SG Market Weekly Update
18 May – 22 May 2020

Weekly Wrap of STI

The STI closed sharply lower on Friday and 0.94% lower for the week to end at 2,499.83 as new security law on Hong Kong and tensions between China and the US spooked investors.

The STI started the week modestly higher buoyed by encouraging domestic data and news of major economies starting to gradually unwind full lockdown measures. This sentiment-driven rally continued Tuesday, fueled by biotech company Moderna's vaccine hopes. However, things started to take a turn for the worse on Wednesday as the market faced a reality check over Moderna's vaccine which was tested only on a small sample size. The decline resumed on Thursday and accelerated Friday against the backdrop of the escalating US-China spat and downbeat export data from Japan and South Korea. On Friday, worries of a deepening US-China rift intensified as Beijing look set to enact a controversial national security law on Hong Kong.

Year-to-date, the STI index is down 22.43%.

Week Ahead: 25 May – 29 May 2020

Economic Calendar: German GDP (25 May), German IFO Business Climate (25 May), Switzerland Industrial Production (25 May), Canada BoC's Governor Poloz speech (26 May), New Zealand Trade Balance (26 May), Singapore GDP (26 May), German Harmonized Index of Consumer Prices (28 May), US Initial Jobless Claims (28 May), US GDP (28 May), Nondefense Capital Goods Orders ex Aircraft (28 May), US Durable Goods Orders (28 May), Tokyo CPI ex Fresh Food (29 May), Japan Industrial Production (29 May), Eurozone CPI (29 May), Canada GDP (29 May)

Company: -

Companies News

1. UG Healthcare facilities operating at 'optimum production efficiency'

Catalist-listed manufacturer of disposable gloves UG Healthcare said that its facilities are operating at "optimum production efficiency", with the production capacity of 2.9 billion gloves per annum amid higher demand for gloves. The planned additional annual capacity of 300 million gloves will be added in FY2021 ending on June 31, 2021. Plans for further expansion of its production capacity will be announced in due course. This comes as the group faces increasing orders for gloves and ancillary products from both existing and new customers since the outbreak of Covid-19 in its core markets of Europe, North America, South America, China and Africa. With the surge in demand for gloves and healthcare and medical disposables leading to higher average selling prices, UG Healthcare remains committed to building long-term business relationships with its customers. The group continues to operate both its upstream glove manufacturing and downstream distribution businesses in accordance with directives from the respective governments and authorities. At the same time, it has continued to strengthen its proprietary "Unigloves" brand in the markets in which it operates.

2. Kitchen Culture proposed acquisition of 40% stake in sanitiser maker

Catalist-listed Kitchen Culture Holdings has entered into a non-binding term sheet with Guangdong Fon-neus Environment Protection Technology Inc. in relation to a proposed acquisition of a 40% stake in Beijing Anxin Health Products Co. Beijing Anxin is a Chinese manufacturer of medical supplies such as masks and sanitisers. It owns and is licensed to use intellectual properties including "AnXin" brand sanitisers. Kitchen Culture identified the business of Beijing Anxin as being synergistic with and complementary to its recently incorporated, wholly owned subsidiary KC Medical Supplies, a medical and related supplies trading business. Kitchen Culture intends to explore new areas of opportunities and alternate businesses, including healthcare and medical supplies solutions, artificial intelligence, machine learning and data science. The purchase consideration for the proposed stake purchase will be based on a valuation that is 5x the price-to-earnings ratio of Beijing Anxin.

3. Hatten Land got more time to repay US$20m loan by pledging more shares to lender

Catalist-listed property developer Hatten Land has been given more time to repay a US$20 million loan, but more shares in the company have been pledged to the lender, Haitong International (Singapore). Hatten Holdings pledged an additional 360 million ordinary shares it holds in the company to Haitong, bringing the stake pledged to the lender to about 53%. Hatten Holdings said it will notify the company of any other share-pledging arrangement relating to the shares it holds in the company, and of any event which may result in a breach of the provisions of the convertible loan agreement. Haitong and Hatten Land had entered the US$20 million convertible loan agreement in 2017. The property developer initially had up to April 10, 2020 to repay the loan, with a partial US$2.5 million payment due by Jan 10. With the reprieve granted, Hatten Land will now repay the loan in four instalments this year: US$2 million on Jan 10 and US$6 million each on April 10, July 10 and Oct 10.

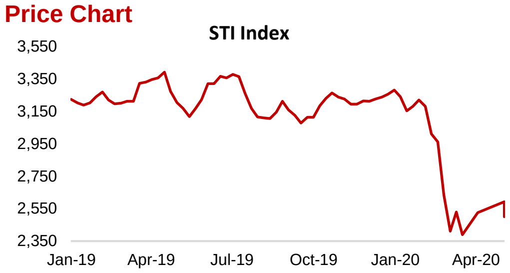
4. ComfortDelGro Q1 net profit halved on weak ridership amid virus outbreak

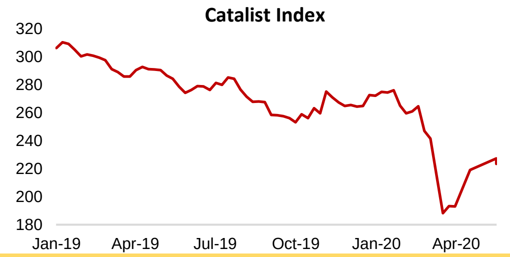
THE net profit for transport giant ComfortDelGro (CDG) fell 48.9% on the year to S$36 million for the first quarter ended March 31, hit by weak ridership amid Covid-19 induced lockdowns in the markets in which it operates. The company added that lockdowns in Singapore, Australia and the UK will "significantly hurt" its H1 FY2020 business. Revenue for the first quarter slid 9% year on year to S$862.4 million, owing to declines in its three biggest segments: taxi, automotive engineering services and public transport services.

Market Snapshot

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	2499.8	55.5	2.2%	0.9%	22.4%
SG Mid Cap	609.0	9.6	1.6%	1.8%	19.7%
SG Catalist	223.4	6.2	2.7%	2.4%	18.0%
SG Small Cap	275.5	4.9	1.8%	0.7%	22.5%

Price Chart





Capital Market News

1. Quarterly reporting has ended; but top SGX-listed firms provide voluntary 'updates'

Since February, Singapore Exchange-listed companies no longer have to do quarterly reporting, unless they do not have a clean audit opinion or face regulatory compliance issues. The timing could not have been worse, given the Covid-19 pandemic. Fortunately, many leading SGX-listed companies have chosen to continue engaging the market with quarterly "business updates". And some of these updates appear to be good substitutes for full financial reports. In particular, the three banks - DBS, OCBC and UOB - each published Q1 2020 updates that were much more concise than their traditional quarterly financial reports, but still covered most things relevant to investors. Their abridged income statements and balance sheets were informative, and they highlighted the key metrics that investors closely watch, from loan growth and net interest margins to return on equity and capital adequacy ratios.

SGX has couched the retreat from quarterly reporting as a shift from a size-based approach to financial reporting to a risk-based approach, pointing out that it is now only companies with audit or regulatory concerns that have to report quarterly. Yet, it is also an opportunity for the biggest locally listed companies that understand the importance of quarterly reporting to now experiment with alternative formats of providing investors with useful financial and non-financial information.

They should seek feedback from the market on what information would be most useful, and not begin from the assumption that there should be less financial information in their Q1 and Q3 updates than their half-yearly reports if the marginal cost of providing the extra information is negligible. The reward for a company that makes the effort could be greater awareness in the market of its values and value, and shareholder expectations that are more in sync with its own long-term goals.