

Kim Heng Ltd

23 Oct 2025

Non-Rated

BBG	KHOM SP	
Market Cap	S\$63.4m	
Price (23 Oct 2025)	S\$0.09	
52-week range	S\$0.064-0.098	
Shares Outstanding	704.9m	
Free Float	59.7%	
Major Shareholder	Tan Keng Siong	40.3%
	HAGF Investment I Pte Ltd	17.7%

Source: Company Data, Bloomberg, SAC Capital



ANALYST

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From Conventional to Clean

Kim Heng Ltd is a Singapore based offshore and marine services that has progressively evolved from its oil and gas origins into the fast-growing offshore wind and subsea infrastructure markets. The Group operates across multiple segments, including marine support services, vessel chartering and towage, heavy equipment rental, and shipbuilding and repair, supporting projects ranging from rig maintenance to wind farm construction.

In 1H2025, revenue rose 20.8% yoy to S\$67.1 million, driven primarily by higher vessel trading activity, progress recognition from shipbuilding contracts and increased material sales linked to offshore projects. Gross profit remained stable at S\$15.2 million, although gross margin contracted to 22.6% in 1H2025 from 27.7% in 1H2024 due to a heavier contribution from lower-margin segments such as material sales, chartering and towage, and equipment rental. Net profit increased 203.0% yoy to S\$1.3 million, supported by improved cost discipline, lower administrative expenses and higher other income, particularly from insurance compensation. This underscores the Group's ability to maintain profitability despite margin pressures arising from changes in revenue mix.

Kim Heng's performance reflects a gradual transition towards a more diversified earnings base, underpinned by growing exposure to offshore renewables alongside legacy oil and gas support services. Ongoing investments in Taiwan and South Korea through its Adira Renewables platform position the Group to participate in multi-year offshore wind infrastructure demand, while chartering and yard services retain optionality to any recovery in conventional offshore activity.

We view Kim Heng as a differentiated small-cap proxy for Asia's offshore energy build-out, backed by tangible assets and operational track record. Near-term catalysts include new contract awards, improved fleet utilisation and potential margin recovery, with key risks centred on leverage, execution complexity and sector cyclicality.

KEY FINANCIAL HIGHLIGHTS

Year ended Dec (S\$m)	FY22	FY23	FY24	1H25
Revenue	79.8	101.2	122.7	67.1
EBIT	13.3	9.2	9.1	3.2
Net profit	8.6	2.3	2.5	1.3
EPS (S\$ cents)	1.04	0.22	0.04	0.10
Dividend per share (S\$ cents)	0.28	0.21	-	-
Net cash / (debt)	(24.2)	(34.5)	(54.3)	(54.2)
Valuation				
Gross profit margin (%)	35%	32%	25%	23%
Net profit margin (%)	11%	2%	2%	2%
EV/EBITDA (x)	4.0	5.5	6.6	6.7
P/E (x)	8.7	40.9	225.0	45.0
P/B (x)	1.0	1.0	1.1	1.3

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Investment Thesis

Kim Heng represents an inflection point story within Singapore's small-cap offshore and marine universe. The has transitioned from a traditional oil and gas support player into a diversified marine contractor with exposure to offshore wind, subsea cable, and vessel fabrication work. Three structural drivers shape the investment case for Kim Heng:

1. Expanding Renewables Platform

Kim Heng is increasingly participating in offshore wind projects across Taiwan, South Korea, and Southeast Asia, supported by contracts in HDD cable landings, subsea works, and foundation fabrication. New ventures such as Soiltech Adira Korea provide visibility into multi-year geotechnical and installation scopes, offering a pathway to recurring revenues beyond vessel charter work.

2. Recovery in Conventional Offshore Services

Legacy segments such as chartering, ship repair, and marine fabrication are benefiting from the rebound in regional offshore activity. Rising utilisation and collaborative partnerships, such as with Dyna-Mac, enhance the Group's ability to capture higher specification opportunities including FPSO modules and fabrication packages as oil and gas capex cycles normalise.

