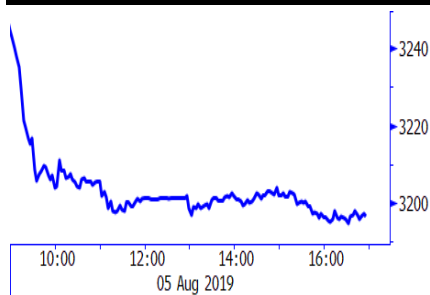


Market Indicators

	1-Aug	2-Aug	5-Aug
Mkt. T/O (S\$ mil)	1,104.7	1,405.1	1,369.8
Stock Advances	165	158	113
Stock Declines	259	312	379

Major Indices

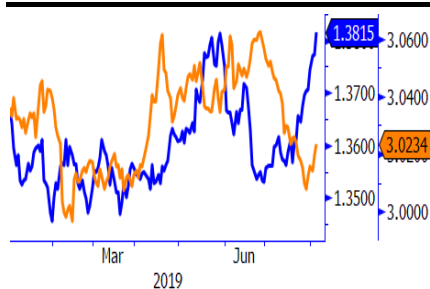
	1-Aug	2-Aug	5-Aug
DJ Ind Avg	26,583.4	26,485.0	25,717.7
S & P 500	2,953.6	2,932.1	2,844.7
Nasdaq Comp	8,111.1	8,004.1	7,726.0
Hang Seng	27,565.7	26,918.6	26,151.3

STI Index 3,194.51 (-2.04%)


Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,473.49	1.11%
Oil (NYMEX CWT11) US\$ / bbl	54.12	-1.15%
Baltic Dry Index	1788	-1.32%

Exchange Rates


USD : SGD 1.3848 / MYR : SGD 3.0230

Source: Bloomberg

Interest Rates

3-mth Sibor	1.879%
SGS (10 yr)	1.760%

KGI Securities Research Team
KGI Market Ideas

Singapore Equity Markets: Headwinds continue to increase for Singapore equities as countries one by one succumb to the weakness evident in major exporting countries. The latest global economic data indicates that the slowdown is spreading from manufacturing to the services and labour markets. Further adding to the slowing global economy, the decision by the US to impose additional tariffs on imports from China was reciprocated by a devaluation of the renminbi to above the 7.0 level against the US dollar, a sign that the Chinese government has shifted its focus to offsetting the damage to their economy, and away from trying to reach a trade deal in the short-term.

Against this backdrop, central banks around the world have responded by cutting interest rates, which we think is unlikely to prompt a recovery until well into 2020. In the meantime, the shift of the supply chain away from China is benefitting countries such as Vietnam and Taiwan. Our strategy remains focused on stocks that are able to limit downside risks from their 4-6% dividend yield and stable cash flow businesses. We would also wait to accumulate companies after their ex-dividend dates as recent performance by companies like SingTel and DBS shows a larger drop in share price compared to the dividend amount.

SGX. Its derivatives business grew 35% YoY in FY2019 (YE June 2019), offsetting the 15% YoY decline in its equities and fixed income revenues. The recent reorganisation of its business units places it in a good position to capture the strong global institutional demand for Asian risk management instruments, particularly with the China A50 Index Futures and USD/CNH FX derivatives. It also reported robust growth from its commodity derivatives, such as iron ore, freight derivatives and rubber futures volume. It has proposed a final dividend of 7.5 Sing cents and currently offers a decent yield of 3.8%. Its current valuations of 21x FY2020F P/E compares favourably against its historical 10-year average of 24x P/E.

KGI Trading Ideas and Results Update

- **KGI Trading Ideas:** First US rate cut since 2008 and implications for markets - Page 4
- **CapitaLand Retail China Trust (CRCT SP; Outperform; S\$ 1.68):** 1H19 exceeded expectations; accumulate on dip - Page 5
- **Sembcorp Marine (SMM SP; Neutral; S\$ 1.59):** Disappointing results; recovery postponed - Page 6
- **Sheng Siong Group (SSG SP; Outperform; S\$ 1.27):** 2Q19 results update; steering a steady ship - Page 7

