SG Market Weekly Update
3 September – 7 September 2018

SAC ADVISORS

Weekly Wrap of STI

The STI ended 0.42% or 13.30 points lower on Friday to close at 3134.39 over geopolitical tensions and worries in emerging markets.

The similar story from previous weeks continued as markets stuck to the same risk-off sentiment. Worries of a full-blown trade war were gathering as the market awaited further tariff escalation from the Trump administration. Emerging markets in Turkey, Argentina and Indonesia continued to battle the war on their currency with interest rates as high as 60% in Argentina. The Turkish central bank signalled a new stance on monetary policy to be taken this week which fuelled expectations of the long-awaited interest rate hike. In the UK, Brexit woes subsided as the EU announced its willingness to forgo previous key demands to accelerate the Brexit process. Parties are now focused on a technical Brexit with UK-EU relations to be negotiated in future phases.

Year to date, the STI index is down by 7.89% while the Catalist index is down by 22.31%.

Week Ahead: 10 September – 14 September 2018

Economic Calendar: Japan GDP (10 Sep), UK Earnings Index (11 Sep), UK & ECB Interest Rate Decision (13 Sep), US CPI (13 Sep), US Retail Sales (14 Sep)

Companies News

1. AsiaMedic's acquisition deal lasped

AsiaMedic Ltd's ("**AM**") sales and purchase agreement to buy LuyeEllium Healthcare Co ("**LH**") has lapsed. LH provides management services to hospitals with operations in China and South Korea. The $42.2 million deal lapsed because conditions precedent for the acquisition were not fulfilled by 31 August. AM and the related parties did not agree on an extension of the deadline and gave no indication of future interest. In terms of expenses, AM attributed S$746,000 for the proposed purchase to both FY17 and FY16 income statements. The firm iterated that any remaining expenses were not expected to have material impact on the current fiscal year.

2. Imperium Crown subsidiary announced partnership with Sim Leisure

Imperium Crown Ltd's subsidiary, Fei County Wonder Stone Characteristic Town Development ("**Fei**") has inked a non-binding memorandum of understanding ("**MOU**") with Sim Leisure Pte Ltd ("**SL**"). The firms will partner to build Escape Theme Park, a theme park brand under SL, at Fei's Water Stone Park in Shandong, China. SL will develop the theme park according to a 3 phase plan, with the first phase to be completed in 16 months. Thereafter, it will operate the theme park for 40 years. Fei will provide the land, procure the business license, and settle other planning and government approvals. The MOU is subject to the signing of an operating lease agreement between SL and Fei, whose terms are yet to be finalized. Additionally, Imperium Crown's Executive Director, Sun Bowen, expects the new theme park to bring benefits for its nearby Wonder Stone Hotel.

3. Resources Prima exploring S$2 million convertible loan for bankruptcy aversion

Resources Prima Group Ltd ("**RP**") is exploring a S$2 million convertible loan to avert potential bankruptcy. The potential loan will come from substantial shareholder, Ang Lian Kim, who has designated a conversion price of 0.1 Singapore cent per share when RP's shares resume trading. In terms of interest, the loan will charge none unless the conversion is disapproved. If so, the loan will bear 18% interest. Approval of the loan is likely, given that Chief Executive Agus Sugiono, who has a 40.5% stake, has undertaken to vote in favour of the conversion. RP has faced financing woes since the bankruptcy of its main operating subsidiary, PT Rinjani Kartanegara, last year. The loan will allow RP to address further bankruptcy worries and focus on finding another sustainable business.

4. EMS Energy lost equity deal with Qian Investment

Catalist-listed EMS Energy ("**EMS**") has lost an equity deal with Qian Investment. The deal involved a potential S$7.5 million injection into EMS by Qian Investment. Following this, EMS has indicated intent to continue sourcing for other sources of financing to strengthen its cash position. Earlier in June, an independent auditor from Binder Dijker Otte raised bankruptcy concerns for EMS. The firm has ceased business activities due to insufficient working capital and had its shares suspended from trading since September 2016.

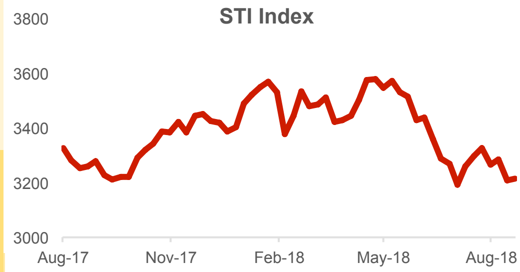
5. LTC's controlling Cheng family seek voluntary delisting at S$0.925

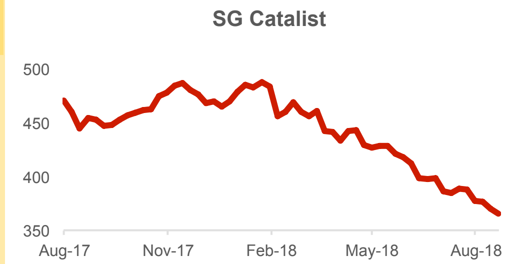
The controlling shareholders of LTC Corp ("**LTC**") will propose a voluntary delisting and make an exit offer of S$0.925 per share after failing to force compulsory delisting from their earlier takeover bid for the steel and property group. As part of the delisting proposal, Mountbatten Resources – a vehicle controlled by the family of managing director Cheng Yong Liang – will make an exit offer that matches the controlling shareholders' bid from its recently concluded takeover offer. Following that takeover bid, the Cheng family and it's concert parties currently hold an 88.4% in LTC.

Market Snapshot

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	3134.4	▼ 13.30	▼ 0.42%	▼ 2.46%	▼ 7.89%
SG Mid Cap	714.5	▼ 3.16	▼ 0.44%	▼ 0.94%	▼ 6.85%
SG Catalist	365.1	▲ 1.04	▲ 0.29%	▼ 1.55%	▼ 22.31%
SG Small Cap	357.5	▼ 0.36	▼ 0.10%	▼ 1.27%	▼ 12.10%

Price Chart





Capital Market News

1. SGX questioned China Gaoxian on proposed divestment

China Gaoxian Fibre Fabric Holdings ("**CG**") received a slew of queries from the Singapore Exchange ("**SGX**") on its proposed disposal of Huaxiang China Gaoxian International Holdings ("**Huaxiang**"). SGX questioned why CG proposed the sale of Huaxiang at a RMB1.7 billion loss and just after it reached full capacity, but intends to expand capacity for its other unit, Zhejiang Huagang ("**Huagang**"). In response, CG cited that net accumulated losses of Huaxiang already stood at RMB1.97 billion in 1H18 due to high finance costs. Further, upgrades for the Huaxiang unit was projected to be more capital-intensive than Huagang by its management. The firm is still awaiting further response from SGX.

2. Rupiah rout's spillover to Singapore markets

Year to date, the Indonesian Rupiah has fallen 9% against the greenback. In response, Indonesia has initiated a series of rate hikes and market-intervention measures. However, the measures have had limited effect as the dual fundamental problems of high foreign debt and increasing current account deficit remain. The rupiah's selloff has dragged down certain stocks on the Singapore Exchange with exposure to Indonesia. According to SGX MyGateway, the 10 largest stocks with more than 10% of their revenues from Indonesia have seen their average total return for 2018 reduced by 8.8%. One of the firms with the above criteria, Golden Agri-Resources, has seen its stock price drop more than 20% this year. DBS Group Research thought the sell-off was too severe based on fundamentals of the Indonesian economy.