3. Asset-Backed Re-Rating Potential

With two Singapore waterfront yards and an owned fleet of vessels, Kim Heng trades at approximately 1.3x P/B, a level that broadly reflects its asset heavy model, while still offering optionality for capital recycling or monetisation.



Bridgewater 168 towing one of the largest transportation barges

Industry Overview

Offshore Energy: A Dual-Engine Cycle

The global offshore energy market is entering a new growth phase, supported by two reinforcing engines: a recovery in oil and gas investment and a structural expansion of offshore wind and subsea infrastructure. According to the Global Wind Energy Council, global offshore wind capacity reached 83 GW in 2024 and is forecasted to grow to approximately 441 GW by the end of 2034, implying a compound annual growth rate (“CAGR”) of around 21%. The International Energy Agency similarly forecasts that global renewable energy capacity will expand by nearly 4,600 GW by 2030, with wind and solar power playing a central role in meeting decarbonisation targets and rising electricity demand.

Asia-Pacific Leading the Expansion

Asia-Pacific is set to anchor the next phase of offshore wind growth. According to BloombergNEF and regional energy agencies, Taiwan targets 15 GW of offshore wind installations by 2035, while South Korea targets around 14 GW by 2030, supported by national industrial policy and port infrastructure upgrades. Japan and Vietnam are progressing auction rounds for both fixed-bottom and floating wind projects. Supporting infrastructure is expanding accordingly, Grand View Research estimates the Asia-Pacific submarine cable market at US\$7.1 billion in 2023 and is projected to grow at 6% CAGR through 2030, driven by offshore wind export cable demand.

Offshore Support Vessels and Marine Logistics

Rising offshore project volumes are tightening marine-asset availability. According to MarketsandMarkets, the global offshore support vessel market is expected to grow from US\$25.6 billion in 2024 to US\$36.3 billion by 2029, representing a CAGR of 7.2%. Within APAC, industry projections indicate an estimated 7.5% CAGR through 2034, as vessels pivot from oil and gas operations to wind turbine installation, subsea cable transport, and maintenance scopes. Industry surveys also highlight a growing shortage of specialised vessels, such as Wind Turbine Installation Vessels and Foundation Installation Vessels, supporting higher utilisation and day rates across auxiliary fleets such as tugs, barges and heavy lift craft.

Marine Engineering and O&M Tailwinds

Beyond installation, operations and maintenance (“O&M”) is emerging as a long-duration revenue channel. According to Fortune Business Insights, Asia’s offshore wind O&M market is projected to grow from US\$17 billion in 2024 to US\$33 billion by 2032, representing a CAGR of 8.8%. Concurrently, ageing offshore oil assets are sustaining demand for inspection, modification and decommissioning work, supporting activity levels across marine engineering yards and fabrication facilities.

Kim Heng operates directly at the intersection of these offshore energy tailwinds through its core businesses in marine vessel support, heavy engineering, fabrication and yard-based repair. As offshore wind and subsea infrastructure development accelerate across APAC, KHL is positioned to benefit from increasing demand for vessel logistics, barge deployment, foundation fabrication and subsea cable services such as horizontal directional drilling. Separately, tightening OSV supply supports higher utilisation and potentially stronger day rates for KHL’s chartering fleet. The industry’s shift toward long term O&M aligns with KHL’s established capabilities in maintenance, modification and lifecycle servicing, offering earnings visibility beyond one-off construction projects. In parallel, the gradual rebound in offshore oil and gas activity provides secondary uplift across rig repair, yard services and marine engineering at KHL’s Singapore facilities.

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Company Background

Integrated Marine Services with Renewables Exposure

With over five decades of operating history, Kim Heng has developed into an integrated offshore and marine services headquartered in Singapore, with shipyard facilities at Pandan Crescent and Penjuru, and supporting assets in Malaysia. These waterfront bases enable rig repairs, vessel construction, heavy fabrication, and subsea project mobilisation, forming the foundation of the Group's diversified operations.

