**BUY**

**Initiating Coverage**

**Analyst**  
Rohan Suppiah  
orohan@kimeng.com  
(65) 6432 1455

<table>
<thead>
<tr>
<th>Price</th>
<th>$0.745</th>
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<tbody>
<tr>
<td>Target</td>
<td>$1.35</td>
</tr>
<tr>
<td>ST Index</td>
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</tr>
</tbody>
</table>

**Historical Chart**

**Stock Information**

Ticker code | RHPG.SI  
RHP Sp
Market cap (US$m) | 262.8
52-week high (S$) | 0.805
52-week low (S$) | 0.460
Shares issued (m) | 455.8
6m avg d.vol (US$m) | 0.02
Free float (%) | 23.1
Major shareholders (%) |
Tiong family (69.2)  
Kim Eng (7.7)

**Key Indicators**

| ROE (%) | na |
| Net cash | S$8.9m |
| NTA (S$) | 0.304 |
| Interest cover (x) | na |

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**RH Petrogas**

A powerhouse in the making

We initiate coverage on RH Petrogas (RHP) with a BUY recommendation and target price of $1.35/share, which is based on a conservative sum-of-the-parts valuation of its oilfield assets. RHP is the Rimbunan Hijau Group’s vehicle for its ambitions into the energy sector. Formerly an electronics company called Tri-M, it has been transformed by the injection of Chinese oilfield assets, the acquisition of Orchard Energy from Temasek Holdings, and a subsequent oilfield purchase in West Papua, Indonesia. We expect RHP to cement its place as a major player in the regional upstream energy sector.

**China oilfield acquisition kick-started transformation**

RHP acquired Kingworld Resources (KRL) in 2008 for $110m from within the private holdings of the Tiong family. KRL’s primary asset is an oilfield concession in Northeast China. We conservatively estimate that this concession alone is worth a minimum of $625m, or $1.29/share, and potentially worth several multiples over this base value.

**Enter the heavy hitters**

In 2010, Orchard Energy along with its West Belida concession was acquired from Temasek Holdings. The real jewel in the crown from this deal is the inheritance of Orchard Energy’s capable management team, led by industry veteran Dr Tony Tan. RHP subsequently wasted no time in acquiring a 2,000-sq-km oilfield concession in West Papua, Indonesia, with net attributable reserves of 14.6m barrels and average attributable production of over 5,000 barrels/day.

**Ample backing from ambitious parent**

RHP is backed by the Rimbunan Hijau (RH) Group, one of the largest conglomerates in Malaysia. RH has a wide range of business interests, with timber and forestry being the mainstay. RHP is therefore able to leverage the broader capabilities and financial strength of the group. It is also likely that there will be more oilfield assets injected into RHP from the RH Group.

**Cash calls to be backed up by payoff; initiate with BUY**

We believe RHP will issue more new equity in order to finance its development plans. Under the terms of the sale of Orchard Energy, Temasek may also become a significant shareholder of RHP if it chooses to subscribe to the new equity. In addition, RHP can lean on the considerable financial resources of the RH Group, as evidenced by its West Papua oilfield acquisition.
Total transformation

From electronics to energy
RH Petrogas (RHP) was formerly an electronics manufacturing company called Tri-M. Listed on the then Stock Exchange of Singapore (now called Singapore Exchange or SGX) in 1993, it was dealt a severe blow in the mid-1990s through its exposure to the turbulent disk drive sector. After four years of dismal performance, some of its original shareholders sold their stake via a general offer to an investment group led by Dr Tiong Ik King. The latter is a member of the Tiong family that controls the Rimbunan Hijau (RH) Group, one of the largest conglomerates in Malaysia. Tri-M continued to focus on its electronics business for the next 10 years, all the while contending with difficult operating conditions. This also resulted in its being placed on the SGX watch list since March 2008.

In July 2008, the major shareholders decided to marginalise the loss-making electronics business and use the listed vehicle to enter the upstream energy market. This was done by acquiring the entire issued share capital of a company known as Kingworld Resources Ltd (KRL), whose primary asset is an oilfield concession in Northeast China. KRL was acquired from the private holdings of the Tiong family for $110m through a consideration of $20m in cash and 112.5m new shares issued by Tri-M, priced at $0.80/share. The new shares are currently held in a company called Sharptone Investments. The majority shareholders have also converted a shareholder’s loan of $12m into equity, also at $0.80/share, for another 15m new shares.

Figure 1: Share issue for the acquisition of KRL

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<tr>
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<th>Before completion</th>
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<th>After completion</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>%</td>
<td>Number of shares</td>
<td>%</td>
</tr>
<tr>
<td>Total shares</td>
<td>273,821,443</td>
<td>100</td>
<td>401,321,443</td>
<td>100</td>
</tr>
<tr>
<td>Woodsville*</td>
<td>187,889,486</td>
<td>68.6</td>
<td>202,889,486</td>
<td>50.6</td>
</tr>
<tr>
<td>KRL’s vendors**</td>
<td>0</td>
<td>0.0</td>
<td>112,500,000</td>
<td>28.0</td>
</tr>
<tr>
<td>Public</td>
<td>85,931,957</td>
<td>31.4</td>
<td>85,931,957</td>
<td>21.4</td>
</tr>
</tbody>
</table>

*Woodsville International Ltd is the ultimate holding company of Surreyville Pte Ltd, which holds the 187.9m shares in RHP. Woodsville, in turn, is 55% held by Tan Sri Datuk Sir Tiong Hiew King and 45% owned by Dato’ Sri Dr Tiong Ik King.
**KRL’s vendors are family members of the major shareholders. Its 112.5m new shares are currently held in a company called Sharptone Investments.
Source: Company

More new shares in September 2009
In September 2009, Tri-M executed another placement of 54.5m new shares at a price of $0.80/share in a bid to raise working capital to develop the China oilfield. The placement thus increased its total number of issued shares to 455.8m ordinary shares, and raised $41.6m in net proceeds less expenses.

Woodsville and Sharptone, the two major shareholders, have since had their shareholdings diluted to 44.5% and 24.7%, respectively. Kim Eng Securities, which subscribed to 35.2m shares, is now a 7.7% shareholder.

Figure 2: Current major shareholders

<table>
<thead>
<tr>
<th></th>
<th>Before completion</th>
<th></th>
<th>After completion</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>%</td>
<td>Number of shares</td>
<td>%</td>
</tr>
<tr>
<td>Total shares</td>
<td>401,321,443</td>
<td>100</td>
<td>455,821,443</td>
<td>100</td>
</tr>
<tr>
<td>Woodsville</td>
<td>202,889,486</td>
<td>50.6</td>
<td>202,889,486</td>
<td>44.51</td>
</tr>
<tr>
<td>Sharptone Investments</td>
<td>112,500,000</td>
<td>28.0</td>
<td>112,500,000</td>
<td>24.68</td>
</tr>
<tr>
<td>Kim Eng Securities</td>
<td>0</td>
<td>0</td>
<td>35,175,000</td>
<td>7.72</td>
</tr>
<tr>
<td>Public</td>
<td>85,931,957</td>
<td>21.4</td>
<td>105,256,957</td>
<td>23.1</td>
</tr>
</tbody>
</table>

Source: Company
New name, new focus
To reflect its new business focus, Tri-M officially changed its name to RH Petrogas in December 2009. The name change aligns the revamped entity closer to its new core business, especially as and when it makes further inroads into the oil and gas sector. It also further identifies it with the RH Group.

Heavy hitters come on board
In June 2010, RHP completed the acquisition of Orchard Energy from Temasek Holdings. The main asset in Orchard Energy’s portfolio is the West Belida oilfield concession in Sumatra, Indonesia, which has yet to be developed. However, the real jewel in the crown from this deal is the inheritance of Orchard Energy’s capable management team, led by industry veteran Dr Tony Tan.

Subsequently, RHP’s new team wasted no time in acquiring two producing oilfield concession in West Papua, also in Indonesia. Located at the “Kepala Burung” peninsula, RHP’s share of these concessions total a combined 2P reserves of around 14.6m barrels of oil equivalent, and an average production of 5,080 barrels of oil equivalent per day that is attributable to RHP

The acquisition of a producing oilfield is targeted to bolster earnings and to take advantage of relatively cheap upstream asset prices in anticipation of higher crude oil prices in the future. Dr Tan and his team are currently on the lookout for more such acquisitions. They are also bringing a fresh perspective towards developing the Fuyu concession in China.

Figure 3: RHP’s oilfield assets

Source: Company
Cash flow expected to accelerate
In the past year, RHP has been utilising the cash that was raised from its share placement to develop the Yong Ping Oilfield in China. The acquisition of Orchard Energy also entailed very little cash upfront.

In the near term, RHP is expected raise further cash from bank and shareholder financing for its West Papua oilfield acquisition. Unlike the Yong Ping Oilfield, the West Papua oilfield will immediately be able to deliver positive cash flow as it is already producing at a level capable of covering its own ongoing production and exploration costs, as well as generate a return for RHP.

Going forward, RHP is still expected to utilise cash for further development of Yong Ping Oilfield. But as the oilfield enters the production stage by 2012, it is expected to be self-financing. The positive payback for the shareholders should flow through from 2014 onwards and should accelerate significantly thereafter.

As for West Belida in Sumatra, we do not expect to see significant production until 2015 at the earliest.
Business analysis

China oilfield the primary asset
KRL’s primary asset is that it holds the rights for the development and production of crude oil from the Fuyu 1 Block in Songliao Basin in Jilin Province, China. KRL has a production sharing contract (PSC) with China National Petroleum Corp (CNPC). The block has an area of 254.9 sq km, or about a third of the size of Singapore.

Figure 4: Fuyu 1 Block in Jilin Province is about a third of Singapore’s size

Capital required to develop Fuyu 1 Block
Under the terms of the PSC, KRL will be required to commit capital for all of the concession’s evaluation costs, which it estimates at $60-80m over the three-year phase, effective from February 2008. The field is then expected to be self-funding when it enters the development phase from 2011-13 (Figure 5), with total evaluation and development expenditure estimated at around $135m. Whatever oil revenue derived during this period will be split 30:70 between KRL and CNPC.
Following this, the concession will enter into the production phase, which will be the subsequent 20 years after development. Under the PSC, KRL is then allowed to recover the costs incurred during the evaluation and development phases from the first 65% of the oil revenue stream during the initial production period. The remaining 35% will be split 49:51 between KRL and CNPC. When the initial costs have been covered, the 49:51 split of the total oil revenue remains in place, less production costs.

KRL intends to drill some 2,500 wells over the 20-year life of the contract, with 260-300 wells up to 2011 during the evaluation and development periods. Currently, the project has 98 wells drilled at Fuyu. At an estimated cost of $200,000 per well, this translates roughly to the initial funding requirements of $60-80m. Subsequent to this, its production costs should be able to be funded by its own operating cash flow generated from the proceeds from the sale of crude. Of the 98 wells drilled, 80 are currently producing one tonne per day of heavy oil.

Figure 5: Timeline for the production sharing contract* (PSC)

<table>
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<tr>
<th>Stage</th>
<th>Time frame</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation period</td>
<td>Year 1-3 (from Feb 08)</td>
<td>Pure cash outlay, borne by KRL, with no production</td>
</tr>
<tr>
<td>Development period</td>
<td>Before obtaining production approval</td>
<td>Cash outlay still borne by KRL, with minor production</td>
</tr>
<tr>
<td>Production period</td>
<td>20 years following development</td>
<td>Production costs split between CNPC and KRL, and KRL claims back initial development costs</td>
</tr>
</tbody>
</table>

*Total duration of contract is not to exceed 30 years.
Source: Company data

Purchase consideration at a discount

RHP’s rationale for acquiring KRL was primarily based on the oil estimates and evaluations for the Fuyu 1 Block done by external consultants Gaffney, Cline & Associates (GCA) in December 2008. GCA is an international advisory firm which provides integrated technical and managerial services, as well as independent advice, to all sectors of the oil and gas industry. It has 40 years of experience in the industry.

