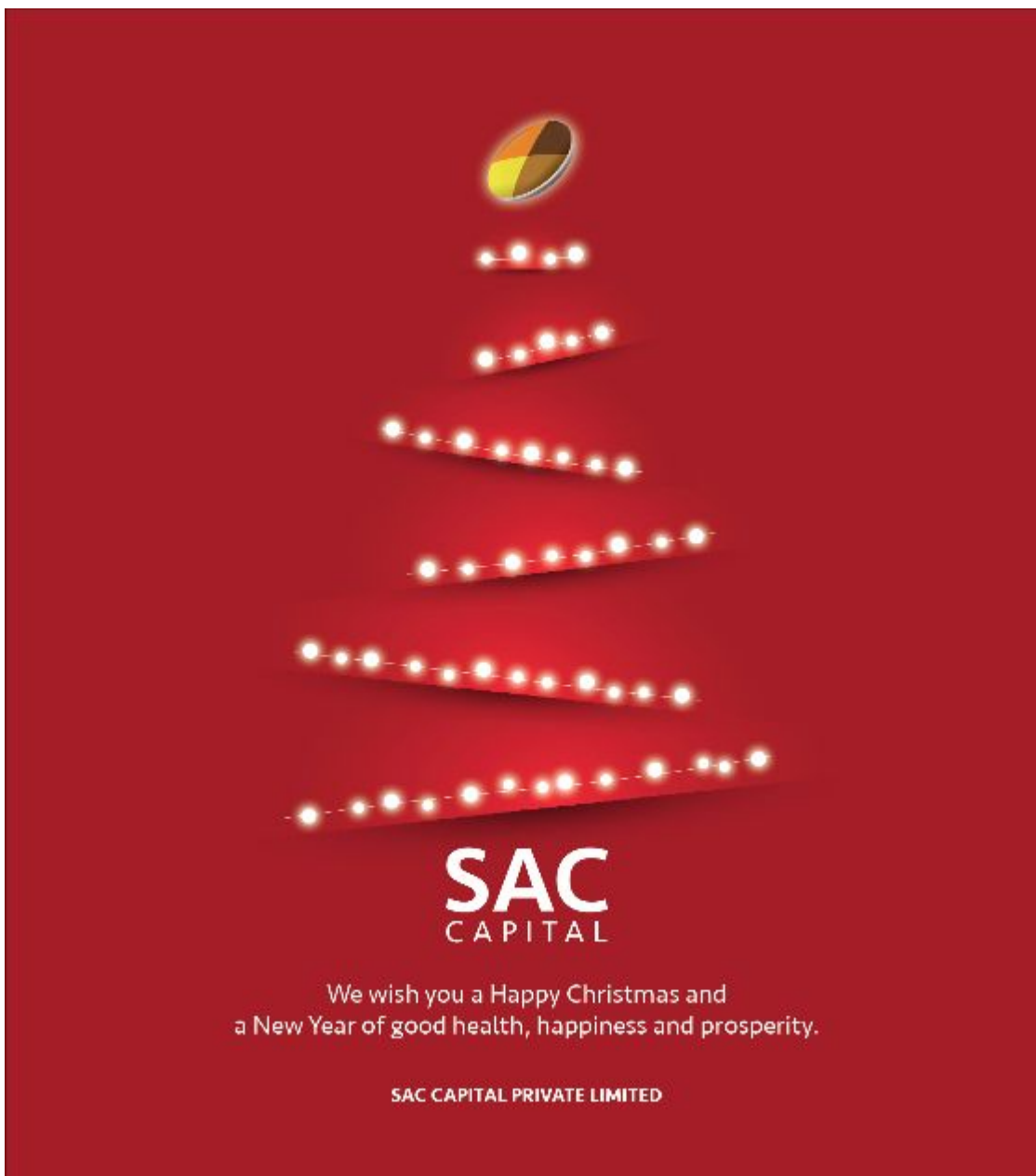


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This is SAC weekly newsletter for 22 Dec 2021

#### Market Moves

Reopening plans are standing on shaky grounds with European and Asian countries reinstating border restrictions to curb the Omicron variant. Singapore and Thailand suspend quarantine-free inbound travel

(except for those who had purchased VTL tickets). In the meantime, Singapore has begun vaccination programme for the children. If Omicron proves to be no worse than Delta, we expect Asean recovery to remain on track in 2022, though the pace might be slowed by virus flare-ups and restrictions.

China's central bank lowered 1-year Loan Prime Rate (LPR) by 5bp to 3.8%, and maintained 5-year LPR at 4.65%. LPR is the reference rate for bank lending. The lower LPR and two RRR cuts in Jul and Dec this year would save banks' funding cost and lower financing costs for SMEs. The 5-year LPR is a reference rate for mortgage loans. By holding it stable, it signals the government's determination to rein in property speculations. Monetary easing plus reduced policy regulations are likely to lift credit growth in 2022, a positive for banks in particular.

The SIC ruled that SPH shareholders can vote on the two takeover offers by Keppel and Cuscaden concurrently, which will allow the deal to be decided and concluded earlier. The initial term was for any Alternative Scheme Meeting to be held only 8 weeks after the Keppel Scheme Meeting. Going by the takeover terms, Cuscaden's terms (cash S\$2.36/share or cash S\$1.602/share + 0.782 units in SPH REIT) appear to be more favourable. If more SPH shareholders opt for all cash, Cuscaden might need to offer a GO for SPH REIT at S\$0.964/unit.

#### Analysts' Notes

Buy now pay later is a fast-growing market in Asia as players targets underbanked individuals in emerging countries and younger consumers who have restricted access to credits. Aside from flexible payments that consumers get to enjoy at no interest cost, retailers are also benefiting from higher cart conversion and higher total purchase value. Default risks fall on BNPL players rather than the retailers. As the market is still at the nascent stage, players are rapidly onboarding consumers and merchants to gain market share. BNPL players generate revenue via fees charged to merchants for their services as well as late payment charges from users. On the regulatory front, MAS is in consultation with BNPL providers and assessing the need for a regulatory framework to mitigate the underlying risk of rapid debt accumulation. Clearer guidelines are expected in 2022. *(Lim Shu Rong)*

**Manulife US REIT** | Manulife US REIT completed the acquisition of Diablo Technology Park, Park Place and Tanasbourne Commerce

#### Company News

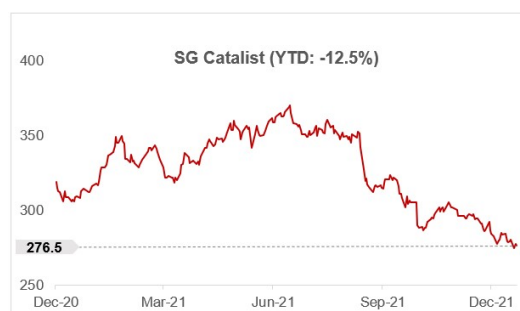
**OxPay Financial Limited (BBG: OPFL)** will be providing payment gateway and merchant acquiring services to PaySlowSlow in Singapore. PaySlowSlow is a BNPL company aiming to roll out their services locally in 1Q22. With ~500 merchants onboard, monthly gross transaction value on their platform is estimated to be S\$1.0m. BNPL is a fast-growing market with a CAGR of 21.2%. Increased transaction volume translates to more processing fees collected for OPFL.

**Qian Hu Corp (BBG: QIAN1)** is collaborating with AquaEasy, an AI and IOT-based aquaculture provider, to develop and market their solutions within the aquaculture industry. Qian Hu plans to employ AquaEasy's products in other market areas covering different aquatic species and integrate their solutions into the Group's aquaculture systems. Both parties will also be developing a platform to digitalise the aquaculture supply chain. Qian Hu has extended a S\$1m convertible loan with a maturity date of

Center for a total purchase consideration of US\$201.6m. The acquisitions are expected to increase the REIT's portfolio occupancy from 90.9% to 91.3%. WALE is also expected to increase from 5.1 years to 5.2 years. The properties have an average built-in annual rental escalation of +2.5% and the potential to achieve higher rental reversion as the current rents in-place are below market. The acquisition is expected to be DPU accretive at +3.4% on Pro Forma FY20 basis and +4.4% on Pro Forma 1HFY21 basis. In relation, the REIT has successfully raised US\$80.0m through the issuance of 154m shares at US\$0.649 per New Unit in a private placement to partially fund the acquisition. The acquisition is also part-funded by debt, increasing the REIT's gearing ratio from 42.1% to 43.9%. *(Lam Wang Kwan)*

30 June 2023 to AquaEasy which will be used to fund their capital expenditure and working capital needs.

**Grand Venture Technology (BBG: GVTL)** is acquiring J-Dragon Tech (Suzhou) and Formach Asia for S\$12.2m and S\$7.8m respectively. J-Dragon, a precision engineering company based in China, has a book value of RMB 38m (S\$8.1m). Formach Asia is a sheet metal manufacturer based in Johor with a book value of MYR 17.3m (S\$5.6m). Founders of J-Dragon Tech and Formach Asia will receive S\$8.0m and S\$1.0m in shares respectively at an issue price of S\$1.1619. The issued shares represent 2.03% and 0.25% of the enlarged share capital and will be under moratorium for a period of 12 months. The remaining is in cash which will be funded from previous placement and IPO proceeds.



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