Business Segments:

1. Trading of Vessels (30.9% of FY2024 Revenue)

KHL engages in the trading of vessels, acquiring distressed tonnage for refurbishment and resale. This segment nearly doubled in FY2024 as resale activity recovered with improving market valuations. Although non-recurring in nature, vessel trading can materially boost earnings during asset upcycles and supports capital recycling.

2. Vessel Chartering & Towage (29.9% of FY2024 Revenue)

KHL operates a fleet of anchor-handling tugs, barges, and support vessels used in offshore wind construction, heavy cargo transport, and rig towage. Fleet utilisation improved in FY2024 due to activity in Taiwan's offshore wind sector and broader marine infrastructure demand, making this the 's largest recurring income stream.

3. Marine Offshore Support Services (22.6% of FY2024 Revenue)

This segment provides core technical services including rig maintenance, steel fabrication, subsea works, and horizontal directional drilling (HDD) for export cables. It anchors KHL's offshore wind capabilities through foundation fabrication and subsea infrastructure execution, with projects delivered in Taiwan and expansion into South Korea via joint ventures.

4. Shipbuilding & Fabrication Contracts (12.4% of FY2024 Revenue)

KHL executes newbuild and modification contracts for third-party clients and owns fleet upgrades. Ongoing contracts include a S\$10.6m split-hopper barge for Taiwan International Ports Corporation Marine and a US\$7.8m vessel conversion for offshore wind support. Revenue is recognised via construction milestones.

5. Equipment Rental & Sale of Goods (<5% Combined of FY2024 Revenue)

The Group leases cranes, winches, and construction equipment to marine and civil clients, alongside ancillary equipment trading. Though a smaller revenue base, this segment provides asset leverage during broader marine and infrastructure upcycles.

Offshore Renewables Integration

Although renewables are not reported as a standalone segment in FY2024, they are embedded across KHL's core operations, particularly within marine support, fabrication, and vessel chartering. The Group's formation of **Adira Renewables** and related entities signals a strategic commitment to offshore wind, subsea cable works, and geotechnical services in markets such as Taiwan and South Korea. Management has indicated that renewables now form a meaningful and growing share of project activity.

Integrated Turnkey Model

KHL's competitive advantage lies in its asset-backed integration, combining fabrication yards, marine fleet, engineering expertise, and subsea capability. In a single offshore wind project, the Group can fabricate foundations, deploy vessels, execute HDD cable routes, and provide maintenance, creating multi-cycle resilience across both renewables and legacy oil-and-gas markets.

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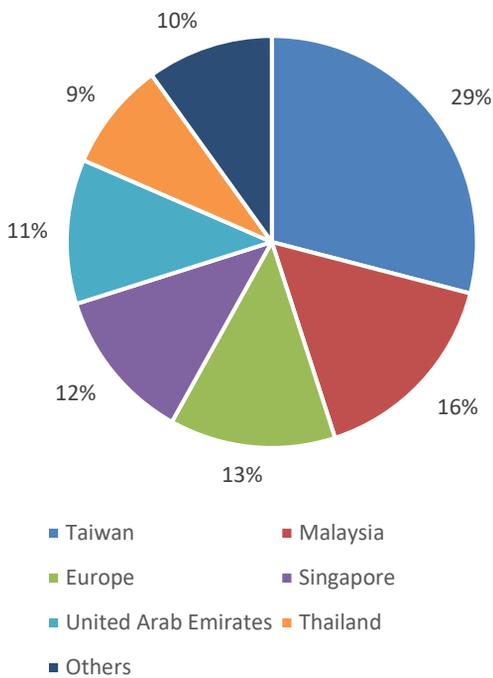
Geographical Reach

Kim Heng, though headquartered in Singapore, operates across multiple offshore markets, with revenue increasingly anchored in Asia-Pacific. Taiwan and Malaysia have emerged as key geographic contributors, reflecting the Group’s strategic focus on offshore wind and marine infrastructure. Singapore, historically the core base, accounted for a smaller share in recent years as project activity shifted overseas.

The Group has maintained a presence in Taiwan since 2018 through wind-farm foundation work, horizontal directional drilling for subsea cable landings, and vessel deployment. In 2023, it expanded into South Korea via joint ventures under the Adira Renewables platform, targeting geotechnical and installation scopes for offshore wind projects. The Group also services clients in the Middle East and Europe through vessel trading and marine logistics contracts, including deployments to the United Arab Emirates and North Sea markets.

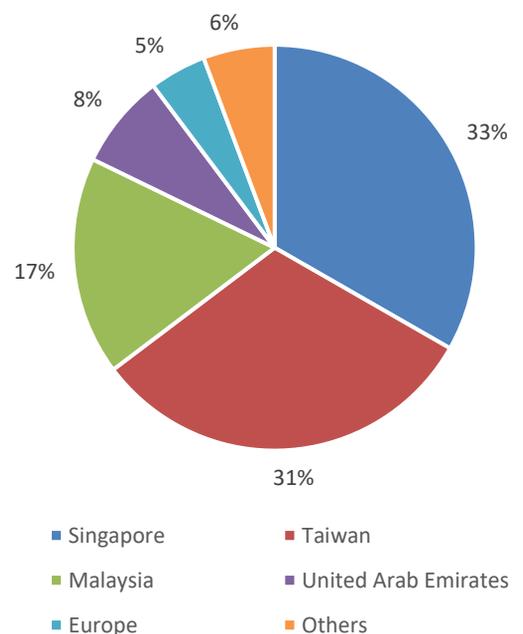
This expanding offshore footprint enables Kim Heng to participate in both regional infrastructure development and the broader Asia-Pacific offshore wind build-out, leveraging its Singapore-based assets to support a global customer base.

FY2024 Geographical Breakdown



Source: Bloomberg, SAC Capital

FY2023 Geographical Breakdown



Source: Bloomberg, SAC Capital

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Investment Catalysts

1. Offshore Wind Contract Execution and Regional Expansion

Kim Heng is actively executing offshore wind projects in Taiwan through HDD cable landings, marine logistics and foundation fabrication. The Group is now extending this capability into South Korea under the Soiltech Adira platform, where initial mobilisation and geotechnical engagement have commenced. As regional offshore wind tendering accelerates, these frameworks offer potential for backlog expansion and multi-year revenue visibility.

2. Fleet Redeployment Following Dry-Docking

Chartering income declined in 1H2025 due to the temporary dry-docking of vessels for special class surveys, rather than a reduction in market demand. With vessels scheduled to return to operation, utilisation recovery and redeployment to offshore infrastructure and wind-related projects could support margin improvement in subsequent periods.

3. Capital Recycling Through Vessel Sales

The Group continues to deploy a capital recycling strategy by acquiring, refurbishing and divesting vessels, supplementing operating income through opportunistic asset sales. Trading of vessels increased 128% year-on-year to S\$37.9 million in FY2024 (30.9% of revenue), followed by a further 32% increase to S\$20.7 million in 1H2025 (40.9% of revenue). Continued disposals at favourable prices may unlock disposal gains and strengthen liquidity through capital recycling.

4. Gradual Re-Rating via Renewables Integration

Although renewables are not disclosed as a separate segment, offshore wind work is now embedded across marine support, fabrication and subsea services. As Adira-branded entities secure larger scopes in Taiwan and South Korea, market perception may evolve from viewing Kim Heng as a purely cyclical marine contractor to a hybrid offshore energy services provider, offering scope for valuation re-rating.

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Financials

FY2024 Results

Kim Heng delivered sustained topline growth in FY2024, with revenue rising 21.3% year-on-year to S\$122.7 million. Growth was primarily driven by stronger vessel trading income, increased shipbuilding contract recognition, and higher chartering and towage revenue. These gains more than offset a decline in marine offshore support income, which was impacted by softer demand during the year. Despite the increase in revenue, gross profit declined 5.4% to S\$31.0 million, with gross margin contracting from 32.4% to 25.2% primarily attributed to lower profitability within the equipment rental segment. EBITDA remained broadly stable at S\$17.9m, reflecting operating resilience despite the shift in revenue mix toward lower-margin activities. Net profit increased 8.5% to S\$2.5 million, supported by foreign exchange gains and lower tax expense, which helped offset higher administrative and distribution costs. The Group's revenue shifted more heavily toward vessel trading and shipbuilding activities in FY2024. While these segments lifted topline growth, they tend to composition generate lower gross margins compared to core marine support services, contributing to overall margin compression during the year.

Total assets increased to S\$181.5 million in FY2024 from S\$167.2 million in FY2023, driven by vessel additions and project receivables. Operating cash flow recovered strongly to S\$21.5 million in FY2024 from S\$5.7 million in FY2023, supported by working capital inflows and project billings. However, cash and cash equivalents decreased to S\$3.4 million following reinvestment into fleet expansion and yard capabilities.

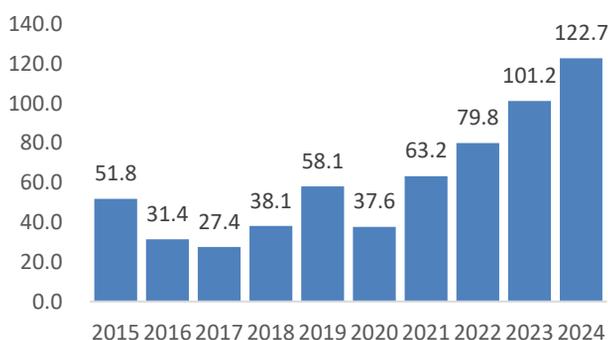
1H2025 Results

Momentum continued into 1H2025, with revenue rising 20.8% yoy to S\$67.1 million, led by higher vessel trading revenue, shipbuilding progress recognition and higher material sales. Gross profit remained stable at S\$15.2 million, although gross margin narrowed to 22.6% from 27.7% due to a higher mix of lower margin segments. EBITDA increased 31.3% yoy to S\$8.8 million, supported by stronger operating scale and improved cost discipline. Net profit rose 203.0% to S\$1.3 million, reflecting lower administrative expenses and stronger other income, particularly insurance compensation. Debt-to-equity rose marginally to 1.17x in 1H2025 from 1.14x in FY2024 due to continued vessel and project financing. Net gearing stood at approximately 1.08x. The Group has indicated a focus on funding flexibility, with potential refinancing of higher-cost facilities to manage finance costs.

Valuation

Kim Heng currently trades at 6.7x EV/EBITDA and 1.3x P/B as compared to the average 8.8x EV/EBITDA and 1.1x P/B of peers.

Revenue (S\$m)



Source: Bloomberg, SAC Capital

Margins (%)



Source: Bloomberg, SAC Capital

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Risks

1. Financial Leverage and Refinancing Exposure

As of 1H2025, Kim Heng's debt-to-equity ratio stood at 1.17x, reflecting increased borrowings to fund vessel acquisitions and overseas project mobilisation. While leverage supports growth, it raises sensitivity to interest rates and refinancing conditions. The Group has indicated its intention to optimise funding costs, with scope to refinance higher-cost facilities as cash flows scale.

2. Project Execution and Operational Risk

The Group undertakes complex offshore works including horizontal directional drilling, subsea installations and vessel conversions, which are exposed to weather disruptions, technical delays and cost overruns. Any deviation from project timelines may affect margins. Kim Heng mitigates this by integrating fabrication, logistics and marine assets in-house, reducing dependence on third-party subcontractors.

3. Cyclical Offshore and Utilisation Risk

Earnings remain linked to offshore activity cycles and vessel utilisation. During FY2023, lower utilisation at certain marine subsidiaries, including Bridgewater Offshore, weighed on segment profitability. Although activity improved in FY2024 through vessel trading and shipbuilding, sustained weakness in marine support demand could pressure recurring income. Diversification into renewables and infrastructure offers partial offset, but core earnings remain utilisation-sensitive.