Based on GCA’s initial report, which builds in a significant amount of conservatism, the entitlement to KRL, net of production costs, should be around 34m equivalent barrels of oil over the 20-year production period. GCA further estimates that, discounted to present value, this would translate to an expected monetary value of US$160-230m ($220-330m) for KRL. The total acquisition consideration totalling $122m for KRL is therefore a sharp discount to this appraised value.

Figure 6: GCA’s estimates with regard to Fuyu 1 Block

<table>
<thead>
<tr>
<th>Stock Tank Oil Initially In Place (m tonnes)</th>
<th>Low</th>
<th>Best</th>
<th>High</th>
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<tbody>
<tr>
<td>Stock Tank Oil Initially In Place (m equiv. barrels)</td>
<td>11.4</td>
<td>41.1</td>
<td>97.1</td>
</tr>
<tr>
<td>Stock Tank Oil Initially In Place (m tonnes)</td>
<td>75.6</td>
<td>272.2</td>
<td>642.5</td>
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<tr>
<td>Gross contingent resources* (m tonnes)</td>
<td>1.9</td>
<td>10.5</td>
<td>29.6</td>
</tr>
<tr>
<td>Net entitlement to KRL** (m tonnes)</td>
<td>0.9</td>
<td>5.1</td>
<td>14.4</td>
</tr>
<tr>
<td>Net entitlement to KRL (m equiv. barrels)</td>
<td>6.0</td>
<td>34.0</td>
<td>95.6</td>
</tr>
</tbody>
</table>

*Based on extractable assumptions.
**Based on KRL’s 49% share.
Source: Company data
Further verification from China ministry
Subsequent to this broader valuation, RHP announced the results of a more detailed evaluation on part of the concession block. In September 2009, China’s Ministry of Land and Resources verified CNPC’s evaluation results for three sub-oilfields within the Fuyu 1 Block. These oilfields are designated JF229, JF208 and JF221, and have collectively been renamed Yong Ping Oilfield.

The three sub-oilfields of Yong Ping, which cover 25.44 sq km of the total contract area block of 254.9 sq km (or just 10% of its total concession area), has been verified to have proven petroleum geology reserves of 25.93m tonnes, technically exploitable reserves of 9.1m tonnes, and economically exploitable reserves of 8.11m tonnes. If we factor in the total size of the concession, this evaluation has the potential to be significantly higher than the GCA best estimate of 10.5m tonnes.

Economically exploitable reserves have market value of US$3.9b
If we value just the economically exploitable reserves of 8.11m tonnes, this translates to the equivalent of 53.5m barrels of oil for Yong Ping Oilfield alone. At the current spot oil price of US$81 per barrel and taking a 10% discount on this to factor in the lower quality of the heavy crude produced at Yong Ping, this 8.11m tonnes would be worth about US$3.9b.

Enhanced oil recovery required for heavy oil
KRL further estimates the cost of production to be around US$30 per barrel, including exploration costs. We think this is a fair estimate, considering that onshore breakeven for less complicated geological extraction such as the Middle East is US$10-15 per barrel, while deepwater offshore breakeven is about US$40 per barrel.

The higher-than-average production cost takes into account enhanced recovery methods that have to be adopted for China’s oilfields in order to maximise the extraction of heavy crude oil, which is more viscous.

In the case of the Yong Ping Oilfield, RHP will mainly use the Cyclic Steam Stimulation technology, or the Huff ‘n’ Puff method. This consists of three stages – injection, soaking and production. Steam is first injected into a well to heat the oil in the surrounding reservoir to a temperature at which it flows, and then left to soak, typically not more than a few days. The crude oil is then extracted, at first by natural flow caused by the increased pressure from the steam injection, and then by artificial lift, i.e., physically pumped out. Production will decrease as the oil cools down, and the process may then be repeated.

It is quite common for wells to be put through Huff ‘n’ Puff for a few cycles before utilising steam flooding, as Huff ‘n’ Puff is typically only able to recover approximately 20% of the original oil-in-place (OOIP), compared to steam flooding which can recover over 50% of OOIP.

RHP currently uses a modified version of Huff ‘n’ Puff, injecting a combination of steam and nitrogen simultaneously. The team has tried various ratios of steam and nitrogen in order to improve the results.
Other methods could be considered
In a steam flooding, some wells are used as steam injection wells and others for oil production. As with the Huff ‘n’ Puff method, the steam raises the temperature of the oil and thereby decreases its viscosity so that it flows more easily across the underground formation towards the producing wells. The pressure also displaces the oil, pushing it in the direction of the production wells.

RHP is also mulling other enhanced oil recovery methods across the entire Fuyu 1 Block. These include polymer injection and microbial injection, depending on the conditions of the block.

Net value attributable to RHP is already over S$600m
With potential revenue of US$3.9b, less production costs of US$1.6b (based on US$30 per barrel), EBIT profit would total US$2.3b, or S$3.0b. Assuming an average tax rate of 25% and further discounting this value over the 20-year production life cycle commencing from 2012, this would yield a present value of S$1.2b. Finally, factoring in RHP’s estimated share of around 49%, the value attributable to it is approximately S$586.2m, or S$1.29 per RHP share. This is also much higher than RHP’s current market capitalisation of S$339.6m.

Figure 7: Verified reserves worth at least S$1.29 per share

<table>
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<tr>
<th>Base assumptions</th>
<th>6.6</th>
<th>81.0</th>
<th>30.0</th>
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<tr>
<td>Conversion factor from tonnes to barrels (x)</td>
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</tr>
<tr>
<td>Market crude benchmark per barrel (US$)</td>
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<td></td>
<td></td>
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<tr>
<td>10% discount for heavy crude per barrel (US$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated production cost per barrel (US$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$/S$ exchange rate</td>
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<table>
<thead>
<tr>
<th>JF229, JF208 and JF221 oilfields</th>
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</thead>
<tbody>
<tr>
<td>Proven reserves</td>
<td>25.9</td>
<td>171.7</td>
<td>12,513.8</td>
<td>5,149.7</td>
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<tr>
<td>Technically exploitable reserves</td>
<td>9.1</td>
<td>60.2</td>
<td>4,391.6</td>
<td>1,807.3</td>
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<tr>
<td>Economically exploitable reserves</td>
<td>8.1</td>
<td>53.7</td>
<td>3,913.9</td>
<td>1,610.6</td>
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</tbody>
</table>

| Source: Company data, Kim Eng estimates                                        |     |      |      |      |

More to come
Furthermore, we have not yet even factored in the remaining 90% of the total contract area which is included in the concession, nor the technically exploitable reserves. Based on this very conservative approach, KRL’s concession is worth significantly more than its current market valuation.

Assumptions have high variance
A note of caution: These initial numbers are based on current assumptions for oil price, production costs and extraction rate, which are still highly variable. However, they look extremely promising. Following government approval based on this evaluation, RHP is now proceeding with its overall development plan and production schedule.
Cash flow still negative for now
The evaluation phase will see almost all cash outflow from KRL to finance operations. As mentioned, RHP will start to derive some revenues from the development period and will be entitled to 30% of oil revenues. However, the amount of crude oil extracted during this phase is not expected to be significant enough to defray operating costs, and KRL may continue to experience negative cash flow. It has produced some 2,200 tonnes of oil for FY10, some of which were used for steam generation for the ongoing work at the oil field.

KRL has also submitted the development plan for the Yong Ping Oilfield to the relevant authorities and final approval is expected in mid-2011, after which KRL can commence commercial production. During the production phase, we expect the earnings profile to correlate with the amount of crude oil being produced. Figure 8 is a graphical estimate of the daily output of Fuyu 1 Block over the next 20 years, as prepared by GCA. Production is expected to start to pick up during the production phase from 2015 onwards.

Figure 8: Estimated daily output of Fuyu 1 Block over the next 20 years

![Graphical estimate of daily output of Fuyu 1 Block over the next 20 years](image)

Note: 1C, 2C and 3C refer to different scenarios under different contingent resources assumptions.
Source: Company data

World oil outlook – fossil fuels to remain energy mainstay
The outlook for fossil fuels remains positive. The International Energy Agency (IEA) forecasts that world energy consumption is expected to grow by an annual CAGR of 1.5% over the next 20 years to 2030. Furthermore, IEA estimates that fossil fuels will still account for 77% of the 40% increase in global energy demand from 2007 to 2030, despite the focus on more renewable energy in the light of the climate change issue. Crude oil demand alone is expected to rise from 85m barrels per day in 2008 to 88m barrels per day in 2015 and 105m barrels per day in 2030.
New fields need to be developed to meet this demand
To cope with the demand, sustained investment is needed mainly to combat the decline in output at existing fields, which will drop by almost two-thirds by 2030, according to current production schedule forecasts. It is therefore inevitable that the world will continue to develop new oilfield resources to support this demand. This need to balance demand with supply will also provide support for the price of crude oil.

China’s oil demand will fuel prospects
China itself will be a strong source of energy demand over the next 20 years. IEA estimates that non-OECD countries will account for 75% of the increase in global demand between 2009 and 2035, driven largely by China, which will account for roughly a third of this growth. As the world’s second-largest consumer of oil after the US, China is the world’s fifth-largest producer with the shortfall made up by oil imports. It is also therefore in China’s own interests to develop its domestic crude oil resources to their fullest potential.
China domestic production stalled

Despite the overwhelming growth in domestic demand, China recently reported that its annual crude production fell for the first time in 2009. It produced some 189.5m tonnes in 2009, which was down 0.5% versus 2008. Part of the reason for this shortfall was that some of its eastern oilfields, primarily its flagship Daqing field, were losing momentum due to underinvestment, in particular in enhanced oil recovery which is required for heavy crude.

Fuyu to rise in prominence to match domestic demand

KRL’s Fuyu 1 Block oilfield, which is located in the Fuyu Reservoir of the Songliao Basin 150km south of Daqing, is slated to be a prime area of development in order for China to boost its domestic output. We therefore expect a significant ramp-up of production and prominence for the Songliao Basin in the coming years.

Further inroads with Orchard Energy acquisition

In early December 2009, RHP announced that it had agreed to buy Orchard Energy, a wholly-owned indirect subsidiary of Temasek Holdings. Orchard Energy is engaged in investment in energy exploration and development, and holds a 94% interest in a production sharing contract (PSC) for the 1,406.94-sq-km West Belida Block in Jambi, South Sumatra. The PSC was awarded in May 2009. With the deal, RHP also inherited Orchard Energy’s management team (more details below).
**RHP to develop West Belida over the next six years**

The consideration for the purchase will range between S$351,000 and S$371,000, versus a net asset value of S$317,824. The purchase itself can be funded by RHP’s existing cash. However, under the terms of the PSC, Orchard Energy must carry out exploration of the area and must commit US$5.7m towards this. Another US$100,000 in expenditure commitment for the first year has already been fulfilled. RHP also has to issue a performance bond of US$1.5m to replace Orchard Energy’s previous bond under Temasek.

The PSC is for a 30-year term from 5 May 2009, with exploration and evaluation for six years and an option to extend for another four years. It is automatically terminated if no viable resources are discovered. But if the PSC is not terminated by the end of the third year, a further US$8m is estimated to be required.

If petroleum or natural gas is discovered, the contractor will have to share the production with the Indonesian government according to an agreed mechanism stated in the PSC.

**Key asset is Orchard Energy’s management team**

The West Belida concession aside, we are of the opinion that the key development from the acquisition of Orchard Energy is the inheritance of its management team, which has been handpicked by Temasek Holdings. We believe the team will bring a new level of experience to RHP and will significantly increase the company’s chances of success.

**Industry veteran in the driver’s seat**

With the acquisition of Orchard Energy, RHP gets a seasoned veteran in Dr Tony Tan as chief executive officer. Temasek had hired Dr Tan in April 2008 specifically to head Orchard Energy, which was supposed to be its primary vehicle for investing in offshore oil and gas projects. However, we understand that it then decided to mute its original interest in the energy sector; hence the divestment of Orchard Energy and its assets to RHP.
Dr Tan brings to RHP more than 30 years of international petroleum exploration experience. Prior to his appointment at Orchard in 2008, he was Singapore Petroleum Company’s (SPC) Senior Vice-President, Upstream-Midstream and Strategic Planning since August 2000. He was responsible for the successful development, acquisition and overall operations and performance of SPC’s upstream-midstream business. During his tenure, SPC’s upstream business grew from nothing to revenues of over $300m.

