# *SINGAPORE INVESTMENT DEVELOPMENTS*

## *October 2003 – March 2004*

*April 26, 2004*

## SUMMARY

1. New foreign investments in Singapore in CY2003 registered S$7.5 billion (US$4.4 billion), the lowest level since 1995 and slightly below target. According to government data, the U.S. remained Singapore's top investor in 2001 (latest year for which data has been released), accounting for 17% of the total stock of S$217.3 billion (US$128 billion). Manufacturing fixed assets investment (FAI) commitments in 2003 declined by nearly 20% from that of 2002, and commitments in total business spending (TBS) for services in 2003 fell 8% from that of 2002. The Economic Development Board (EDB) has set a target for S$8 billion (US$4.7 billion) new investments in 2004. While new inward foreign direct investment announced in the October 2003-March 2004 period was encouraging, outward FDI by Singapore firms, especially state-owned enterprises (referred to in Singapore as government-linked companies), continues to dominate the investment headlines.

2. A range of actual or planned new inward investments were announced between October 2003 and March 2004. Major companies expanding operations in Singapore included UMC, Schering Plough, Merck, Asahi Kasei Chemicals, Infineon, Matsushita, Siemens, Lucent, Hitachi Global Storage Technologies, Canon, Akzo Nobel, Adhesives Research, Deloitte & Touche, Watson Wyatt, Exel, Mercury Interactive, and China Aviation Oil. Locally, Singapore Petroleum Company and Eastgate Technology announced significant expansions. Temasek Holdings and EDB Ventures, both investment arms of the Singapore government, took stakes in several promising local firms.

3. Data for 2001 put total Singapore FDI abroad at S$131 billion (US$79 billion), with China remaining the top destination, followed by Malaysia and Hong Kong. Manufacturing FDI abroad totaled S$27 billion. The biggest single FDI by a Singapore firm during the Oct 2003-March 2004 period was majority state-owned ST Assembly Test Services' purchase of ChipPAC (U.S.) for US$1.2 billion in stock. The period saw several significant new Singapore investments within the region. Temasek Holdings bought about 5% of Telekom Malaysia for RM1.6 billion (US$421 million). Indonesia remained a major recipient of Singapore's outward FDI. Local bank OCBC paid S$119 million (US$70 million) for 22.5% of Indonesian bank, P.T. NISP, while other companies making new Indonesian investments included Keppel Energy, Auston International, Amtek Engineering, ECS Holdings, PSC Corporation and Qian Hu. Elsewhere in ASEAN, PSC Corporation set up a medical consultation company in Vietnam, while majority state-owned property giant CapitaLand entered into a JV with Thai conglomerate TCC Group.

4. There were fewer announcements of big new investments by Singapore firms in China, although China remains at the forefront as an investment destination. Soft drinks maker Fraser & Neave (F&N) paid US$70.8 million for a Guangdong brewery and also invested US$8.4 million for a property company. A consortium led by SGX-listed government-linked Keppel Land set up Singapore-Shenyang Township Development Private Ltd. to do township development projects in Hunan, Shenyang and Liaoning. Other smaller SGX-listed companies invested in building materials production, natural gas processing, and electronics supporting industries.

5. State-owned as well as private firms made significant investments in other parts of the world as well. CapitaLand bought a Tokyo suburban retail mall and an Australian brewery site for future property development. State-owned conglomerate SembCorp announced investments in Spain and Iran. Airocean expanded its airline sales agency in Europe by acquiring France's M3JL SARL, while Singapore Food Industries bought a soup factory in the U.K. and Frontline Technologies invested in an Indian BPO company. There were no significant divestment developments during the Oct 2003-March 2004 period, apart from Temasek Holdings' divestment of its remaining stake in now fully privatized NatSteel.

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*Notes: The information in this survey is based on publicly available information, including government reports, corporate disclosures on the Singapore Stock Exchange (SGX) and media reports. This investment report and other topical economic reports are posted on the Embassy's Internet site: http://singapore.usembassy.gov/*

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## ***INVESTMENTS IN SINGAPORE***

### Statistical Survey

6. While detailed data for actual FDI in 2002 and 2003 has yet to be released, preliminary data on investment commitments shows a drop in FDI in these years. The UN Conference on Trade and Development's World Investment Report 2003 records new FDI in Singapore at US$7.7 billion in 2002, a drop of 29% from 2001, but still enough to rank Singapore as the third largest FDI recipient in 2001. Summary data released by Singapore's Economic Development Board (EDB) put total fixed asset investment commitments in manufacturing in 2003 as S$7.5 billion (US$4.4 billion), a drop of 20% from S$9.01 billion (US$5.3 billion) for 2002 and the lowest in eight years.

7. For 2003, the electronics sector maintained its top spot, attracting S$4.22 billion (US$2.5 billion) in fixed asset investment commitments. The chemical sector chalked up S$1.5 billion (US$885 million) in new commitments, while the pharmaceutical industry attracted S$851 million (US$504 million). Foreigners accounted for 83% of total fixed asset investments in manufacturing, with the U.S. accounting for S$2.43 billion (US$1.43 billion) in manufacturing investments in 2003, followed by S$2.2 billion (US$1.29 billion) from Europe and S$1.78 billion (US$1.05 billion). Total business spending in services in 2003 fell 8% to S$1.92 billion (US$1.1 billion) compared with S$2.08 billion (US$1.22 billion) for 2002.

8. The Singapore government publication "Foreign Equity Investment in Singapore, 2000-2001", released in November 2003, places the U.S. as the source of actual FDI for three years in a row from 1999-2001. The U.S. accounted for 17% of Singapore's total inward FDI of S$217.3 billion (US$128 billion) as of end-2001. Tax havens, such as British Virgin Islands and Cayman Islands, are included in the top-ten sources of FDI, although the ultimate source of funds are parent companies based in Singapore, Malaysia, Indonesia, Hong Kong and China.

Table: Top Ten Investors, 1998-2001, Stock as at Year-End
(US$ billion)

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| Foreign Direct Investments | 101.3 | 112.6 | 117.4 |
| - United States | 14.9 | 18.4 | 20.2 |
| - Netherlands | 13.7 | 16.9 | 18.9 |
| - Japan | 16.9 | 16.9 | 15.8 |
| - Switzerland | 9.4 | 9.3 | 8.4 |
| - United Kingdom | 7.1 | 5.1 | 7.8 |

| | | | |
|---|---|---|---|
| - British Virgin Islands | 4.0 | 6.4 | 7.3 |
| - Cayman Islands | 3.1 | 4.0 | 4.4 |
| - Germany | 1.3 | 2.4 | 3.4 |
| - Hong Kong/China | 3.4 | 4.1 | 3.7 |
| - Malaysia | 3.7 | 3.2 | 3.2 |
| - Others | 24.3 | 26.4 | 24.9 |
| (% share in S$) | | | |
| Total | | | |
| - United States | 14.7 | 16.3 | 17.2 |
| - Netherlands | 13.6 | 15.0 | 16.1 |
| - Japan | 16.6 | 15.0 | 13.5 |
| - Switzerland | 9.3 | 8.3 | 7.1 |
| - United Kingdom | 7.0 | 4.6 | 6.6 |
| - British Virgin Islands | 4.0 | 5.6 | 6.2 |
| - Cayman Islands | 3.1 | 3.6 | 3.7 |
| - Germany | 1.2 | 2.2 | 2.9 |
| - Hong Kong/China | 3.4 | 3.6 | 3.2 |
| - Malaysia | 3.7 | 2.9 | 2.7 |

*Source: Department of Statistics*

*Exchange rate: Year End Rate, US$1=S$1.6660 (1999), S$1.7315 (2000), S$1.8510 (2001)*

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9. The bulk of FDI was destined for the financial services and manufacturing sectors, with shares of 37% and 36%, respectively. FDI in manufacturing was concentrated in the electronics, chemicals and petroleum industries, which together accounted for four-fifths of the total stock of manufacturing FDI.

Table: Manufacturing Fixed Asset Investment and Services Total Business Spending Commitments (2000-2003)
(US$billion)

| | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|
| Manufacturing FAI | 5.32 | 4.95 | 5.19 | 4.42 |
| Services TBS | 1.09 | 0.98 | 1.2 | 1.13 |

*Source: Singapore Economic Development*

*Exchange rate: Year End Rate, US$1=S$1.7315 (2000), S$1.8510 (2001), S$1.7365 (2002), S$1.7008 (2003)*

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10. Looking ahead, EDB has set a S$8 billion (US$4.71 billion) target for new fixed asset investments in manufacturing in 2004 (up from 2003's S$7.5 billion/US$4.41 billion). EDB is also targeting S$2 billion (US$1.18 billion) for services business spending in 2004. EDB believes that "companies are likely to remain cautious in their investment plans and take a conservative approach in their capital expenditure".

## Recent FDI in Singapore

11. With recovery in global IT demand, multinational electronics firms announced a number of new investments in Singapore in the Oct 2003-March 2004 period. The largest announcement was by Hewlett Packard, which said in January that it plans to invest around US$1 billion in Singapore over the next five years, including through transferring production of Asia-bound "Superdome" servers from the U.S. to Singapore. But HP said it would also transfer some additional lower-end manufacturing out of Singapore. HP, which has some 6,000 staff in Singapore, says its manufacturing output in Singapore has risen some 30% annually (by value) every year since 1998. Besides HP, Seagate said in November that it plans to invest some $300 million in Singapore over the next five years. The company established an international operating headquarters in Singapore in November.

12. Other significant IT investment news during the Oct 2003-March 2004 period included:

- Taiwan semiconductor maker UMC raised its stake in UMCi Singapore from 75% to 85%, by acquiring shares from EDBi, the investment arm of the Economic Development Board. The S$205 million (US$123 million) purchase means EDBi has exited the venture.

- Systems on Silicon Manufacturing (SSMC) in January announced plans to increase production capacity of its wafer fab in Singapore. Media reports stated that the increase will involve additional investment of around US$220 million.
- SSMC is owned by Philips (48%), TSMC (32%) and EDBi (20%).

- Semiconductor producer Infineon AG announced plans to spend S$150 million (US$88 million) to expand by 25% its existing backend logic integrated circuit (IC) testing operations in Singapore.

- Siemens said it intends to invest some S$50 million (US$29 million) to make its Siplace line of printed circuit assembly equipment in Singapore. The additional investment will increase Siemen's total investments in Singapore to more than S$700 million (US$412 million).

- Matsushita Electronic Industrial announced plans to invest an additional S$150 million (US$88 million) to manufacture high-end microchips for digital cameras, CD and DVD players.

- Hitachi Global Storage Technologies said it will manufacture its next-generation 10,000 rpm and 15,000 rpm enterprise disk drives in Singapore.

- Canon said it will make Singapore its regional headquarters and will also set up a S$10 million (US$5.88 million), 11,000 sq ft regional training center, its first outside Japan.

- Lucent opened a US$10 million regional testing center in Singapore.

- SGX-listed Eastgate announced that Inline Display Technologies Europe B.V. of Holland will take 30% equity (S$4 million/US$2.35 million) in Innoled Private Ltd., a wholly-owned Eastgate subsidiary specializing in manufacturing of organic light emitting diode displays.

- Network solutions provider Adaptec announced plans to transfer operations from a facility it acquired in Ireland to Singapore. Adaptec's Singapore subsidiary purchased Irish competitor Eurologic Systems in April 2003. The company said then that it would restructure to centralize its global manufacturing operations in Singapore.

- US high-end chipmaker Xilinx stated in February that it would site its Asia Pacific headquarters in Singapore. Xilinx won't be setting up a production facility, though, as the firm contracts out manufacturing to Taiwan's UMC.

- Motorola opened in October a parts procurement center in Singapore, to buy around 80% parts for contract manufacturers that the company uses to make some of its products. The new center is expected to help the company get better prices. However, the news was tempered by a subsequent announcement that the company is shifting some design work out of Singapore, to India. Motorola has some 2,200 workers in various operations in Singapore.

13. In other IT-related investments Venture capital fund JAFCO Asia Technology Fund, managed by JAFCO Investment(Asia Pacific) Ltd, announced a S$8 million (US$4.71 million) investment in SGX-listed Autron Corporation's subsidiary IC Equipment Private Ltd. Part of the capital injection will be used for expanding IC's manufacturing and engineering facilities in Singapore and Shanghai.

14. Pharmaceutical firms continue to make new investments in Singapore. In December, Schering Plough announced plans to build a US$220 million pharmaceutical plant in Singapore. The investment follows the opening of a US$230 million plant producing active ingredients for a cholesterol inhibiting drug and of a separate S$30 million R&D facility. The latest announcement brings Schering Plough's total investment in Singapore to US$1.8 billion. Meanwhile, Merck Sharp & Dohme (MSD) in October opened a second US$100 million pharmaceutical production facility, also focused on producing formulations for cholesterol medication. MSD has invested some US$500 million in Singapore.

15. In the chemical sector, Japan's Asahi Kasei Chemicals and Mitsubishi Gas Chemicals opened a US$110 million joint polyphenylene ether resin plant. Akzo Nobel opened a S$46-million (US$27 million) plant in Singapore to produce specialty chemicals for industrial and personal care products, with Adhesive Research Inc. of the U.S., a manufacturer of custom pressure-sensitive adhesive tapes, coating, specialty films and laminates, opened a new technical center (cost not disclosed) under its Singapore subsidiary, Adhesives Research Private Ltd.

16. The energy sector saw partly state-owned Singapore Petroleum Company (SPC) pay US$140 million for one-third of British Petroleum (BP)'s stake in Singapore Refining Company and one-sixth of BP's stake in Tanker Mooring Services. Singapore Refining Company is owned one-third each by SPC, