

### KEY HIGHLIGHTS

#### Strategy

##### Playing The M&A Theme

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We see M&A as a continuing area of interest. Other than privatisation candidates, companies with accretive acquisitions or monetisation of assets could attract investor interest.

#### Results

##### ARA Asset Management (ARA SP/HOLD/S\$1.74/Target: S\$1.94)

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4Q13: Chugging along.

##### Genting Singapore (GENS SP/SELL/S\$1.40/Target: S\$1.27)

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4Q13: Downgrade to SELL due to concerns over domestic operations.

##### Neptune Orient Lines (NOL SP/BUY/S\$1.01/Target: S\$1.20)

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4Q13: Losses on weaker-than-expected rates; fleet renewal to further drive efficiency.

##### Wilmar International (WIL SP/BUY/S\$3.36/Target: S\$4.20)

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2013: Below expectation on lower contributions from non core operations.

#### Update

##### RH Petrogas (RHP SP/BUY/S\$0.59/Target: S\$1.50)

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Finds success in its offshore exploration drilling with 4mmboe of oil and gas added to its resource base. Given the slew of potential positive news flows, we re-iterate our BUY recommendation with a target price of S\$1.50, implying an upside of 154.3%.

### AT A GLANCE

#### Corporate

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**Aspial Corp:** 4Q13 net profit down by half.

**BBR:** BBR: 2013 net profit up 68% yoy to S\$21.8m.

**Bonvests:** Profit surges to S\$56.2m on stronger revenue and revaluation gains.

**Chip Eng Seng:** 4Q13 net profit falls.

**EMS Energy:** Back in the black with S\$3.8m profit.

**Ezion:** 4Q13 net profit nearly doubles.

**Hyflux:** Net profit falls 28% yoy to S\$44m.

**Serial System:** 4Q13 net profit up 63% yoy to US\$3.1m.

**Sheng Siong:** Sees challenges as it posts higher 4Q13 profit.

**Transpac:** Net profit of S\$42.7m for 2013.

#### Economics

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**Economy:** New business formations up 8.6% yoy in 4Q13.

**GDP:** GDP up 5.5% yoy in 4Q13; 2013 growth raised to 4.1%.

**Trade:** Domestic wholesale trade up in 4Q13.

**Trade:** NODX falls 6% yoy in 2013, worse than projected.

### KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	16133.2	0.6	1.1	(2.0)	(2.7)
S&P 500	1839.8	0.6	1.1	0.1	(0.5)
FTSE 100	6813.0	0.2	2.3	(0.3)	0.9
AS30	5446.9	0.5	1.5	2.0	1.8
CSI 300	2287.4	(0.9)	0.3	4.6	(1.8)
FSSTI	3086.6	(0.1)	1.5	(1.5)	(2.6)
HSCEI	9978.1	(0.8)	1.1	(2.4)	(7.7)
HSI	22394.1	(1.2)	1.0	(2.8)	(3.9)
JCI	4598.2	0.1	2.4	3.3	7.6
KLCI	1827.8	(0.1)	0.6	0.7	(2.1)
KOSPI	1930.6	(0.6)	(0.5)	(1.7)	(4.0)
Nikkei 225	14449.2	(2.1)	(0.6)	(8.5)	(11.3)
SET	1304.0	(1.3)	(0.8)	0.8	0.4
TWSE	8524.6	(0.6)	0.7	(0.9)	(1.0)

BDI	1164	0.3	6.1	(18.5)	(48.9)
CPO (RM/mt)	2715	0.7	3.9	7.9	5.5
Nymex Crude (US\$/bbl)	103	0.0	2.4	8.2	4.4

Source: Bloomberg

### TOP VOLUME

Company	Price (\$)	Chg (%)	Volume ('000s)
Noble Group Ltd	1.03	4.1	41,345
Siic Environment Holdings Lt	0.19	0.0	34,811
Golden Agri-Resources Ltd	0.55	0.0	22,071
Singapore Telecommunications	3.58	0.0	17,182
Hutchison Port Holdings Tr-U	0.63	0.0	15,717

### TOP GAINERS

Company	Price (\$)	Chg (%)	Volume ('000s)
Noble Group Ltd	1.03	4.1	41,345
Olam International Ltd	1.71	2.7	12,892
Asian Pay Television Trust	0.79	2.6	10,199
Raffles Medical Group Ltd	3.29	2.2	517
Sembcorp Industries Ltd	5.43	2.1	1,924

### TOP LOSERS

Company	Price (\$)	Chg (%)	Volume ('000s)
Jardine Cycle & Carriage Ltd	37.20	(3.3)	249
Gallant Venture Ltd	0.33	(2.9)	9,430
Thai Beverage Plc	0.52	(2.8)	4,475
Fragrance Group Ltd	0.22	(2.3)	220
Tianjin Zhong Xin Pharm Co-S	0.98	(2.0)	1,470

### KEY ASSUMPTIONS

GDP (% yoy)	2012	2013F	2014F
US	2.8	2.0	3.0
Euro Zone	-0.7	-0.4	1.0
Japan	2.0	1.5	2.5
Singapore	1.3	3.7*	4.3
Malaysia	5.6	4.5	5.2
Thailand	6.4	3.2	4.0
Indonesia	6.2	5.8*	6.0
Hong Kong	1.5	3.0	3.5
China	7.8	7.7*	6.9
<i>Actual</i>			
	2013	2014F	2015F
Brent (US\$/bbl)	110	110	
Aluminium (US\$/mt)	1,886	1,713	1,650
Copper (US\$/mt)	7,364	6,860	6,750
Gold (US\$/ounce)	1,407	1,200	1,300
Iron Ore (US\$/mt)	135	120	110
CPO (US\$/mt)	736	858	858
BDI	1,219	1,500	1,800

Source: Bloomberg, UOB ETR, UOB Kay Hian

### COMPANY UPDATE

## RH Petrogas (RHP SP)

Galloping Into The Year Of The Horse With More Success To Come

RH Petrogas announced yesterday that its Koi-2 appraisal well was successful as post-drill evaluation confirms that the Koi structure holds an estimated 4 million barrels of oil equivalent (mmboe) that belongs to RHP. With the success, the company has agreed to develop the oilfield and will submit a plan of field development (POFD) to the authorities soon. While its 2013F results are likely to be weak, we re-iterate our BUY recommendation on RHP given the slew of newsflow that will be announced over the next few months. Target price: S\$1.50.

### WHAT'S NEW

- Finds success in its offshore drilling.** RH Petrogas (RHP) announced yesterday that it has completed testing its Koi-2 appraisal well in the Salawati Kepala Burung Production Sharing Contract (Island PSC). Recall that the well successfully reached its total vertical depth of 1,428 meters on 30 Dec 13 and drill stem tests were conducted following log analysis. Post-drill evaluation confirms that the Koi structure holds an estimated 4mmboe (net to RHP).
- Within our expectations.** We earlier anticipated that the Koi appraisal well would be successful as a separate appraisal well was drilled before in 2000 (well tested 980 barrels of oil per day (bopd) and 2.7 million standard cubic feet per day (mmscfd)).
- JV agrees to develop the oilfield.** Following the encouraging results at the Koi structure, the JV partners (RHP, PetroChina and Pertamina) have agreed to proceed with a preliminary front end engineering design (pre-FEED) study to evaluate the development design and concept for the field. During the study, a rough investment cost coupled with the technical requirements (which assets to use, which specifications etc.) will be determined.
- To submit POD to authorities after pre-FEED.** Upon completion of the pre-FEED study, RHP will incorporate the results of the study and submit a POFD to the authorities for approval to develop the Koi structure. This will lead to additional production of oil and gas for RHP.

### STOCK IMPACT

- Stock could re-rate further if POFD is approved.** Currently, we value the success at the Koi structure at S\$0.03 per share but if its POFD is approved, there could be an additional upside of S\$0.08 per share as we raise our risking factor from 50% to 100% and use US\$15.6/bbl to value the reserves compared to US\$7.8/bbl currently.

### KEY FINANCIALS

Year to 31 Dec (US\$m)	2011	2012	2013F	2014F	2015F
Net turnover	89	86	87	135	176
EBITDA	34	29	21	38	62
Operating profit	21	18	11	23	45
Net profit (rep./act.)	3	6	(12)	7	15
Net profit (adj.)	3	6	(12)	7	15
EPS (US\$ cent)	0.6	1.2	(2.0)	0.9	2.0
PE (x)	72.5	39.5	n.m.	49.8	23.3
P/B (x)	1.9	1.3	1.7	1.9	1.8
EV/EBITDA (x)	11.3	13.1	18.0	10.0	6.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	3.3	7.1	(13.9)	5.1	8.3
Net debt/(cash) to equity (%)	51.3	7.6	12.9	23.7	37.5
Interest cover (x)	19.1	13.2	10.1	10.6	12.2
ROE (%)	2.7	4.2	(6.9)	4.0	8.0
Consensus net profit	-	-	(11)	5	14
UOBKH/Consensus (x)	-	-	1.05	1.47	1.05

Source: RH Petrogas, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$0.59
Target Price	S\$1.50
Upside	+154.3%
(Previous TP	SGD1.60)

### COMPANY DESCRIPTION

RH Petrogas is an upstream oil & gas company that has exploration, development and production assets

### STOCK DATA

GICS sector	Energy
Bloomberg ticker:	RHP SP
Shares issued (m):	733.3
Market cap (SGDm):	432.6
Market cap (US\$m):	341.7
3-mth avg daily t'over (US\$m):	1.9

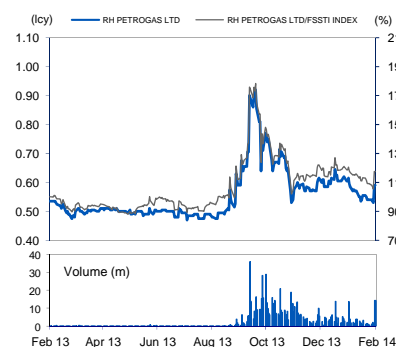
### Price Performance (%)

52-week high/low	SGD0.920/SGD0.470			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(2.5)	10.3	20.4	8.3	(2.5)

### Major Shareholders

Woodsville International	28.9
Sharptone Investments	18.1
RH Capital	16.0
FY14 NAV/Share (USD)	0.24
FY14 Net Debt/Share (USD)	0.06

### PRICE CHART



Source: Bloomberg

### ANALYST

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- **Still hopeful for an approval in China to re-rate the stock significantly.** We understand from a recent meeting with management that they are working hard to lobby for an approval with the National Development and Reform Commission (NDRC). We believe that RHP's share price could re-rate significantly if the ODP for Fuyu-1, China is approved. We currently value the oilfield at S\$467.9m/S\$0.64 a share based on our DCF valuation. This forms 40.2% of our target price.
- **Investors could also look forward to M&A activities in 2Q14.** We gathered that management may be looking to acquire additional production assets this year (one in 1H14 and one in 2H14). The acquisition, coupled with other production wells put in place, would enhance its cash-flow generating capabilities. This would remove our concerns on its cash flow if the Indonesian government does not renew its concessions in Basin and Island PSC (both are expiring in 2020).

### EARNINGS REVISION/RISK

- **Anticipating net losses for 2013 due to earlier write-offs.** We make no changes to our earnings estimates following yesterday's announcement. However, we do believe that RHP's 4Q13 results will be poor on a yoy basis due to the write-offs it made earlier last year as it wanted to be prudent in 2014F.
- **Key risks include:** a) exploration risk, b) development risk, c) production risk, d) oil price risk, e) regulatory risk, and f) acquisition risk.

### VALUATION/RECOMMENDATION

- **Maintain BUY with target price of S\$1.50 based on NPV and risking model.** Our valuation is based on the NPV of the company's current production/near-production fields, plus risked estimates of its 2C resources and prospective resources, less net debt adjusted for its committed capex and new funds raised from its recent private placement exercise.
- **Target price lowered from S\$1.60 to S\$1.50.** Essentially, we made some key changes to our target price as we have removed our valuation on Zircon since it was plugged and abandoned before this. We also include our 2014 net debt projections and RHP's latest committed capex into our assumptions, resulting in a lower target price of S\$1.50.
- **The stock should be worth at least S\$0.90 today.** Assuming if investors attach no value to its near-production asset in China, Fuyu 1, we think the downside for RHP's share price to our target price is capped at S\$0.90. We believe that this would be the minimum value that a buyer would pay RHP in an event of a takeover.
- **In a blue-sky scenario, RHP could be worth S\$2.02 in 2014 and S\$3.21 in 2015.** Based on our alternative valuation method for RHP in 2014 and 2015, by valuing RHP's assets individually, RHP could be worth S\$2.02 in 2014 and S\$3.21 in 2015. This is because its share price is likely to re-rate if its exploration and development initiatives are successful.

### SHARE PRICE CATALYST

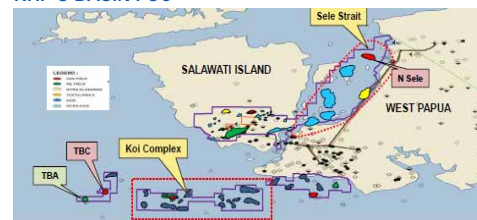
- Successful discovery of O&G in its exploration assets, as evidenced by the successful discovery at Koi-2 appraisal well.
- Final approval obtained for its overall development plan for its oilfield in China, Fuyu 1, which would result in a re-rating of S\$0.64 per share based on our DCF calculation.
- Higher-than-expected oil prices, resulting in additional revenues for RHP.

### RHP'S VALUATION TABLE (NPV AND RISKING MODEL)

	Value (SGDm)
<b>Production/Near-production</b>	
Basin PSC, Indonesia	198.4
Island PSC, Indonesia	38.9
Fuyu-1 Shallow Oil	467.9
Sub-total	705.2
<b>Development/Pre-Development</b>	
Basin PSC, Indonesia - North Klalin	49.9
Basin PSC, Indonesia - SE Walio	12.3
Island PSC, Indonesia - TBC	34.1
Island PSC, Indonesia - Koi	19.5
Island PSC, Indonesia - North Sele	27.8
Sub-total	143.6
<b>Exploration</b>	
Basin PSC, Indonesia	137.7
Island PSC, Indonesia	115.8
Fuyu-1 Deep Gas	10.1
West Belida PSC, Indonesia	1.5
SK331 PSC, Malaysia	33.8
Sub-total	298.9
<b>Total Value (SGDm)</b>	<b>1,147.7</b>
FY14 Net Debt (SGDm)	(41.6)
Minus Committed Capex (SGDm)	(71.6)
Plus Net Proceeds from Placement (SGDm)	73.1
<b>Total Equity Value (SGDm)</b>	<b>1,107.6</b>
Existing Shares Outstanding (m)	733.3
<b>NAV per Share (SGD)</b>	<b>1.50</b>