Prior to SPC, he was the chief executive at Gaffney, Cline & Associates, Asia Pacific. Dr Tan holds a Bachelor of Science degree in Geology from the University of Malaya, Master of Science from Carleton University, Canada, and a PhD in Geology from the University of Calgary.

**Figure 13: RHP’s key operational management**

<table>
<thead>
<tr>
<th>Personnel</th>
<th>Position</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Tony Tan</td>
<td>CEO</td>
<td>Joined June 2010. Formerly CEO of Orchard Energy and SVP (E&amp;P) of SPC. Has over 30 years of experience</td>
</tr>
<tr>
<td>Francis Cheng</td>
<td>VP, Exploration &amp; Production</td>
<td>Joined June 2010. China oilfield specialist. Has over 30 years of experience</td>
</tr>
<tr>
<td>Samuel Cheong</td>
<td>VP, Commercial</td>
<td>Joined June 2010. Former commercial director of Orchard Energy. Has over 20 years of experience</td>
</tr>
</tbody>
</table>

Source: Company

**Future plans – more concessions from Tiong family**

In addition to these two concessions, the Tiong family holds several other oilfield concessions in various parts of Asia. These were secured through its other business involvements. We understand that the family holds at least one concession in Papua New Guinea. Our guess is that RHP will be used as the vehicle to develop these concessions to full production.

**Exploring mid-cycle upstream assets**

RHP is also keen on acquiring regional oilfield assets that are already producing so as to have a more balanced portfolio. The rationale its that producing assets will have a steady revenue stream that can generate funding for its overall E&P requirements, as well as income that will allow RHP to be taken off SGX’s watch list sooner rather than later.

**Buying assets while prices are relatively cheap**

We also believe that acquiring oilfield assets that are currently producing makes sense at this juncture – with the recent ebb of global crude oil prices, the average cost of acquisition for these fields fell to around US$5 per barrel of offshore proven reserves, off its peak of US$20-25 per barrel. Currently, the market price stands at around US$15-20 per barrel, which could provide significant upside if oil prices rise further on the strength of global economic recovery.

**West Papua acquisition a good deal**

RHP has not wasted any time in this regard. In September 2010, it executed two sales and purchase agreements to acquire interests in two separate oilfield concessions near each other in West Papua, Indonesia. Following shareholder approval and completion in December 2010, it now owns stakes in two PSCs termed the Island PSC and the Basin PSC. The Island PSC has been in production for 15 years and the Basin PSC, 40 years.
Combined, both concessions are estimated to yield the company some 5,080 barrels of oil a day, or over S$150m in revenue annually. At the purchase price of US$73.8m, RHP has bought a 60% stake in the Kepala Burung concession and a 33.2% stake in the Salawati Kepala Burung concession. These fields in West Papua, Indonesia, have a combined attributable 2P reserve of 14.6m barrels. According to management, this works out to an effective price of around US$6 per barrel (before E&P costs). The concessions for both fields are valid until 2020, when the current PSC expires. However, there is still upside to this as new prospects and leads in the concession areas are looking promising.

The purchase will be funded by reserve base financing, which is a bank loan based on the fields’ reserves. RHP’s major shareholders are also putting up a shareholder loan of up to US$50m to support the acquisition. We see this as a good deal for RHP as the revenue from these producing fields will allow the company to record earnings in the near future, which will help to get it off the SGX’s watch list.

However, management explained that, although under the sales agreement, RHP is able to consolidate the revenue from the fields as of 1 January 2010, the earliest the numbers can be consolidated into its accounts is as of June 2011 for its 1H11 reporting, subject to audit approval.
US$150m in net cash flow over the next 10 years

Under the terms of the current PSC, RHP should be able to generate some US$150m in cumulative net cash flow over the next 10 years, according to our conservative estimates. Our key assumption is that benchmark Brent Crude oil prices should stay at US$91 per barrel on average during this period, close to their current trading price. We believe this estimate is sufficiently conservative, given that crude oil prices are highly likely to trade closer to US$100 per barrel in the medium term on growing fuel demand and depletion of current oilfields.

Discounted to present value, this future cash flow is worth around US$100m, which yields a 36% return from the total purchase price of US$73.8m. We also see upside to this – our sensitivity analysis indicates that every US$5 per barrel increase in the average crude oil price assumption lifts RHP’s cash flow by 18.2%.

Figure 15: Production profile for the last 10 years

More pressure on balance sheet

As mentioned, we estimate that RHP needs to invest $60-80m to fulfil its commitments at the Fuyu 1 Block project in China, with little payback for the next three years. It has plans to drill 60 wells in FY10 and 120-150 wells in FY11.

The acquisition of the West Belida concession puts a further strain on its balance sheet, as it needs to commit some $10-20m of capital to the project.

Fortunately, the acquisition of the Basin and Island blocks in West Papua is being financed by reserve financing, and the capital and interest repayments will be covered by the revenue generated from the oilfield production revenues.

But such is the nature of resource exploration, which is both capital intensive and has need of a long gestation period. The potential payoff in the long term, however, is extremely lucrative. For example, SPC did not turn a profit when it entered the upstream business for around five years, but was able to generate operating profit margins of 65%, even with softer crude oil prices.
Cash calls – raising money to make more money
We also note the possibility that KRL will need to raise further cash to fund its projects. It can do by issuing more new equity (rights issue or sale of new shares), via debt instruments and/or external bank borrowings.

Fuyu 1 Block has an estimated total capex budget of $135m over the next three years, of which $60-80m needs to be funded out-of-pocket initially by RHP. As for the acquisition of Orchard Energy, the initial purchase price was not a large sum and will be financed by internal resources. However, with the potentially large capital outlay involved in developing the field without revenues to offset this in the near term, additional funding requirements appear inevitable. RHP will also need more cash as it is on the lookout for opportunistic oilfield acquisitions.