4. Foreign Exchange and Geopolitical Exposure

With growing exposure to overseas projects in Taiwan and South Korea, the Group is exposed to currency volatility and geopolitical risks in regional offshore markets. While some natural hedging exists through USD-based operating costs and supply procurement, earnings may fluctuate with exchange rate movements.

5. Renewables Transition and Scale Risk

Renewables expansion, primarily through the Adira Renewables platform and Soiltech partnerships, presents a structural growth opportunity but remains in the early phase. Successful scaling depends on contract conversion, maritime asset deployment and execution of long-term scopes in South Korea and Taiwan. Delays in regional offshore wind tendering or cost inflation could affect project margins.

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**New build:
680m³ Self-Propelled Split Hopper Barge**



**Subsea Rock Installation Barge
Sea Trials**



**Bridgewater Discovery:
Geotechnical Survey Vessel (DP Trials)**

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Rig Reactivation Works



***Fabrication of Steel Modules:
Dyna-Mac Collaboration***



***Launching Ceremony:
500m³ Split Hopper Vessel***

Source: Company

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***FPSO Module Fabrication
at Kim Heng Yard***



***Bridgewater 168:
Jack-Up Rig Towage Operations***

Source: Company

Income Statement

FYE Dec (S\$'m)	FY22	FY23	FY24	1H25
Revenue	79.8	101.2	122.7	67.1
Cost of sales	(52.1)	(68.4)	(91.7)	(51.9)
Gross profit	27.7	32.8	31.0	15.2
Other income	8.4	3.0	2.8	0.0
Distribution expenses	(2.1)	(1.7)	(2.0)	1.2
Administrative expenses	(15.4)	(18.3)	(20.7)	(1.3)
Other expenses	(5.3)	(6.4)	(4.3)	(9.9)
Finance costs	(2.4)	(3.1)	(4.1)	(2.1)
Reversal / (provision) of impairment loss on property, plant and equipment	NA	(0.2)	2.3	(1.9)
Profit before tax	10.9	6.1	5.0	1.3
Tax expense	(2.3)	(3.7)	(2.5)	(0.0)
Profit for the year	8.6	2.3	2.5	1.3

Balance Sheet

FYE Dec (S\$'m)	FY22	FY23	FY24	1H25
Property, plant and equipment	83.9	75.3	81.3	94.6
Right-of-use assets	17.1	21.9	24.2	21.5
Club memberships	0.1	0.1	0.1	0.1
Investment in a subsidiary	-	-	-	-
Total non-current assets	101.1	97.3	105.6	116.1
Inventories	2.8	28.7	20.9	11.2
Trade and other receivables	28.8	20.1	45.3	41.0
Contract assets	1.9	9.7	6.4	14.8
Cash and bank balances	13.1	11.0	3.4	4.4
Assets held-for-sale	5.7	0.4	-	187.6
Total current assets	52.4	70.0	76.0	74.4
Total assets	153.5	167.2	181.5	187.6
Loans and borrowings	20.8	20.9	12.2	18.1
Lease liabilities	10.3	12.0	11.3	9.4
Deferred tax liabilities	3.2	5.6	6.8	6.7
Total non-current liabilities	34.4	38.5	30.3	34.2
Contract liabilities	0.0	1.7	16.7	16.2
Bank overdrafts	1.4	1.1	3.3	1.8
Loans and borrowings	15.0	23.5	42.1	38.6
Lease liabilities	2.9	3.8	3.8	4.1
Trade and other payables	34.2	34.0	26.1	33.8
Current tax payable	0.9	1.4	1.0	0.3
Liability directly associated with assets held-for-sale	1.0	0.0	0.0	0.0
Total current liabilities	55.5	65.4	92.9	94.9
Total liabilities	89.9	104.0	123.2	129.1
Share capital	74.4	74.4	74.4	74.4
Treasury shares	(0.3)	(0.3)	(0.4)	(0.4)
Reserves	(33.2)	(33.6)	(37.6)	(38.6)
Retained earnings	15.9	15.5	14.3	14.7
Equity attributable to owners of the Company	56.8	56.0	50.7	50.1
Non-controlling interests	6.7	7.3	7.6	8.3
Total equity	63.6	63.3	58.3	58.4
Total equity and liabilities	153.5	167.2	181.5	187.6

Cash Flow Statement

FYE Dec (S\$'m)	FY22	FY23	FY24	1H25
Cash Flows from Operating Activities				
Profit before taxation	10.9	6.1	5.0	1.3
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets	8.4	8.7	8.8	5.6
Impairment loss (reversed)/recognised on trade and other receivables (net)	0.0	0.1	(0.0)	-
Impairment loss (reversed)/recognised on property, plant and equipment	-	0.2	(2.3)	-
Loss/(gain) on disposal of assets held-for-sale	(0.8)	(0.6)	0.0	-
Loss/(gain) on disposal of property, plant and equipment	(6.8)	(0.4)	0.2	(0.0)
Interest income	(0.0)	(0.0)	(0.1)	(0.0)
Interest expense	2.4	3.1	4.1	1.9
Operating profit before working capital changes	14.2	17.1	15.7	8.8
Changes in inventories	(0.7)	(9.6)	15.5	9.6
Changes in trade and other receivables and contract assets	(10.2)	(4.2)	(9.9)	(9.0)
Changes in trade and other payables and contract liabilities	16.2	3.1	1.9	11.5
Cash generated from operations	19.4	6.4	23.2	21.0
Income tax paid	(0.3)	(0.7)	(1.8)	(0.7)
Net cash generated from operating activities	19.0	5.7	21.5	20.2
Cash Flows from Investing Activities				
Acquisition of property, plant and equipment and right-of-use assets	(7.2)	(11.2)	(11.6)	(15.4)
Amount due from a related party	-	-	(2.1)	0.0
Deposit for purchase of property, plant and equipment	(5.2)	(0.2)	-	-
Advance payments to suppliers for capital expenditure	-	-	(7.0)	0.0
Proceeds from disposal of assets held-for-sale	1.7	6.2	0.4	0.8
Proceeds from disposal of property, plant and equipment	10.4	1.4	0.1	0.0
Interest income received	0.0	0.0	0.1	0.0
Net cash used in investing activities	(0.3)	(3.9)	(20.1)	(14.6)
Cash Flows from Financing Activities				
Dividend paid	-	(2.0)	(1.5)	-
Purchase of treasury shares	(0.1)	-	(0.0)	0.0
Interest paid	(2.4)	(3.1)	(4.0)	(1.9)
Acquisition of non-controlling interest	0.0	0.0	(6.9)	0.0
Repayment of lease liabilities	(3.1)	(3.4)	(4.2)	(2.8)
Repayment of term loans	(9.3)	(10.9)	(27.0)	(21.5)
Proceeds from/ (repayment of) trust receipts	(0.3)	3.3	7.1	3.6
Proceeds from term loans	1.1	12.4	24.1	19.7
Proceeds from issuance of shares to non-controlling interests	0.0	0.0	0.0	0.0
Amounts due to directors	0.0	0.0	1.4	0.0
Changes in deposits pledged	0.0	0.0	0.3	0.0
Net cash used in financing activities	(14.1)	(3.7)	(10.8)	(3.0)
Net (decrease)/increase in cash and cash equivalents	4.6	(1.9)	(9.5)	2.6
Cash and cash equivalents at beginning of year	6.2	11.1	9.3	(0.2)
Effects of exchange rate fluctuations on cash held	0.3	0.1	(0.1)	(0.2)
Cash and cash equivalents at end of year	11.1	9.3	(0.2)	2.2

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Continuing Sponsorship	Ongoing Relation

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