

Weekly Wrap of STI

The STI ended 0.04% or 1.40 points higher on Friday to close at 3202.04, finishing the week flat despite a decent rally on Thursday that re-challenged the 3200 resistance level.

Singapore shares traded markedly higher on Thursday following strong earnings reported in the US as the market reopened after a two day close due to the Chinese new year public holiday. The rally also saw the STI break above the psychological resistance level of 3200. The spike however, was short-lived as Trump's announcement that his meeting with Chinese President Xi Jinping will only start after the 1 March, after the 90-day trade truce pared down gains.

Year to date, the STI index is up by 4.3% while the Catalyst index is down by 2.5%.

Week Ahead: 11 February – 15 February 2019

Economic Calendar: UK GDP (11 Feb), China FDI (12 Feb), US EIA Petroleum Status Report (13 Feb), Eurozone Industrial Production (13 Feb), US Jobless Claims (14 Feb), US Industrial Production (15 Feb), US Treasury International Capital Flows (15 Feb)

Company Results: Manulife US-REIT (11 Feb), Vicom Ltd (11 Feb), Frasers Property (12 Feb), Hutchison Port Holdings Trust (12 Feb), SBS Transit (12 Feb), Valuetronics Holdings (12 Feb), Accordia Golf Trust (13 Feb), ComfortDelGro (13 Feb), Far East Hospitality Trust (13 Feb), Netlink NBN Trust (13 Feb), Perennial Real Estate Holdings (13 Feb), SATS (13 Feb), UG Healthcare (13 Feb), Yoma Strategic Holdings (13 Feb), ASL Marine Holdings (14 Feb), KSH Holdings (14 Feb), Singapore Airlines (14 Feb), Singtel (14 Feb)

Companies News

1. TSH Corporation completed S\$19.4 million reverse takeover of Sloshed! Pte Ltd to expand its operations into the pub and bar business

Catalist-listed TSH Corporation Limited ("TSH") has completed the reverse takeover of Sloshed! Pte Ltd ("Sloshed!") on 7 Feb 2019 following an initial report made on 31 Aug 2018 announcing that TSH has entered into a conditional sale and purchase agreement to acquire all the ordinary shares in the issued and paid-up share capital of Sloshed!. Sloshed! is a company involved in the operations of pubs and bars alongside the import, export and distribution of spirits, wines and liquors. Apart from providing TSH with operational and income-generating businesses that have the necessary growth prospects to enhance shareholder value, the acquisition of Sloshed! will also help TSH meet SGX requirements for a new listing pursuant to Catalist Rules. Formerly a consumer electronics and homeland security devices firm, TSH was deemed as a cash company under Catalist after it disposed of its operating business and only held assets that were made up of largely cash. Following the deal completion, TSH has allotted and issued 32,333,333 consideration shares at an issue price of S\$0.60 per share to its vendors. The consideration shares are expected to be listed and quoted on Catalist on 12 Feb.

2. Interra Resources announced drilling commencement of Chauk Development Well CHK 1215

Mainboard-listed Interra Resources Limited ("Interra Resources") announced the commencement of drilling for development well CHK 1215 in the Chauk oil field in Myanmar. CHK 1215 will be drilled in the Chauk South Central Fault Block as an infill development well to current producing oil wells. Notably, the location is a south offset in a similar structural position to two very successful 2018 completed oil wells, CHK 1207 and CHK 1210. CHK 1215 is proposed to reach a total measured depth of 3,150 feet.

3. Pine Capital injected S\$189,819 into key fund management subsidiary Advance Capital Partners Asset Management

Catalist-listed Pine Capital Group Limited ("Pine Capital") has been allotted and issued 393 new ordinary shares in its 51% owned subsidiary, Advance Capital Partners Asset Management Private Limited ("ACPAM"), for an aggregate cash consideration of S\$189,819 to be financed using proceeds from an earlier placement of shares. Being a registered fund management company, MAS requires ACPAM to maintain a certain level of base at all times. Consequently, the successful subscription of shares would help increase ACPAM's capital and enable Pine Capital to assist its principal subsidiary in complying with the base capital requirements outlined by the regulator.

4. Procurri disclosed that its second interested buyer has terminated discussions on a potential offer to acquire the company a day after expressing interest in the deal

Mainboard-listed Procurri Corporation Limited ("Procurri"), an enterprise hardware supplier that is 29.62% owned by Catalist-listed DeClout, has announced a day after receiving its second unsolicited non-binding expression of interest, that its second potential buyer will no longer be involved in discussions regarding the proposed acquisition and the interest would be treated as having expired. This second offer came shortly after Procurri named New State Capital Partners, a US-based private investment firm, as the first interested third party to indicate its intent in acquiring all of Procurri's shares through a possible voluntary general offer. Currently, the success of the acquisition depends on several factors including reaching a definitive agreement, shareholder acceptance, due diligence and regulatory approvals.

Market Snapshot

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	3202.0	▲ 1.40	▲ 0.04%	▲ 0.87%	▲ 4.34%
SG Mid Cap	733.11	▲ 0.55	▲ 0.08%	▲ 0.77%	▲ 7.08%
SG Catalist	301.74	▲ 0.45	▲ 0.15%	▲ 0.02%	▼ 2.52%
SG Small Cap	348.84	▲ 0.60	▲ 0.17%	▲ 1.29%	▲ 6.37%

Price Chart



Capital Market News

Rise of intangibles to create more valuation challenges for Singapore investors moving forward

Local investors will soon face greater valuation challenges as corporate value is no longer primarily derived from a company's tangible assets. As it is, valuing a tangible or physical asset has not been a walk in the park and numerous transactions undertaken or attempted by SGX-listed entities have come under the spotlight for uncertainties in their underlying valuations. In 2017, unitholders of Sabana Reit lodged a complaint with the Commercial Affairs Department over the doubtful valuation of a Changi South property. Today, according to EverEdge Global, intangible assets account for 87% of a company's value, a far cry from the mere 17% in 1975. Such intangible assets include entrepreneur value, content, brand, know-how, inventions and data, which have also been crucial in driving the growth and value of companies especially in the new economy where technology firms are on the rise. Moreover, as SGX looks to welcome companies with dual class shares, the task of valuation will become increasingly complex as many intangibles are likely to be tied to the founder-owner. The market will also see more asset-light companies whose value rest largely in their intangible assets, rendering traditional valuation methods that are based on accounting principles inadequate as they risk undervaluing firms with strong entrepreneur and management teams.

Singapore is highest ranked tech city in Asia

Singapore was ranked sixth in the 2019 Savills Tech Cities index, which identifies important tech centres and major recipients of investments, emerging as the top tech city in Asia owing to its strong technology and business environment, and deep talent pool. New York clinched the top spot after overtaking San Francisco. According to EY, private equity (PE) and venture capital (VC) investments in Singapore have reportedly contributed 56% of overall PE deals completed in Southeast Asia for 2Q2018, raising S \$1.8 billion across 36 deals. Duff and Phelps also found that local PE and VC deals achieved record volumes with 154 investments in 2018, up from 125 in 2017. Notable deals in 2018 include a US\$2 billion investment in Grab Holdings and the privatisation of Singapore-based crane firm Tat Hong Holdings by Standard Chartered Bank's private equity arm.