Recent In depth Regional Reports

5/8	TH Transportation Sector (Neutral): 2Q19 earnings preview: A poor quarter for airlines
5/8	TH Plan B Media (PLANB TB; Outperform; TP: Bt 9.00): 2Q19 earnings preview: To grew both QoQ and YoY
5/8	TH Thaicom (THCOM TB; Underperform; TP: Bt 5.70): 2Q19 earnings review: Pressured by revenue slowdown
2/8	SG CapitaLand Retail China Trust (CRCT SP; Outperform; S\$ 1.680): 1H19 exceeded expectations; accumulate on dip
2/8	GLOBAL Economics: S&P 500 to fall to 2,800 points near term; but trade wars usually open up entry points
2/8	TW Strategy: Trade war escalations usually provide entry point for medium-to-long-term investors
2/8	TW IT Hardware (Neutral): True wireless stereo boom intact through 2H19-2020F
2/8	TW Far EasTone Telecom (4904 TT; Neutral; TP: NT\$ 71.00): 2019F earnings to fall further
2/8	TW Kingpak (6238 TT; Not Rated): Near-term headwinds, but seizing auto imaging sensor market growth via expansion
2/8	TW King's Town Bank (2809 TT; Neutral; TP: NT\$ 34.00): 1H19 earnings fell 67% YoY, but provisions overhang removed
2/8	CN/HK Economy: Trade negotiations likely near an end
2/8	CN Handset sector: Transsion – Leading brand in Africa to list on STAR Market
2/8	TH CK Power (CKP TB; Underperform; TP: Bt 5.20): 2Q19 earnings preview: Soft season
2/8	TH PTT Exploration and Production (PTTEP TB; Outperform; TP: Bt 155.00): Confidence in our national oil & gas exploration company
2/8	TH Thai Airways International (THAI TB; Underperform; TP: Bt 8.50): 2Q19 earnings preview: Expect a huge loss
1/8	SG KGI Trading Ideas: First US rate cut since 2008 and implications for markets
1/8	US Economics: Irrational stock sell-off postrate cut
1/8	TW Delta Electronics (2308 TT; Outperform; TP: NT\$ 173.00): Positive (standalone) margin surprise in 2Q19; amortization below expectation
1/8	TW Primax Electronics (4915 TT; Not Rated): New sales highs & operating margin expansion in 2H19F
1/8	TH Strategy: August model portfolio: Finding buffer against possible correction
1/8	TH Economic: Economy in June moderate from the previous month
1/8	TH RS (RS TB; Neutral; TP: Bt 16.90): 2Q19 earnings preview: Unexciting earnings
1/8	TH Siam City Cement (SCCC TB; Outperform; TP: Bt 280.00): 2Q19 earnings review: Hit by maintenance shutdown
31/7	SG Sembcorp Marine (SMM SP; Neutral; TP: S\$ 1.59): Disappointing results; recovery postponed
31/7	SG Sheng Siong Group (SSG SP; Outperform; TP: S\$ 1.27): 2Q19 results update; steering a steady ship
31/7	TW UA Supply Chain: UA's 2Q FY19 results in line; North America guidance cut
31/7	TW Accton (2345 TT; Outperform; TP: NT\$ 158.00): Solid growth ahead with strong competitive edge
31/7	TW Chroma (2360 TT; Not Rated): Increasing 5G & ToF applications to drive 2020F growth
31/7	TW Chunghwa Telecom (2412 TT; Neutral; TP: NT\$ 94.50): 2Q19 earnings largely in line
31/7	TW Delta Electronics (2308 TT; Outperform; TP: NT\$ 172.00): 2Q19 operating margin largely in line
31/7	TW EMC (2383 TT; Outperform; NT\$ 140.00): 2Q19 gross margin beats; new line-up cycle to boost 3Q19F EPS to record high
31/7	TW Innolux (3481 TT; Neutral; TP: NT\$ 6.30): 2Q19 losses narrowed; outlook conservative
31/7	TW Lotus Pharmaceuticals (1795 TT; Outperform; TP: NT\$ 160.00): Long-term outlook intact
31/7	TW MediaTek (2454 TT; Underperform; TP: NT\$ 272.00): Strong 2Q19 results, but headwinds persist
31/7	HK New Higher Education (2001 HK; Outperform; TP: HK\$ 3.60): Interim results preview
31/7	CN/HK Economy: PMI rebounds, but not above 50; trough still taking shape
31/7	TH Monthly Economic Tracker: Executive summary
31/7	TH Commodities Update: US crude output at 9 month low
31/7	TH Bangkok Bank (BBL TB; Outperform; TP: Bt 227.00): NPLs coming, but not as bad as 2016 2017
31/7	TH BEC World (BEC TB; Underperform; TP: Bt 9.00): 2Q19 earnings preview: Losses expected to continue
31/7	TH Central Pattana (CPN TB; Outperform; TP: Bt 84.50): 2Q19 earnings preview: Likely a slow quarter
31/7	TH Global Power Synergy (GPSC TB; Neutral; TP: Under Review): Synergy takes time
30/7	TW Strategy: Taiwan & Korea canaries singing different songs – Tech has bottomed, non-tech still seeking bottom
30/7	TW Flexium (6269 TT; Outperform; TP: NT\$ 119.00): 2Q19 margin beats; long-term outlook intact despite 2019F sales revision

For full reports, please contact Research Department at 6202 1190 or sgp.researchcom@kgi.com

Recent In depth Regional Reports

30/7	TW MediaTek (2454 TT; Underperform; TP: NT\$ 268.00): 2Q19 earnings preview – Mature segments weigh on growth segments; 5G to see slow take-off
30/7	CN/HK Stock Liquidity Monitor: Weekly data – Stock incentive & shareholding changes involving major shareholders
30/7	TH Non-Bank Sector (Neutral): Limited upside to target prices
30/7	TH Osotspa PCL (OSP TB; Outperform; TP: Bt 42.00): 2Q19 earnings preview: Earnings should rise firmly YoY
30/7	TH PTT Exploration and Production (PTTEP TB; Outperform; TP: Bt 145.00): 2Q19 earnings review: Better operating profit
30/7	TH Siam Cement (SCC TB; Underperform; TP: Bt 420): 2Q19 earnings review : 12% below expectation
29/7	TW Kinsus (3189 TT; Neutral; TP: NT\$ 37.00): Greater losses in 2Q19; SLP to undertake ABF conversion
29/7	TW Merry (2439 TT; Not Rated): 2Q19 EPS beat, but 2H19 momentum turns weaker
29/7	TW Poya (5904 TT; Outperform; TP: NT\$ 498.00): 2Q19 results in line; upside to SSSG
29/7	TW Sinbon Electronics (3023 TT; Not Rated): Multi-revenue-engine strategy to keep paying off in 2020F
29/7	CH/HK A-share Weekly: Sino-US trade talks & Fed rate policy dictate sentiment; tech still the hot money focus near term

For full reports, please contact Research Department at 6202 1190 or sqp.researchcom@kgi.com

First US rate cut since 2008 and implications for markets

- The US Fed cut interest rates by 25 bps. This has largely been priced in by the markets.
- Fed Chair Powell's comments were taken as being hawkish.
- Asian equity markets may see weakness in next 2-3 months, in our view. Taiwan is an opportunity. For Singapore stocks, wait for ex-dividend dates to buy at lower levels.

