMITED	4,972,900	0.68
13	TAN YEW CHYE	4,950,000	0.67
14	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	4,518,500	0.62
15	WONG YIING NGIIK	4,293,000	0.58
16	PHILLIP SECURITIES PTE LTD	3,586,600	0.49
17	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,830,000	0.39
18	TAN YEW SENG	2,500,000	0.34
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,850,000	0.25
20	LIM & TAN SECURITIES PTE LTD	1,676,000	0.23
	TOTAL	**597,241,221**	**81.34**

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

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

Notes:

1. Tan Sri Datuk Sir Tiong Hiew King's aggregate deemed interest of 472,845,443 shares comprised of (i) 212,073,086 shares held by Surreyville Pte Ltd ("**Surreyville**"), which arises from his shareholding in Woodsville International Limited, the holding company of Surreyville; (ii) 132,825,203 shares held by Sharptone Investments Limited ("**Sharptone**"), which arises from his shareholding in Sharptone; (iii) 110,347,154 shares held/owned by RH Capital Limited which arises from his shareholding in RH Capital Limited; and (iv) 17,600,000 shares held by Subur Tiasa Holdings Berhad ("**Subur Tiasa**"), which arises from his substantial shareholdings in Tiong Toh Siong Holdings Sdn. Bhd., Tiong Toh Siong Enterprises Sdn. Bhd., Tiong Toh Siong & Sons Sdn. Bhd. and Teck Sing Lik Enterprise Sdn. Bhd., which are shareholders/substantial shareholders of Subur Tiasa.

2. Dato' Sri Dr Tiong Ik King's deemed interest arises from his shareholding in Woodsville International Limited, the holding company of Surreyville.

3. The Estate of Tiong Kiu King Deceased's deemed interest arises from its shareholding in Sharptone.

ADDITIONAL INFORMATION ON
DIRECTORS SEEKING RE-ELECTION

Additional information on Directors seeking re-election pursuant to Rule 720(6) of the SGX-ST Listing Manual

Mr Achmad Lukman Kartanegara, Mr Yeo Yun Seng Bernard and Ms Kuan Li Li are the retiring Directors who are seeking re-election at the forthcoming Annual General Meeting ("**AGM**") of the Company. Pursuant to Rule 720(6) of the SGX-ST Listing Manual, the information relating to the retiring Directors, in accordance to Appendix 7.4.1 of the SGX-ST Listing Manual, is set out below:

Name of Director	Achmad Lukman Kartanegara	Yeo Yun Seng Bernard	Kuan Li Li
Date of Appointment	22 Aug 2014	1 Nov 2001	22 October 2019
Date of Last Re-Appointment	27 Apr 2017	27 Apr 2017	Not Applicable
Age	71	69	56
Country of principal residence	Indonesia	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Upon the recommendation of the Nominating Committee, which had reviewed the qualification and experience of Mr Achmad Lukman Kartanegara and considered his more than 40 years of experience in the upstream oil and gas industry, the Board of Directors approved his re-appointment as an Independent Director of the Company	Upon the recommendation of the Nominating Committee, which had reviewed the qualification and experience of Mr Yeo Yun Seng Bernard, the Board of Directors approved his re-appointment as an Independent Director of the Company	Upon the recommendation of the Nominating Committee, which had reviewed the qualification and experience of Ms Kuan Li Li, the Board of Directors approved her re-appointment as an Independent Director of the Company and her appointments as the Chairman of the Nominating Committee ("**NC**") and member of the Remuneration Committee, both at the conclusion of the forthcoming AGM; Ms Kuan is to succeed Mr Lee Hock Lye as Chairman of the NC, as Mr Lee Hock Lye is to succeed Mr Abbasbhoy Haider Nakhoda as the Chairman of the Audit Committee, following Mr Abbasbhoy Haider Nakhoda's retirement as Director at the conclusion of the forthcoming AGM.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Achmad Lukman Kartanegara	Yeo Yun Seng Bernard	Kuan Li Li
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director and member of Nominating and the Audit Committees	Independent Director, Chairman of the Remuneration committee and member of the Nominating and Audit Committees	Independent Director and member of the Audit and Nominating Committees
Professional qualifications	Bachelor of Geology Engineering, Bandung Institute of Technology	Chartered Certified Accountant	Fellow of CPA Australia; Admitted as solicitor and barrister to the Supreme Court of New South Wales; Fellow of Taxation Institute of Australia; Bachelor of Economics, University of Sydney, Australia; Bachelor of Laws, University of Sydney, Australia.
Working experience and occupation(s) during the past 10 years	Jan 2005 – Dec 2008, Upstream Advisor to the Board of Commissioners for upstream business, PT Pertamina (Persero); Jan 2009 – Dec 2011, Upstream Committee Member, PT Pertamina (Persero); Jan 2012 – Dec 2015, Risk Management Oversight Committee Member, PT Pertamina (Persero); Aug 2014 – present, Independent Director, RH Petrogas Limited.	Jul 2014 – Jan 2015, Independent Director, UE E&C Ltd; Aug 2013 – May 2016, Independent Director, MFS Technology Ltd; Dec 2009 – present, Independent Director, Sin Heng Heavy Machinery Limited; Nov 2005 – present, Director, SHRI Academy Pte Ltd; Nov 2005 – present, Director, SHRI Corporation Pte Ltd; Nov 2001 – present, Independent Director, RH Petrogas Limited.	Oct 2004 – Mar 2014, Head of Tax, Asia Pacific, Barclays Capital Services Limited Singapore Branch; Apr 2014 – Dec 2017, Country Head and Chief Operating Officer, Barclays Bank PLC; Jun 2014 – Dec 2017, Chief Executive Officer, Barclays Capital Futures (Singapore) Private Limited; Jun 2014 – Dec 2017, Chief Executive Officer, Barclays Merchant Bank (Singapore) Ltd; Jan 2018 – Jan 2019, Chief Financial Officer, ABB Pte Ltd; Jan 2018 – present, Non-Executive Independent Director, CapitaLand Retail China Trust; Oct 2019 – present, Independent Director, RH Petrogas Limited.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Achmad Lukman Kartanegara	Yeo Yun Seng Bernard	Kuan Li Li
Shareholding interest in the listed issuer and its subsidiaries	No	No	No
Shareholding Details	Not Applicable	Not Applicable	Not Applicable
Any relationship (including immediate family relationships) with any existing director, existing executive Officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships# for the last 5 years	Nil	1. Independent Director, MFS Technology Ltd; 2. Independent Director, UE E&C Ltd.	1. Director, Barclays Bank (Singapore Nominees) Pte Ltd; 2. Director, Barclays Capital Holdings (Singapore) Private Limited; 3. Chief Executive Officer, Barclays Capital Futures (Singapore) Private Limited; 4. Director, Barclays Bank (South East Asia) Nominees Pte Ltd; 5. Chief Executive Officer, Barclays Merchant Bank (Singapore) Ltd.

ADDITIONAL INFORMATION ON
DIRECTORS SEEKING RE-ELECTION

Name of Director	Achmad Lukman Kartanegara	Yeo Yun Seng Bernard	Kuan Li Li
Other Present Principal Commitments* Including Directorships#	1. Upstream Advisor to the Board of Commissioners for upstream business, PT Pertamina; 2. Risk Management Oversight Committee Member, PT Pertamina.	1. Independent Director, Sin Heng Heavy Machinery Limited; 2. Director, SHRI Academy Pte Ltd; 3. Director, SHRI Corporation Pte Ltd.	1. Non-Executive Independent Director, CapitaLand Retail China Trust; 2. Member, Valuation Review Board of Singapore; 3. Member, Legal Inquiry Panel of Singapore; 4. Audit Committee Member, World Wide Fund for Nature (Singapore) Limited; 5. Skills-Future Committee Member, CPA Australia Ltd; 6. Director, Ben & Nic Pte. Ltd.

* “Principal Commitments” has the same meaning as defined in the Code.
# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9).

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

ADDITIONAL INFORMATION ON
DIRECTORS SEEKING RE-ELECTION

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Sri Dr Tiong Ik King	(Non-Executive and Non-Independent Chairman)
Chang Cheng-Hsing Francis	(Group CEO and Executive Director)
Tiong Kiong King	(Non-Executive and Non-Independent Director)
Abbasbhoy Haider Nakhoda	(Independent Director)
Yeo Yun Seng Bernard	(Independent Director)
Lee Hock Lye	(Independent Director)
Achmad Lukman Kartanegara	(Independent Director)
Kuan Li Li	(Independent Director)

AUDIT COMMITTEE

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

SECRETARY

Wee Woon Hong

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20 Harbour Drive
#06-03 PSA Vista
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SHARE REGISTRAR

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50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

AUDITORS

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

Audit Partner-in-charge:
Tan Po Hsiong Jonathan

Date of appointment:
Since financial year ended 31 December 2018

RH PetroGas

常青石油及天然气

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