SG Market Weekly Update
27 August – 31 August 2018

SAC ADVISORS

Weekly Wrap of STI

The STI ended 0.38% or 12.24 points lower on Friday to close at 3213.48 as geopolitical tensions and a warning by the European Union chief of a disorderly Brexit weighed on the index.

US President Donald Trump's accusation of China's interference in North Korea's denuclearisation sparked fears of a further deterioration in relations between the two largest economies. The Turkish Lira weakened against the greenback despite last week's turnaround. For the week, the STI remained unchanged as the world remained peered on significant developments amidst the escalated global uncertainty.

Year to date, the STI index is down by 5.6% while the Catalist index is down by 21.1%.

Week Ahead: 3 September – 7 September 2018

Economic Calendar: Caixin, UK and German Manufacturing PMI (3 Sep), RBA Interest Rate Decision (4 Sep), BoC Interest Rate Decision (5 Sep), UK Services PMI (5 Sep), Australia Q2 GDP (5 Sep), US Non-farm Payrolls (7 Sep)

Companies News

1. Pacific Star ended FY18 with higher profits

Catalist-listed Pacific Star Development Limited ("**PSD**") increased revenues by 105.4% from S$59.1 million in 12M2016 to S$121.4 million in 18M2017. PSD attributed the rise to its development project, Puteri Cove Residences & Quayside, in Puteri Harbour. Gross margins remained relatively constant but net margins fell due to an increase in marketing and distribution expenses by S$4.3 million or 190.1%. Also, operating and administrative expenses rose by S$6.7 million or 169.4%. PSD achieved a net profit of S$25.0 million in 18M2017 compared to S$17.3 million in 12M2016. Regarding future prospects, the Group will continue to develop properties and generate buyer interest in Malaysia, Indonesia and Thailand. PSD also expects its Aluminum Division to benefit from upcoming construction of new HDBs and condominiums.

2. DISA reduced net losses for FY18

Catalist-listed DISA Limited ("**DISA**") narrowed its net loss to S$10.55 million in FY18 compared to S$17.66 million in FY17. The net loss reduction was contributed by a drop in revenue and a bigger drop in expenses. Revenue drop of 26.5% was due to weaker performance of the Energy Management Services segment, whose sales shrank by 70.2% or S$0.165 million. Total expenses decreased by 43.3% or S$7.82 million due to absence of one-time items such as losses on disposal. However, total expenses still remained high at around 17 times of revenue. In the past year, DISA has been expanding operations and has incurred increased employee costs of 50.4% and operating lease expenses of 26.0%. DISA remains focused on cost management to ease pressures on its bottom line.

3. Global Dragon achieved stronger operating performance

Catalist-listed Global Dragon Limited ("**GD**") saw increased revenues of 27% to S$0.615 million in FY18, which was attributed to rental income from office units and hostels. GD also reduced its administrative and finance costs to further narrow its continuing operations loss from S$1.389 million to S$0.423 million this year. Profits from discontinued operations gave the group a net profit of S$0.690 million. Currently, GD is developing the recently bought Project Demak and Project East Coast with hopes to launch both projects in the first half of 2019.

4. Hatten Land saw dual drop in sales and profits

Catalist-listed Hatten Land Limited ("**HL**") reported a 49.1% or RM226.9 million drop in revenue for the recent financial year. Both gross and net margins fell which resulted in a 63.2% drop in net profit to RM3.2 million. HL attributed this year's weaker performance to lower sales from the completed Hatten City Phase 1 project and lower sales recognized, on a percentage of completion basis, for the Hatten City Phase 2 project. In terms of cost, HL saw higher administrative costs due to one-off costs from its reverse takeover in 2017. Selling costs also increased from marketing efforts amid the challenging Malaysian property market. In spite of the recent performance, HL affirmed good prospects. Its unbilled sales remained strong at RM875.5 million with a large cash inflow expected in 2Q19 due to the completion of the Hatten City Phase 2 project. With a landbank of 201.77 acres and a healthy pipeline of upcoming projects, HL remains focused on growth in Melaka and beyond.

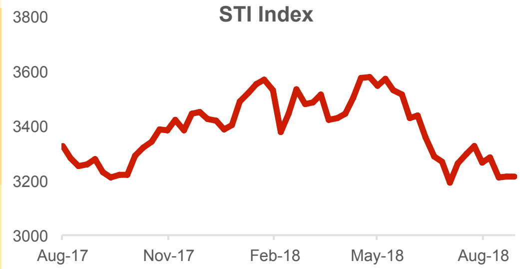
5. Kitchen Culture narrowed losses despite weaker sales

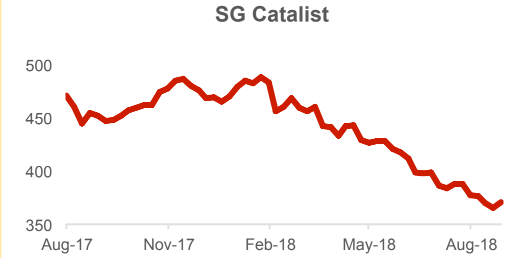
Kitchen Culture Holdings Ltd ("**KCH**") reported a 70.7% revenue drop from S$49.5 million in 18M2017 to S$35.0 million in 12M2018. In terms of business segment revenues, Residential Projects fell by 84.5% or S$27.5 million while Distribution and Retail fell by 44.2% or S$7.5 million. In spite of the revenue fall, KCH reported reduced net losses. Efforts on cost management proved fruitful as net loss reduced from S$6.9 million to S$3.8 million. KCH emphasised continued cost control efforts and expansion in sales via entering the mid/ mass-market sector with a new range of competitively priced imported products.

Market Snapshot

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	3213.5	▼ 12.24	▼ 0.4%	▼ 0.0%	▼ 5.6%
SG Mid Cap	721.3	▼ 1.91	▼ 0.3%	▼ 0.2%	▼ 6.0%
SG Catalist	370.8	▲ 4.46	▲ 1.2%	▲ 1.5%	▼ 21.1%
SG Small Cap	362.1	▼ 1.35	▼ 0.4%	▼ 0.8%	▼ 11.0%

Price Chart





IPO News

SGX and Third500 partner to fill gap in IPO market

The Singapore Exchange ("**SGX**") and Third500, an affiliate of American Investment Bank Healthios Capital Markets LLC, will partner to expand the pre-IPO market for emerging growth companies. The initiative will involve creation of a pre-IPO platform to identify and nurture a pipeline of companies with IPO potential. Third500 specialises in companies with US$60 million raised in private funding and are open to public funding via pre-IPO convertibles or listings on SGX. Having Third500 as a partner bolsters the bridge between US and Singapore capital markets. According to Third500, cross-listing on Nasdaq might be possible for companies with market cap exceeding US$500 million. Likewise, the partnership will extend the Singapore capital market to US firms interested in the stability and reliability of SGX. Listing on SGX could also serve as a gateway for US firms into the coveted Asian markets.

Capital Market News

PrimePartners reworded recommendation on Wheelock offer

PrimePartners Corporate Finance, the Independent Financial Advisor ("**IFA**") for the privatization of Wheelock Properties, reworded its previous recommendation to recommending directors for clarity. Their previous statement on the offer as "fair and reasonable, but not compelling" has been reduced to "fair and reasonable". The change came after feedback of inconsistencies between the IFA's opinion and issued recommendation. The related authority, Singapore Securities Industry Council (SIC), require IFA recommendations to be either a resolute "accept" or "reject" and not subject to differing conditions.