First US rate cut since 2008. It was a momentous day as the US Federal Reserve reduced the fed funds rate by 25bp, the first cut since 2008. However, even before July's FOMC meeting, interest rate-sensitive sectors such as Singapore REITs have priced in the rate cuts going by how they have outperformed the broader market in 2019. In other asset classes, decelerations in global economic growth have historically been positive for the US Dollar, despite the monetary easing by the US Federal Reserve. The expectations of declining real interest rates are also positive for precious metals such as gold and silver, which have recently been in an upward trend.

Hawk. Powell's comments were hawkish and caused a sell-off in US equities, as Fed fund futures just before the Fed's decision had indicated that some market participants had held hopes of a 50bp cut. The hawkish tilt by the Fed chair could translate to a slower pace of rate cuts in 2019, therefore leading to a repricing of risk-assets in the next few months. Furthermore, given the good performance of equities year-to-date, we think investors may take the opportunity to take profits off the table.

Taiwan is an opportunity. We would prefer Taiwan stocks for now given how their markets tend to rally before presidential elections, which is scheduled on 11 January 2020. Furthermore, TSMC, the biggest company in Taiwan by market capitalisation and a market bellwether, gave positive guidance for 2H 2019. TSMC's guidance is expected to support a solid rebound in Taiwan tech stocks as 2H19 peak seasonality for tech has now shifted from 'uncertain' to 'confirmed'.

Singapore equity market may see weakness in next 2-3 months. First, second quarter earnings season has largely been disappointing for most SGX-listed companies. Second, the effect of rate cuts will take time to filter to the real economy, and the potential impact may be limited in an environment where interest rates are already near historical lows.

Singapore – wait for pullback. There's no rush to buy Singapore equities now. It is better to wait for a pullback when companies go ex-dividend. For example, SingTel dropped by 17.0 Sing cents, more than the 10.7 Sing cents dividend after it went ex-dividend on 26 July.

Figure 1: SingTel share price performance. Its shares dropped more than the dividend amount after it went ex-div.



Source: KGI Research

CapitaLand Retail China Trust (CRCT SP)

1H19 exceeded expectations; accumulate on dip

Geraldine Wong / 65 6202 1193 / Geraldine.wong@kgi.com

- **1H19 surpassed expectations.** 1H19 NPI exceeded expectations, making up 54% of our full year forecast; rental reversions of +7.5% supported by anchor assets.
- **Acquisitions of three sponsor assets.** Acquisition will be on the basis of a 6% NPI yield, and will be equally funded by debt and equity; EFR recommendation: Accept offer!
- **DPU bump up likely next year (not this year).** We expect flattish FY19 DPU to pick up in the next two years.
- **Maintain Outperform.** Resilient macro backdrop with catalyst in sight; 12M TP increased from S\$1.61 to S\$1.68.

Financials & Key Operating Statistics

YE Dec (S\$m)	2017	2018	2019F	2020F	2021F
Gross revenue	229.2	222.7	231.9	267.5	285.4
Net property income	149.2	147.4	153.5	177.1	188.9
Distributable income	91.1	99.7	111.6	130.2	140.5
DPU (SGD cents)	10.1	10.2	10.3	11.0	11.8
DPU growth (%)	0.5	1.2	0.4	6.8	7.9
Div Yield (%)	6.2	7.5	6.6	7.1	7.6
NAV per unit (SGD)	1.7	1.6	1.7	1.8	1.8
Price / Book (x)	0.9	0.9	0.9	0.9	0.9
NPI Margin (%)	65.1	66.2	66.2	66.2	66.2
Net Margin (%)	62.4	57.2	32.9	35.3	36.7
Gearing (%)	28.0	34.8	35.4	34.5	34.0
ROE (%)	6.5	3.8	3.9	4.6	5.0

Source: Company Data, KGI Research

Strong support from anchor assets. Operating statistics delivered numerous positives this quarter. 1H19 revenue and NPI made up 50% and 54% of our full year forecast. DPU for 1H19 (5.5 Scts) exceeded our expectations (10.4 Scts) by c.6%. Rental revenue was cushioned by strong rental reversions of +7.5% across 1H19. This was primarily led by two assets that recorded double digit rental reversion growth, Xizhimen (+14.7%) and Rocksquare (+16.7%). The hike in NPI was traced back to Qibao and Minzhongleyuan in part due to accounting discrepancies with the implementation of FRS116 – Leases. The closure and subsequent divestment of Wuhu in Jul also helped, as the asset was previously not breaking even.

Acquisition of three sponsor assets. CRCT announced the full acquisition of three sponsor assets on 11 Jun – CapitaMall Xuefu, Aidemengdun (both Harbin, Heilongjiang) and Yuhuating (Changsha, Hunan). The acquisition cost of S\$489mn implies an agreed NPI yield of 6.0% and will be equally funded by debt and equity. CRCT's gearing remains healthy at 33.8%, with cost of debt low at c.3.0%.

EFR to raise c.S\$279mn – ACCEPT OFFER! Equity fund raising to raise S\$279mn was proposed yesterday through both a private placement and rights issue. Offer price will be in the range of S\$1.42 – S\$1.44 for the rights issue, a c.7.1% discount from CRCT's closing price of S\$1.55. Placement tranche was announced to be three times covered this morning. We recommend investors to accept the offer (Tentative timeline: 16 -26 Aug) to prevent share dilution.

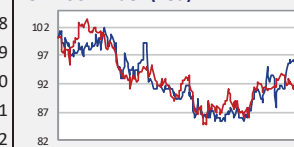
Outperform (Maintain)

Price as of 2 Aug 19 (SGD)	1.53	Performance (Absolute)	
12M TP (S\$)	1.68	1 Month (%)	-1.9
Previous TP (S\$)	1.61	3 Month (%)	2.6
Upside, incl div (%)	17.0%	12 Month (%)	8.4

Trading data

Mkt Cap (\$mn)	1,528
Issued Shares (mn)	999
Vol - 3M Daily avg (mn)	2.0
Val - 3M Daily avg (\$mn)	3.1
Free Float (%)	61.82

Perf. vs STI Index (Red)



Major Shareholders

CapitaLand Ltd	25.8%
CapitaLand Mall Trust	12.3%
Matthews International	6.4%

Previous Recommendations

20-Mar-19 OP S\$1.61

Stabilisation before divestment. Minzhongleyuan look to be CRCT's best divestment bet now. The mall's occupancy of 61% is the lowest within the portfolio. Management guided that they are currently securing an anchor F&B tenant for the asset. Stabilisation could be the immediate priority now, but original plan to divest remains unchanged in the short to medium time horizon. Divestment of the property could free up RMB515mn based on its latest market valuation.

Incremental rent to start bumping up DPU next year (not this year). We reiterate that bump up in DPU will likely start seeing light in FY20. There remains to be c. S\$26mn (or 2.2 Scts/share on an enlarged units base) in divestment reserves from Anzhen mall that will be more than sufficient to at least ensure flattish rents this financial year. Boost to DPU will likely materialise next year, predominantly from the three sponsor assets, and to a smaller extent, the opening of Yuquan mall (Hohhot asset swap) targeted at 2H20. We anticipate DPU for FY19/FY20 to be 11.0Scts / 11.8Scts, without factoring in Yuquan mall due to lack of deal visibility.

Valuation & Action: Maintain BUY, TP of S\$1.68. We recommend investors to accumulate on dip. CRCT is poised to benefit from an enlarged market cap, and incremental rent contributing in the coming 2 years. Moreover, local consumption remains strong in China, supported by raising disposable income and urbanization across Tier 2 cities. Retail sales in cities that CRCT is present in grew an average of 8.2% YoY for the first half of 2019. CRCT continues to trade at a conservative P/B ratio of 1.0x, accompanied by a decent dividend yield 6.6%, a premium of 190 bps compared to local peer CapitaLand Mall Trust.

Risks: New mall near Xinnan to directly compete for shopper traffic; Future retail index signalling signs of cautiousness.



CHINA
DEVELOPMENT
FINANCIAL

Sembcorp Marine Ltd

(SMM SP/SCMN.SI)

Disappointing results; recovery postponed

Joel Ng / 65 6202 1192 / joel.ng@kgi.com

- SMM reported a smaller PATMI loss of S\$8.5mn in 2Q19 compared to a loss of S\$55.6mn in 2Q18.
- However, the company has guided for full-year losses to be similar to last year's loss of around S\$74mn.
- Net orderbook excluding the Sete drillship contracts declined to S\$2.1bn as at end 2Q19, compared to S\$3.1bn as at end-2018.
- Given the disappointing results and weak guidance for FY19, we downgrade SMM to Neutral with a fair value of S\$1.59, based on 1.6x FY2019F P/B.

Financials & Key Operating Statistics

YE Dec (\$\$ m)	2017	2018	2019F	2020F	2021F
Revenue	2387.4	4887.9	3029.9	3749.9	4904.8
PATMI	14.1	-74.1	-79.6	-12.9	31.5
Core PATMI	-37.4	-74.3	-79.6	-12.9	31.5
Core EPS	-1.8	-3.6	-3.8	-0.6	1.5
Core EPS grth (%)	-138.3	na	na	na	na
Core P/E (x)	na	na	na	na	90.1
DPS (\$G Cents)	2.0	0.0	0.0	0.0	0.0
Div Yield (%)	1.5	0.0	0.0	0.0	0.0
Net Margin (%)	0.6	-1.5	-2.6	-0.3	0.6
Gearing (%)	111.1	144.4	117.6	123.6	118.3
Price / Book (x)	1.1	1.2	1.2	1.2	1.2
ROE (%)	0.6	-3.2	-3.4	-0.6	1.4

Source: Company Data, KGI Research

Event: SMM's 2Q19 performance was a clear disappointment, with full-year guidance of a loss similar to last year's loss of around S\$74mn. Furthermore, order wins have been significantly weaker-than-expected, with only S\$175mn worth of new projects secured in the first six months of FY19. In comparison, Keppel Corp (KEP SP, Neutral, TP S\$7.43) had secured S\$1.9bn of new orders in 1H19, higher than the total value of new orders it secured for the whole of 2018. SMM's net gearing remains elevated at 1.4x as at end-2Q19, a level which we think raises the probability of a rights issue in the next 6-12 months.

Overhang from Brazil. The investigations surrounding SMM's Brazil operations may continue to be an overhang on its share price. SMM announced on the 3rd of July that a search warrant was executed on its Brazilian subsidiary, Estaleiro Jurong Aracruz (EJA), in connection with investigations against Guilherme Esteves de Jesus, a former consultant engaged by EJA. He is facing ongoing criminal charges which have not been concluded. The investigations also include Martin Chea, EJA's former president. In the worst-case scenario should SMM be fined US\$422mn - the amount that Keppel Corp was fined in 2017 - our fair value of SMM drops to S\$1.15 (based on 1.6x FY19F P/B, 1 standard deviation below its 20-year average).

Some good news. According to media reports, Sete Brasil may be reaching a resolution on the four rigs being constructed by Keppel Corp (KEP SP) and SMM. The tender to sell the rigs received two proposals, one from Magni Partners and the other from KEP. Magni Partners is owned

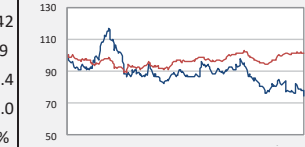
NEUTRAL - Downgrade

		Performance (Absolute)
Price as of 30 Jul 19 (SGD)	1.36	
12M TP (\$)	1.59	1 Month (%) -9.9
Previous TP (\$)	2.50	3 Month (%) -20.5
Upside (%)	16.9	12 Month (%) -25.7

Trading data

Mkt Cap (\$mn)	2,842
Issued Shares (mn)	2,089
Vol - 3M Daily avg (mn)	5.4
Val - 3M Daily avg (\$mn)	8.0
Free Float (%)	37.8%

Perf. vs STI Index (Red)



Major Shareholders

Sembcorp Industries	61.1%
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Previous Recommendations

21-Feb-19	OW \$2.48
1-Jan-19	OW \$2.50
7-May-18	OW \$2.64

by Tor Olav Troim, the chairman of Borr Drilling. The best-case scenario (which is highly likely given that the rigs have 10-year contracts) is that a deal is concluded in 2H19 and the shipyards (SMM and KEP) complete the construction of the four rigs, but at a cost that will have to be negotiated between the new owners and the yards. Overall, we think the resolution of Sete Brasil would be slightly positive for SMM as it would provide greater certainty on the construction timeline.

Industry recovery. With 26% of SMM's fixed assets in Brazil, SMM is well-positioned to gain when the oil industry recovers in South America. Already, Rystad Energy reports that final investment decisions (FIDs) for projects over 25mn barrels of oil equivalent (boe) are set to triple YoY in South America in 2019. Brazil is set to lead with 8 projects in 2019 out of a total of 16 FIDs in South America. Globally, the number of project FIDs (>25m boe) has increased from 56 in 2016, to 72 in 2017, 103 in 2018 and is forecasted by Rystad Energy to reach 115 in 2019.

Valuation & Action: Rock-bottom valuations but uncertainty from Brazil investigations and slow order win momentum. We downgrade our recommendation to Neutral and lower our fair value to S\$1.59, based on 1 standard deviation below its 20-year P/B average. Although the industry recovery is underway, we expect SMM's earnings to remain weak until 2021 given the intense competition and compressed margins as it diversifies into new projects. The most significant risk in our view is the possibility of a rights issue to lower its high debt level.

Risks: Dilutive rights issue or placement exercise to raise funds, especially in the worst-case scenario that it has to pay fines related to its Brazilian operations. Profit margins may continue to be under pressure as SMM diversifies into new projects.

Sheng Siong Group Ltd

(SSG SP/SHEN.SI)

2Q19 results update; steering a steady ship

Geraldine Wong / 65 6202 1193 / Geraldine.wong@kgi.com

- **2Q19 results exceeded expectations.** 1H19 revenue of \$238.2mn (+11.8% YoY) this quarter makes up 52.5% of our full year forecast.
- **3 new stores opened this quarter.** 3 new stores opened in Singapore this quarter, with potentially another 3 subjected to tender results in August 19. Second store in China opened in Kunming this June.
- **Focus on fresh food segment.** Focus is on increasing fresh food sales mix to uplift gross margins.
- **Maintain Outperform.** Defensive dividend play with strong net cash position

YE Dec SGD mn	2016	2017	2018A	2019F	2020F
Revenue	796.7	829.9	890.9	935.2	983.9
Operating income	75.6	81.9	83.8	89.5	96.2
Net income	62.7	69.5	70.5	75.6	81.9
EPS (SG cents)	10.3	11.4	1.4	7.1	8.3
DPS (SG cents)	3.8	3.3	3.4	3.5	3.7
Div Yield (%)	4.0	3.6	3.1	3.3	3.4
NAV (SG cents)	16.8	18.0	19.3	20.7	22.3
Price / Book (x)	5.6	5.1	5.6	5.2	4.8
Gross Margin (%)	25.7	26.2	26.8	26.7	26.9
Net Margin (%)	7.9	8.4	7.9	8.1	8.3
ROE (%)	25.2	26.7	25.2	25.2	25.4
Net Debt/Equity		Net cash	Net cash	Net cash	Net cash

Source: Company Data, KGI Research

2Q19 revenue exceeded expectations. Sheng Siong announced revenue of \$238.2mn for 2Q19 (+11.8% YoY) and net profit of \$18.4mn (+7.6% YoY). Total revenue reported in 1H19 makes up 52.5% of our full year forecast (\$935.2mn) and gross margin of 27.4% this quarter surpassed our forecast of 26.7%. The 11.8% increase in total revenue was catalysed by the opening of three new stores in May (Bukit Batok, Anchorvale and Sumang Lane) and good take up within Sheng Siong's China supermarkets. The China subsidiary continued to be profitable despite start-up costs associated to the recent opening of their second store.