RHP shareholders could therefore face a significant amount of dilution if the company should decide to issue more shares to fund its cash requirements. However, we believe the funds raised will be used prudently to enhance value and to execute its business plan.

Temasek could become a shareholder
Under the terms of the Orchard Energy divestment, if RHP decides to raise funds through new equity, it must offer Temasek a minimum of 5% and a maximum of 10% of the total number of new shares to be issued. Temasek is, however, not obligated to subscribe. However, we believe RHP will continue to receive the support of Temasek, as evidenced by the sale of Orchard Energy itself. The possible involvement of Temasek as a shareholder is highly positive for the stock.

And, not insiginificantly, further cash calls will almost certainly be supported by the RH Group.
Rimbunan Hijau Group: Deep pockets to match ambitions

RHP is latest leg of RH Group’s vast empire
RHP now represents the RH Group’s vehicle for its strong ambitions into the upstream energy sector. It has the full and considerable financial backing from its majority shareholders, and can leverage the resources of the broader group. The KRL injection was done on the back of this and, as mentioned, we expect more assets to be injected into RHP from the group.

The RH Group itself is a multinational, diversified conglomerate headquartered in Sibu, Malaysia. Controlled by the family of Tan Sri Datuk Sir Tiong Hiew King, it has a wide array of business interests, spanning such diverse ventures from timber and forestry to aquaculture.

Figure 16: Rimbunan Hijau Group structure

Source: Rimbunan Hijau website
The group’s businesses can be categorised into five main divisions as follows.

1. **Forestry, timber operations and reforestation**
The RH Group is a leading player in the global forestry and timber business. It has operations in Malaysia, Papua New Guinea, New Zealand, Russia, Equatorial Guinea and Gabon. While most of the businesses is privately held, it is also the controlling shareholder of two mainboard-listed companies in Kuala Lumpur, namely, Jaya Tiasa Holdings Bhd and Subur Tiasa Holdings Bhd.

Jaya Tiasa’s principal activities are the manufacturing and distribution of timber products, which include round logs, plywood, rotary veneer, sawn timber, blockboard, film overlay plywood, sliced veneer, spliced veneer, fancy plywood, laminboard and floorbase. It also provides air transportation and management services as well as investment holding, and has ventured into oil palm plantations and planted forests.

Subur Tiasa’s principal activities are investment holding, extraction and sales of logs, manufacturing of plywood, veneer, raw and laminated particleboard, sawn timber, finger joint moulding, power generation, reforestation, cultivation of oil palm and marine transportation.

2. **Oil palm plantations**
The RH Group owns more than 120,000ha of planted palm oil plantations together with four palm oil mills in Sarawak. It has a further landbank of approximately 400,000ha. It is the controlling shareholder of Rimbunan Sawit Bhd, a mainboard-listed company in Kuala Lumpur.

3. **Newspaper and magazine publication**
Media Chinese International, a mainboard-listed company in both Hong Kong and Kuala Lumpur, is one of the largest global media groups in Chinese language. It publishes five daily newspapers in 15 editions with over 1m copies a day, one free daily newspaper, over 30 magazines and various online operations across cities in Southeast Asia, China and North America. It is also the controlling shareholder of One Media Group Ltd, a mainboard-listed company in Hong Kong. Through Media Chinese, the RH Group controls Sin Chew Daily, Nanyang Siang Pau, Guang Ming Daily and China Press, four of the major Chinese national dailies in Malaysia; as well as Ming Pao Daily News in Hong Kong, Toronto, Vancouver and New York. The group also owns the National Daily newspaper in Papua New Guinea through its private arm.

4. **Information technology**
The RH Group is involved in the production of optical fibers, optical cables and associated devices and accessories. It has the licenses of Network Facility Provider, Network Service Provider and Application Service Provider in Malaysia.

5. **Others**
The group also has extensive investments in a number of other industries, including mining, hospitality, biotech, toll road operation and tourism.
**One of the largest conglomerates in Malaysia**

The market value of the RH Group’s investments in five listed companies is approximately RM2.3b. Forbes magazine puts Tan Sri Datuk Sir Tiong Hiew King’s wealth at US$1.2b, ranking him 10th among Malaysia’s richest men in 2010. But we think there could be significant underestimation because the bulk of his wealth is from unlisted businesses, especially timber. Politically, the Tiong family is well-connected, especially in their home state of Sarawak. His brother Tiong Thai King is also the Member of Parliament for the Lanang seat in Sarawak.

**Figure 17: Summary of Rimbunan Hijau’s main business activities**

<table>
<thead>
<tr>
<th>Industries</th>
<th>Activities</th>
<th>Listed companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forestry</td>
<td>• Upstream and downstream timber operations</td>
<td>1. Jaya Tiasa Holdings Berhad</td>
</tr>
<tr>
<td></td>
<td>• Reforestation</td>
<td>2. Subur Tiasa Holdings Berhad</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil palm plantations</td>
<td>• Plantation and processing operations</td>
<td>1. Rimbunan Sawit Berhad</td>
</tr>
<tr>
<td>Media</td>
<td>• Newspaper and magazine publication</td>
<td>1. Media Chinese International Ltd</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICT</td>
<td>• Information communication technologies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Hardware and software</td>
<td></td>
</tr>
<tr>
<td>Hospitality</td>
<td>• Hotel operations</td>
<td>1. EON Capital Berhad</td>
</tr>
<tr>
<td></td>
<td>• Tourism and leisure ventures</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>• Property development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Trading and retail services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Plastic manufacturing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Aquaculture</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Biotech</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Oil and gas</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mining</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Toll road collection</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Tyre retreading</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Insurance services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Education (learning Mandarin) – Zhong Hua Han Yu</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Human capital development – Rimbunan Hijau Academy</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company

<table>
<thead>
<tr>
<th>Listed company</th>
<th>Bloomberg ticker</th>
<th>Stake (%)</th>
<th>No. of shares (m)</th>
<th>Price (RM)</th>
<th>Value (RM m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EON Capital Berhad</td>
<td>EON MK</td>
<td>17.1</td>
<td>118.6</td>
<td>6.99</td>
<td>829</td>
</tr>
<tr>
<td>Jaya Tiasa Holdings Berhad</td>
<td>JT MK</td>
<td>28.4</td>
<td>75.8</td>
<td>4.70</td>
<td>356</td>
</tr>
<tr>
<td>Subur Tiasa Holdings Berhad</td>
<td>STH MK</td>
<td>49.7</td>
<td>93.8</td>
<td>2.30</td>
<td>216</td>
</tr>
<tr>
<td>Rimbunan Sawit</td>
<td>RSAW MK</td>
<td>52.8</td>
<td>67.7</td>
<td>2.03</td>
<td>137</td>
</tr>
<tr>
<td>Media Chinese International</td>
<td>685 HK</td>
<td>53.2</td>
<td>896.5</td>
<td>0.86</td>
<td>771</td>
</tr>
<tr>
<td><strong>Total listed investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>2,309</strong></td>
</tr>
</tbody>
</table>

Source: Bloomberg
**Figure 19: No. 10 on Forbes’ 2010 Malaysia’s richest list**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Net worth (US$m)</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Robert Kuok</td>
<td>12,000</td>
<td>86</td>
</tr>
<tr>
<td>2</td>
<td>Ananda Krishnan</td>
<td>8,100</td>
<td>72</td>
</tr>
<tr>
<td>3</td>
<td>Lee Shin Cheng</td>
<td>4,600</td>
<td>71</td>
</tr>
<tr>
<td>4</td>
<td>Lee Kim Hua</td>
<td>3,900</td>
<td>81</td>
</tr>
<tr>
<td>5</td>
<td>Quek Leng Chan</td>
<td>3,850</td>
<td>69</td>
</tr>
<tr>
<td>6</td>
<td>Teh Hong Piow</td>
<td>3,800</td>
<td>80</td>
</tr>
<tr>
<td>7</td>
<td>Yeoh Tiong Lay</td>
<td>2,500</td>
<td>80</td>
</tr>
<tr>
<td>8</td>
<td>Syed Mokhtar AlBukhary</td>
<td>1,700</td>
<td>58</td>
</tr>
<tr>
<td>9</td>
<td>Vincent Tan</td>
<td>1,600</td>
<td>58</td>
</tr>
<tr>
<td>10</td>
<td>Tiong Hiew King</td>
<td>1,200</td>
<td>75</td>
</tr>
</tbody>
</table>

*Source: http://www.forbes.com/2010/05/25/malaysia-richest-robert-kuok-wealth-malaysia-rich-10_land.html*

**Thorny issue of getting off the SGX watch list**

RHP was placed on the SGX watch list on 5 March 2008 when it was still operating as Tri-M. This list highlights companies that fail to meet the listing criteria as stated in Rule 1311 of the SGX listing manual. Specifically, Tri-M had posted three years of consecutive losses and so was put on the SGX watch list.

RHP was granted an extension of its original deadline of 4 March 2010 to restore its financial health as stipulated by SGX rules, failing which the exchange may either de-list the company or suspend trading with a view to eventually de-listing the company. With the completion of the West Papua oilfield concessions, these are set to be consolidated into RHP’s accounts, subject to the audit report. The earnings to be reported are expected to be sufficient to have RHP removed from the watch list, according to management.

**Valuation matrices**

**Expect losses for now but circumstances remain highly variable**

Our current forecasts indicate that we expect KRL to report accounting losses for the next two years. This is because we have assumed intensive capital outlay and costs to develop the Fuyu 1 Block, with conservative forecasts for revenues generated from crude oil production.

As for the West Papua PSCs, the earnings profile is expected to be relatively steady as it is already in the production phase. However, we expect to see acceleration in earnings in about three years based on its current schedule for drilling new production wells.

Our forecasts are also likely to be highly variable, particularly in view of further capex needed to develop West Belida and for potential acquisitions. At any rate, our forecasts are mainly for indication, with a time frame of just two years forward. In other words, this is not a true reflection of RHP’s positive long-term prospects, and we are valuing the stock on an asset value basis.

**Conservative fair value pegged at $1.35/share**

We are using a modified sum-of-the-parts methodology to value RHP. The key components are our estimated fair value of just the verified sub-blocks of JF229, JF208 and JF221 of the Yong Ping Oilfield and the discounted cash flow of the West Papua PSC over the concession’s life of the next 10 years. We attribute no
value at this time to the West Belida Block or the remaining blocks at Fuyu. Net debt is also deducted from the sum-of-the-parts value, which includes the assumption of $100m in reserve base financing for the West Papua acquisition. This yields us a net value of $1.35/share, which serves as our target price.

As discussed above, even if we factor in the possibility of a further 30% dilution from capital raising through the placement of new shares at the current share price, this will raise a further $131m in cash, with the resulting dilution yielding a value of $0.93/share, or 31% upside from its current share price.

**High upside as concessions get verified progressively**

There also could be tremendous upside to this fair value as and when further sub-blocks amounting to 90% of the total Fuyu concession get verified. Furthermore, the potential value of the concession at West Belida Block has not been taken into consideration in our valuation either, as it is unverified at this point in time, despite the huge promise it shows. We will revalue our fair price target as and when these concessions get verified.

In our view, other catalysts are the potential involvement of Temasek as a shareholder, further earnings-accrative acquisitions by RHP, and implied value drivers such as higher crude oil prices and the growth of energy demand in China.

