SG Market Weekly Update
20 August – 24 August 2018

SAC ADVISORS

Weekly Wrap of STI

The STI ended 1.1% or 36.89 points lower on Friday to close at 3213.00 over geopolitical tensions. Worries in Turkey have somewhat subsided as compared to last week as the Lira gained some ground over the US Dollar. The trade dispute between US and China continues as recent talks failed to reach a conclusion. For the week, the STI remained unchanged from last week.

Singapore stocks opened 0.14% higher on Monday after posting losses all of last week. However, previous week's sentiment continued to weigh down on stocks and Monday ended in the red. Mid-week, the market was closed for Hari Raya but stocks pared their losses when trading commenced on Thursday. On Friday, the market gave back its gains from Thursday to end unchanged for the week.

Year to date, the STI index is down by 5.6% while the Catalist index is down by 22.2%.

Week Ahead: 27 August – 31 August 2018

Economic Calendar: UK Inflation Report Hearings (28 Aug), US Q2 GDP (29 Aug), German Unemployment Change (30 Aug), Canada June GDP (30 Aug), China Manufacturing PMI (31 Aug), Europe CPI (31 Aug).

Company Results: Health Management International (27 Aug)

Companies News

1. UG Healthcare saw 77% rise in net profit

Catalist-listed UG Healthcare Corporation Limited ("**UG**") reported a full year net profit of S$4.3 million, up from S$2.4 million the year before. The disposable gloves manufacturer and distributor attributed its performance to 3 main reasons. First, an expanded production capacity of 500 million gloves per annum has enabled sales to jump 19.7%. Second, gross margins grew from 14.8% to 16.4% on the back of lower raw material costs and improved efficiencies from a higher production volume. Third, there was a large foreign exchange gain of S$4.2 million as compared to S$1.8 million previously. Going forward, UG expressed interest in continual expansion of their production lines. The abovementioned 500 million increase in capacity per annum was dubbed by UG as 'Phase 1' of its expansion plans and is slated to be complete in October. 'Phase 2' of expanding production is currently being planned for a potential 300 million increase in gloves produced per annum. In terms of distribution, UG is seeking growth in South America and has begun doing so via the acquisition of a Brazilian distributor back in May this year.

2. TEHO International reduced net loss for FY2018

TEHO International Inc. Ltd. ("**TEHO**") reported a net loss reduction to S$2.5 million from S$9.8 million last year. The improvements to the bottom line came from higher revenue and lower operating expenses. TEHO's Engineering and Water Treatment segment saw revenues decline by S$2.9 million but it was offset by the S$2.4 million gain from its Mooring and Rigging segment. Sales of its main business, Marine & Offshore, declined by S$0.5 million. The Property Development segment lifted the top line with a S$7.1 million or 70.9% rise in sales. For operating expenses, administrative expenses dropped S$0.3 million on reduced headcount in Property Development. The bulk of expense reduction came from the absence of impairment and amortization charges that amounted to S$1.8 million back in FY2017.

3. RE&S reported Q4 profit drop of 11.2%

Catalist-listed RE&S Holdings reported a fall in Q4 profits due to high operating expenses. Revenues rose 1.2% to S$35.3 million but were unable to offset the burgeoning operating costs. As a result, net profit fell 11.2% to S$0.936 million for the quarter. The firm attributed revenue growth to the opening of new Ichican Boshi and Ichiban Sushi outlets. However, the new outlets also brought higher rental and employment costs. The industry climate is expected to remain competitive with tightening labour and rental conditions. Chief Executive, John Yek, identified the quarter's rise in expenses as costs 'due to initial gestation period' whose consequences are only short term. Mr. Yek maintained that fundamentals of the firm remained sound with positive cash-flow generation. In the future, the firm seeks to expand their network of outlets, possibly via joint ventures and alliances.

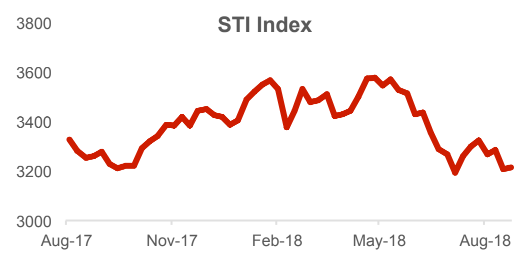
4. Oxley Holdings' Q4 net profit more than trebled to S$138 million

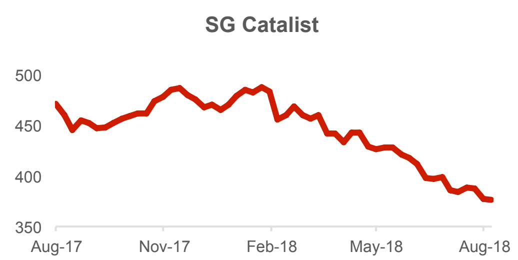
Property developer Oxley Holdings chalked up a 231% increase in net profit for the fourth quarter ended June 30, 2018. Profit rose to S$137.7 million from S$41.5 million a year ago. The group recorded a fair value gain of S$111.2 million comprising mainly of gain on revaluation of Chevron House, a reversal of fair value loss on financial instrument of S$24.2 million, and a gain on the sale of an investment property in Ireland of S$20.2 million. Profit for the full year was S$285.0 million, up 31%. Revenue for the quarter was 4% higher at S$233.1 million. This was mainly due to higher revenue contribution from a project in the United Kingdom, as well as new revenue streams from Novotel and Mercure Singapore on Stevens – which began operation during the financial year – and Chevron House in Singapore. This was partially offset by lower revenue from the Singapore development project due to the timing of the project completion.

Market Snapshot

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	3213.0	▼ 36.89	▼ 1.1%	▼ 0.0%	▼ 5.6%
SG Mid Cap	722.6	▼ 3.19	▼ 0.4%	▲ 0.6%	▼ 5.8%
SG Catalist	365.4	▲ 4.18	▲ 1.2%	▼ 0.5%	▼ 22.2%
SG Small Cap	365.0	▼ 0.69	▼ 0.2%	▲ 0.9%	▼ 10.2%

Price Chart





Capital Market News

1. SGX to benefit from global trends

Mr. Chew Sutat, Head of Equities and Fixed Income at the Singapore Exchange, identified a few trends that bode well for the local market. First, Mr. Chew expects previous capital flows from the East to the West to reverse. Increasingly, investors are realising that US equities, specifically those tracked by indices, have become too crowded. In other words, he anticipates that tracking beta will soon be inadequate and fund managers will venture towards seeking alpha instead. This phenomenon is expected encourage capital flows from large US firms to valuable small or mid-cap Singaporean firms. Second, investors are demanding more liquidity. In response, Mr. Chew expects capital flows from private to public markets. In private markets, venture capital and private equity firms have experienced increasing difficulty in private exits. This has pushed the industry towards more public exits instead. In addition, Mr. Chew foresees more re-listings rather than de-listings.

2. MAS, SGX announced a 5-way collaboration for blockchain solutions

The Monetary Authority of Singapore and Singapore Exchange will partner with Anquan, Deloitte and Nasdaq to develop Delivery versus Payment ("**DvP**") solutions for tokenised asset settlement across blockchain platforms. DvP solutions will ensure that securities be transferred only when corresponding payments are made, reducing the inherent security risks in tokenized asset transactions for both the seller and buyer. The partners will build upon open-source software from Phase 2 of Project Ubin, a similar industry collaboration started in November 2016. By November 2018, their findings on the potential of DvP settlement solutions will be published, along with key design considerations for more resilient operations.