Source: UOB Kay Hian

### RHP'S BASIN PSC



Source: RHP

### PROFIT & LOSS

Year to 31 Dec (US\$m)	2012	2013F	2014F	2015F
<b>Net turnover</b>	<b>86</b>	<b>87</b>	<b>135</b>	<b>176</b>
EBITDA	29	21	38	62
Deprec. & amort.	11	10	15	18
EBIT	18	11	23	45
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	(2)	(2)	(4)	(5)
<b>Pre-tax profit</b>	<b>16</b>	<b>(3)</b>	<b>20</b>	<b>39</b>
Tax	(10)	(9)	(13)	(25)
Minorities	0	0	0	0
Preferred dividends	0	0	0	0
<b>Net profit</b>	<b>6</b>	<b>(12)</b>	<b>7</b>	<b>15</b>
Net profit (adj.)	6	(12)	7	15

### BALANCE SHEET

Year to 31 Dec (US\$m)	2012	2013F	2014F	2015F
<b>Fixed assets</b>	<b>69</b>	<b>126</b>	<b>160</b>	<b>191</b>
Other LT assets	206	206	206	206
Cash/ST investment	29	20	31	31
Other current assets	16	18	24	31
<b>Total assets</b>	<b>319</b>	<b>371</b>	<b>421</b>	<b>460</b>
ST debt	5	5	35	65
Other current liabilities	53	51	77	100
LT debt	37	37	37	37
Other LT liabilities	43	109	96	68
Shareholders' equity	181	169	176	190
Minority interest	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>319</b>	<b>371</b>	<b>421</b>	<b>460</b>

### CASH FLOW

Year to 31 Dec (US\$m)	2012	2013F	2014F	2015F
<b>Operating</b>	<b>19</b>	<b>(5)</b>	<b>39</b>	<b>39</b>
Pre-tax profit	16	(3)	20	39
Tax	(8)	(9)	(13)	(25)
Deprec. & amort.	11	10	15	18
Associates	0	0	0	0
Working capital changes	(6)	(1)	26	22
Non-cash items	0	0	0	0
Other operating cashflows	5	(2)	(9)	(15)
<b>Investing</b>	<b>(29)</b>	<b>(68)</b>	<b>(49)</b>	<b>(49)</b>
Capex (growth)	(28)	(68)	(49)	(49)
Capex (maintenance)	0	0	0	0
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(1)	0	0	0
<b>Financing</b>	<b>14</b>	<b>73</b>	<b>30</b>	<b>20</b>
Dividend payments	0	0	0	0
Issue of shares	0	73	0	0
Proceeds from borrowings	44	0	30	20
Loan repayment	(29)	0	0	0
Others/interest paid	(2)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>4</b>	<b>1</b>	<b>20</b>	<b>10</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>21</b>	<b>25</b>	<b>20</b>	<b>31</b>
Changes due to forex impact	4	(5)	(10)	(10)
<b>Ending cash &amp; cash equivalent</b>	<b>29</b>	<b>20</b>	<b>31</b>	<b>31</b>

### KEY METRICS

Year to 31 Dec (%)	2012	2013F	2014F	2015F
<b>Profitability</b>				
EBITDA margin	33.9	24.6	28.3	35.3
Pre-tax margin	18.8	(3.5)	14.5	22.4
Net margin	7.1	(13.9)	5.1	8.3
ROA	2.0	(3.5)	1.7	3.3
ROE	4.2	(6.9)	4.0	8.0
<b>Growth</b>				
Turnover	(3.4)	0.1	56.1	30.4
EBITDA	(14.0)	(27.3)	79.4	63.0
Pre-tax profit	(13.9)	(118.7)	n.a.	101.8
Net profit	108.2	(297.1)	n.a.	113.4
Net profit (adj.)	108.2	(297.1)	n.a.	113.4
EPS	83.5	(265.8)	n.a.	113.4
<b>Leverage</b>				
Debt to total capital	18.9	20.0	29.1	34.9
Debt to equity	23.4	25.0	41.1	53.7
Net debt/(cash) to equity	7.6	12.9	23.7	37.5
Interest cover (x)	13.2	10.1	10.6	12.2

## Disclosures

As of 21 February 2014, the analyst and his/her immediate family do not hold positions in the respective securities recommended in this report.

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