---

**Figure 20: Sum-of-the-parts valuation**

<table>
<thead>
<tr>
<th>Key assumptions</th>
<th>Capitalisation/ Value</th>
<th>Stake held (%)</th>
<th>Effective stake ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market price of crude oil US$/bbl</td>
<td>Present value 1,196.4</td>
<td>49.0</td>
<td>586.2</td>
</tr>
<tr>
<td>Discount rate WACC 5.58%</td>
<td>DCF varies</td>
<td></td>
<td>129.6</td>
</tr>
<tr>
<td>Yong Ping oilfield</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remaining Fuyu block</td>
<td>Total 455.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Belida</td>
<td>No. of shares (m) 799.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Papua</td>
<td>Value per share ($) 0.93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less</td>
<td>Net cash (debt) 3Q09 reporting (0.8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve base financing (est)</td>
<td>(100.0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assume dilution of 30.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of new shares (m) 184.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds raised at curr share price ($m) 131.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total value ($m) 746.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post-dilution no. of shares (m) 799.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value per share ($) 0.93</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Company data, Kim Eng estimates*
### Profit and Loss

| Year | Sales ($Sm) | Cost of goods sold | Gross Profit | Operating expenses | Operating Profit | Net interest | Interest income | Interest expense | Net investment income/(loss) | Net other non-op. JV+Assoc. | Net extraordinary | Pretax income | Income taxes | Minority Interest | EBITDA | EPS (S cts) |
|------|-------------|-------------------|--------------|-------------------|------------------|--------------|---------------|-----------------|------------------------|---------------------|-------------------|--------------|-------------|----------------|----------------|----------|-----------|
| 2012F | 12.0        | 4.2               | 7.8          | -6.6              | -1.1            | -0.6         | 0.0           | 0.0             | 0.0                    | 0.0                 | 0.0               | -20.4        | 1.3         | -0.1         | 1.6            | -0.1    | 1.3       |
| 2009  | 58.0        | 36.0              | 22.0         | 23.0              | 176.9           | 73.6         | 28.5          | 0.0             | 0.0                    | 0.0                 | 0.0               | 27.6         | 3.0         | 2.1          | 1.0            | 0.0     | 1.0       |
| 2010F | 59.0        | 36.0              | 23.0         | 23.0              | 15.7            | 5.6          | 0.0           | 0.0             | 0.0                    | 0.0                 | 0.0               | 30.0         | 1.0         | 2.0          | 1.6            | 1.6     | 1.6       |

Source: Company data, Kim Eng estimates

### Cash Flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating cash flow</th>
<th>Operating Profit</th>
<th>Depreciation &amp; amortisation</th>
<th>Change in working capital</th>
<th>Others</th>
<th>EBITDA</th>
<th>EPS (S cts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012F</td>
<td>-4.4</td>
<td>-20.4</td>
<td>6.0</td>
<td>1.3</td>
<td>-1.0</td>
<td>1.6</td>
<td>-0.1</td>
</tr>
<tr>
<td>2009</td>
<td>-1.1</td>
<td>-4.7</td>
<td>0.2</td>
<td>-0.4</td>
<td>13.0</td>
<td>1.1</td>
<td>-0.9</td>
</tr>
<tr>
<td>2010F</td>
<td>1.9</td>
<td>3.0</td>
<td>3.0</td>
<td>2.1</td>
<td>3.0</td>
<td>1.1</td>
<td>-0.8</td>
</tr>
</tbody>
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### Balance Sheet

<table>
<thead>
<tr>
<th>Year</th>
<th>Total assets ($Sm)</th>
<th>Current assets</th>
<th>Cash &amp; ST investment</th>
<th>Inventories</th>
<th>Accounts receivable</th>
<th>Others</th>
<th>Other assets</th>
<th>LT investments</th>
<th>Net fixed assets</th>
<th>Others</th>
<th>Total liabilities</th>
<th>Accounts payable</th>
<th>ST borrowings</th>
<th>Others</th>
<th>Long-term liabilities</th>
<th>Long-term debts</th>
<th>Others</th>
<th>Shareholder’s equity</th>
<th>Paid-in capital</th>
<th>Reserve</th>
<th>Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012F</td>
<td>12.8</td>
<td>11.5</td>
<td>2.4</td>
<td>0.1</td>
<td>3.2</td>
<td>5.8</td>
<td>1.3</td>
<td>0.0</td>
<td>1.3</td>
<td>0.0</td>
<td>24.1</td>
<td>4.1</td>
<td>6.7</td>
<td>2.6</td>
<td>10.7</td>
<td>10.7</td>
<td>0.0</td>
<td>-11.3</td>
<td>22.9</td>
<td>34.3</td>
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<tr>
<td>2010F</td>
<td>158.1</td>
<td>139.1</td>
<td>30.0</td>
<td>0.1</td>
<td>3.2</td>
<td>5.8</td>
<td>1.3</td>
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<td>1.3</td>
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<td>237.7</td>
<td>4.1</td>
<td>6.7</td>
<td>2.6</td>
<td>10.7</td>
<td>10.7</td>
<td>0.0</td>
<td>-134.4</td>
<td>237.7</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>2009</td>
<td>270.0</td>
<td>233.6</td>
<td>141.4</td>
<td>139.3</td>
<td>232.3</td>
<td>234.7</td>
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<td>135.6</td>
<td>28.6</td>
<td>28.6</td>
<td>28.6</td>
<td>110.0</td>
<td>110.0</td>
<td>0.0</td>
<td>144.4</td>
<td>144.4</td>
<td>144.4</td>
<td>144.4</td>
</tr>
</tbody>
</table>

Source: Company data, Kim Eng estimates

### Key Ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>Ye Dec ($Sm)</th>
<th>Operational cash flow</th>
<th>NP</th>
<th>EPS (S cts)</th>
<th>Growth (% YoY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012F</td>
<td>-4.4</td>
<td>-20.4</td>
<td>6.0</td>
<td>1.6</td>
<td>-20.0</td>
</tr>
<tr>
<td>2009</td>
<td>-1.1</td>
<td>-4.7</td>
<td>0.2</td>
<td>1.1</td>
<td>-10.0</td>
</tr>
<tr>
<td>2010F</td>
<td>1.9</td>
<td>3.0</td>
<td>3.0</td>
<td>1.6</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Source: Company data, Kim Eng estimates

### Per share data (S cts)

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS</th>
<th>CPSS</th>
<th>BPSS</th>
<th>SPS</th>
<th>EBITDA/Share</th>
<th>DPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010F</td>
<td>-4.5</td>
<td>0.6</td>
<td>2.5</td>
<td>2.6</td>
<td>-2.9</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Company data, Kim Eng estimates
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**RECOMMENDATION**
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+15% and above: BUY
-15% to +15%: HOLD
-15% or worse: SELL
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