Cautious consumer sentiments. The broader retail sales index continues to reflect a bearish trend (Mar to May average: -1.5% YoY) since Chinese New Year, where a 10.7% decline YoY was reflected in February. Mar to May figures continued to reveal a preference towards eating out, with the turnover of the Food & Beverage Index averaging at +1.9% against supermarkets & hypermarkets (average +0.1%).

Flattish operating profit margin. Operating profit margin dipped marginally to 9.4% this quarter primarily from higher staff cost required in newly opened stores and higher input cost associated with the recent swine flu disease. Increase of fresh food sales mix will continue to be an upside catalyst to profit margins and act as a segment that is likely sheltered from the ongoing ecommerce threat. Sheng Siong's fresh food segment commands much higher gross margins (35%) than the non-fresh food segment (20%). Overall basket weightage is currently equally held between the fresh food and non-fresh food segment.

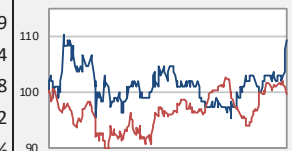
Outperform (Maintain)

Price as of 31 Jul 19 (SGD)	1.17	Performance (Absolute)	
12M TP (SGD)	1.27	1 Month (%)	6.4
Previous TP (SGD)	1.24	3 Month (%)	13.5
Upside, incl div (%)	11.4	12 Month (%)	12.9

Trading data

Mkt Cap (\$mn)	1,759
Issued Shares (mn)	1,504
Vol - 3M Daily avg (mn)	1.8
Val - 3M Daily avg (\$mn)	2
Free Float (%)	42.6%

Perf. vs STI Index (Red)



Major Shareholders

S & S Holdings Inc	29.9%	29-Apr-19	OP \$1.24
Lim Hock Chee	9.3%	27-Feb-18	OP \$1.24
Lim Hock Leng	9.1%	1-Nov-18	OP \$1.24

Previous Recommendations

Awaiting outcome in recent shop tenders. Sheng Siong tendered for 6 out of 7 shops released by HDB. Tender results will likely be out by Aug 2019. Management communicated confidence in securing about half of their bids, and the ability to then commence operations as soon as Sep. New stores usually record the highest growth within the first 3 years, and break even in c.6 - 18 months. We think that inorganic growth will continue to fuel revenue, in view of stable same store sales.

Automation to ease labour costs. Labour cost remains to be the single biggest expense item after rental expense. Automated checkout counters have seen implementation across all of Sheng Siong's stores last quarter. This is estimated to shave 20% - 30% off labour expense by 4Q19.

Strong growth momentum in market share. Total local store count grew to 57 this quarter, with market share improving to c.16%, behind NTUC and Dairy Farm. The supermarket industry is undergoing re-organization in the face of industry maturity and slowing economic growth. Competition from Sheng Siong's two biggest competitors looks to be kept at bay, with one shifting focus towards the premium grocery segment and the other undergoing potential contraction.

Valuation & Action: Maintain OUTPERFORM, TP of \$1.27.

We increase our 12M TP from \$1.24 to \$1.27 in anticipation of the 6 new store openings this year. We like Sheng Siong's stable earnings growth and defensive business model. We anticipate higher dividend yield in the future (currently c.3%) given the growing net cash position.

Risks: August tender outcome not meeting expectations, disease outbreak associated with fresh product, competition from smaller supermarket players.

STI Components and Key Metrics

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
FINANCIALS								
DBS SP	DBS	25.29	64,620	(2.5%)	11.6%	(3.4%)	4.9%	4.9%
OCBC SP	OCBC	11.08	47,838	(1.2%)	0.3%	(5.4%)	4.4%	4.4%
UOB SP	UOB	25.91	43,223	(0.3%)	8.3%	(3.3%)	4.8%	4.8%
SGX SP	SGX	7.89	8,441	(1.1%)	12.6%	(0.8%)	3.7%	3.7%
PROPERTIES								
HKL SP	Hongkong Land USD	5.74	18,702	(4.7%)	(6.9%)	(8.6%)	3.9%	3.9%
CAPL SP	CapitaLand	3.46	17,430	(2.0%)	15.0%	(4.7%)	3.6%	3.6%
CT SP	CapitaLand Mall Trust	2.59	9,553	(0.4%)	18.0%	(1.5%)	4.6%	4.6%
AREIT SP	Ascendas REIT	3.06	9,525	0.3%	22.3%	1.0%	5.3%	5.3%
CIT SP	City Development	9.19	8,334	(1.9%)	14.9%	(6.5%)	2.1%	2.1%
CCT SP	CapitaLand Comm Trust	2.05	7,902	(1.9%)	22.7%	(2.8%)	4.3%	4.3%
UOL SP	UOL	7.16	6,038	(1.0%)	18.4%	(4.9%)	2.5%	2.5%
TELECOMMUNICATIONS								
ST SP	SingTel	3.30	53,886	(1.5%)	16.3%	(2.1%)	5.5%	5.5%
CONSUMER SERVICES AND GOODS								
JM SP	Jardine Matheson USD	57.38	58,583	(5.7%)	(15.9%)	(9.1%)	3.0%	3.0%
JS SP	Jardine Strategic Holdings	33.65	51,634	(2.9%)	(7.8%)	(6.3%)	1.0%	1.0%
DFI SP	Dairy Farm International	7.31	13,693	(3.8%)	(17.6%)	(2.3%)	2.9%	2.9%
THBEV SP	ThaiBev	0.82	20,593	(0.6%)	37.4%	(4.1%)	2.7%	2.7%
JCNC SP	Jardine C&C	32.55	12,865	(2.8%)	(5.4%)	(7.4%)	4.0%	4.0%
GENS SP	Genting Singapore	0.89	10,671	(1.7%)	(7.4%)	(4.3%)	4.2%	4.2%
VMS SP	Venture Corp	14.60	4,210	(2.7%)	7.9%	(7.8%)	5.0%	5.0%
SPH SP	SPH	2.10	3,352	(0.9%)	(8.6%)	(5.8%)	5.9%	5.9%
TRANSPORT								
SIA SP	Singapore Airlines	9.05	10,724	(0.7%)	(1.6%)	(4.7%)	4.0%	4.0%
CD SP	ComfortDelGro	2.64	5,718	(2.2%)	25.7%	(6.4%)	4.2%	4.2%
COMMODITIES								
WIL SP	Wilmar	3.89	24,636	(2.3%)	27.2%	(4.7%)	2.9%	2.9%
GGR SP	Golden Agri	0.29	3,693	(1.7%)	20.7%	(6.5%)	1.9%	1.9%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	6.00	10,903	(1.6%)	5.0%	(7.6%)	3.9%	3.9%
STE SP	ST Engineering	4.11	12,827	(1.9%)	20.9%	(4.9%)	3.7%	3.7%
SATS SP	SATS	4.74	5,300	(1.5%)	4.4%	(2.9%)	4.0%	4.0%
YZJSGD SP	Yangzijiang SGD	1.38	5,445	(2.8%)	14.2%	(4.2%)	3.4%	3.4%
SCI SP	Sembcorp Industries	2.28	4,075	(1.7%)	(9.6%)	(5.4%)	2.4%	2.4%
HPHT SP	HPH Trust USD	0.20	2,389	(1.0%)	(12.6%)	(10.9%)	8.8%	8.8%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.
Source: Bloomberg

STI Reserve List (by market cap)

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
SUN SP	Suntec REIT	1.89	5,288	(1.0%)	10.4%	(1.3%)	5.1%	5.1%
MCT SP	Mapletree Commercial Trust	2.03	5,876	1.0%	27.6%	(0.3%)	4.5%	4.5%
MLT SP	Mapletree Logistics Trust	1.53	5,561	(1.3%)	26.6%	(2.5%)	5.3%	5.3%
KREIT SP	Keppel REIT	1.20	4,081	(2.4%)	8.9%	(3.2%)	4.8%	4.8%
MINT SP	Maple Industries Trust	2.26	4,574	0.0%	23.6%	0.0%	5.6%	5.6%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.
Source: Bloomberg

Appendix 1: Corporate Action

Latest Dividend Entitlements Announcement

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 5 Aug 19	Yield (%)
Ascott Residence Trust	30-Jul-19	2Q19	SGD 0.03431	6-Aug-19	7-Aug-19	29-Aug-19	SGD 1.310	5.5
CDL Hospitality Trusts	30-Jul-19	2Q19	SGD 0.04160	6-Aug-19	7-Aug-19	28-Aug-19	SGD 1.640	5.6
Far East Hospitality Trust	30-Jul-19	2Q19	SGD 0.009100	6-Aug-19	7-Aug-19	13-Sep-19	SGD 0.680	5.8
Frasers Logistics & Industrial Trust			0.128900	6-Aug-19	7-Aug-19	1-Nov-19	SGD 1.220	6.4
Hour Glass Ltd/The	28-May-19	FY19	SGD 0.03000	6-Aug-19	7-Aug-19	20-Aug-19	SGD 0.835	2.4
iFAST Corporation	27-Jul-19	2Q19	SGD 0.00750	6-Aug-19	7-Aug-19	21-Aug-19	SGD 1.080	2.9
KSH Hldgs Ltd	30-May-19	FY19	SGD 0.0120	6-Aug-19	7-Aug-19	16-Aug-19	SGD 0.435	5.1
Singapore Shipping Corp Ltd	23-May-19	FY19	SGD 0.0100	6-Aug-19	7-Aug-19	22-Aug-19	SGD 0.290	3.4
Stamford Land Corp Ltd	22-May-19	FY19	SGD 0.01000	6-Aug-19	7-Aug-19	22-Aug-19	SGD 0.495	2.0
Starhill Global REIT	30-Jul-19	FY19	SGD 0.01100	6-Aug-19	7-Aug-19	29-Aug-19	SGD 0.775	5.8
Cortina Holdings	24-May-19	FY19	SGD 0.0200	7-Aug-19	8-Aug-19	20-Aug-19	SGD 1.420	3.2
Cortina Holdings - Special	24-May-19	FY19	SGD 0.0350	7-Aug-19	8-Aug-19	20-Aug-19	SGD 1.420	3.2
Hiap Tong Corp Ltd			SGD 0.00050	7-Aug-19	8-Aug-19	22-Aug-19	SGD 0.073	-
Parkway Life Real Estate Invst Trust	31-Aug-19	2Q19	SGD 0.0327	7-Aug-19	8-Aug-19	4-Sep-19	SGD 3.050	4.3
SingHaiyi Group Ltd	22-May-19	FY19	SGD 0.0015	7-Aug-19	8-Aug-19	19-Aug-19	SGD 0.093	3.2
Willas-Array Electronics Holdings Ltd	29-May-19	FY19	HKD 0.2000	7-Aug-19	8-Aug-19	26-Aug-19	SGD 0.575	11.3
BreadTalk Group	2-Aug-19	2Q19	SGD 0.00500	8-Aug-19	13-Aug-19	21-Aug-19	SGD 0.690	2.2
CapitaLand Retail China Trust			SGD 0.06290	8-Aug-19	13-Aug-19	27-Sep-19	SGD 1.550	6.6
Jason Marine Group Ltd	23-May-19	FY19	SGD 0.0050	8-Aug-19	13-Aug-19	28-Aug-19	SGD 0.128	3.9
Lippo Malls Indonesia Retail Trust	2-Aug-19	2Q19	SGD 0.00600	8-Aug-19	13-Aug-19	27-Aug-19	SGD 0.240	8.0
Old Chang Kee	30-May-19	FY19	SGD 0.01500	8-Aug-19	13-Aug-19	28-Aug-19	SGD 0.780	3.8
Powermatic Data Systems	27-May-19	FY19	SGD 0.0500	8-Aug-19	13-Aug-19	23-Aug-19	SGD 1.830	3.8
Powermatic Data Systems - Special	27-May-19	FY19	SGD 0.0300	8-Aug-19	13-Aug-19	23-Aug-19	SGD 1.830	3.8

Source: SGX Announcement / Bloomberg

Latest Rights Issue Announcement

Company	Particulars	Ex-Date	Book Close	Rights Trading Period	
				From	To
Informatics Education Ltd	3 Rights Shares @ S\$ 0.05 for each Rights Share with 1 free detachable and transferable Warrant (exercise price S\$ 0.05) for every 1 existing ord stock	25-Jul-19	26-Jul-19	31-Jul-19	8-Aug-19

Source: SGX Announcement

Latest Listing Issue Announcement

Company	Offer Price	Closing Date	Offeror
First Ship Lease Trust	SGD 0.0585 Cash	5.30 p.m. on 14 Aug 2019	FSL Holdings Pte. Ltd.
Hupsteel Ltd	SGD 1.20 Cash	5.30 p.m. on 16 Aug 2019	Hercules Pte. Ltd.
Raffles Utd Hldgs Ltd	SGD 0.065 Cash	5.30 p.m. on 14 Aug 2019	Raffles Infinity Hldgs Pte. Ltd.

Source: SGX Announcement

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
<p>5-Aug</p> <p>Q1 NetLink NBN Trust</p> <p>Q2 Challenger Technologies > First REIT</p>	<p>6-Aug</p> <p>Q2 China Sunshin Chemical Hldgs > EC World REIT > First Ship Lease Trust > Ho Bee Land > Mewah Int'l Inc > OUE Hospitality Trust > Sasseur REIT > StarHub > Thakral Corp</p>	<p>7-Aug</p> <p>Q2 CapitaLand > China Aviation Oil Spore > Fragrance Grp > Haw Par Corp > IREIT Global > OUE Commercial REIT > Perennial Real Estate Hldgs > Vicom</p> <p>*Q2 ISDN Hldgs > SIIC Environment Hldgs</p>	<p>8-Aug</p> <p>Q1 Spore Telecoms</p> <p>Q2 BHG Retail REIT > City Devpts > Cromwell European REIT > Elec & Eltek Int'l > Frencken Grp > Global Invts > Hong Leong Finance > Hotel Royal > Kingsmen Creatives > LHT Hldgs > SBS Transit > UOL Grp > Venture Corp</p> <p>Q3 Frasers Property</p> <p>*Q2 China New Town Devpt</p>	<p>9-Aug</p>
<p>12-Aug</p>	<p>13-Aug</p> <p>Q2 Best World Int'l > ComfortDelGro Corp > Halcyon Agri Corp > Hiap Hoe > IFS Capital > Manulife US REIT > Straco Corp > Wilmar Int'l</p> <p>*Q2 Centurion Corp > China Everbright Water</p> <p>*Q3 LHN</p>	<p>14-Aug</p> <p>Q1 Accordia Golf Trust > KSH Hldgs</p> <p>Q2 AP Oil Int'l > Asian Pay Television Trust > CNMC Goldmine > CSE Global > Emerging Towns & Cities > Golden Agri-Resources > KrisEnergy > mDR > Olam Int'l > Sembcorp Industries > Sinarmas Land > Uni-Asia Grp</p> <p>Eagle Hospitality Trust (For the Period since its listing on 24 May 2019 to 30 June 2019)</p> <p>*Q1 Valuetronics Hldgs > Willas-Array Electronics Hldgs</p> <p>*Q2 First Resources > Spore Technologies Engrg > Tianjin ZhongXin Pharmaceutical Grp Corp > Utd Engineers</p>	<p>15-Aug</p> <p>*Q2 TPV Technology</p>	<p>16-Aug</p>
<p>19-Aug</p>	<p>20-Aug</p>	<p>21-Aug</p>	<p>22-Aug</p>	<p>23-Aug</p> <p>SG ₂₀₁₉ Gross Domestic Product</p> <p>SG (Jul 2019) CPI</p>
<p>26-Aug</p> <p>SG (Jul 2019) Index of Industrial Production</p>	<p>27-Aug</p>	<p>28-Aug</p> <p>Q4 Karin Technology Hldgs</p>	<p>29-Aug</p> <p>Q4 ASL Marine Hldgs</p>	<p>30-Aug</p>

* Tentative

Source: Bloomberg

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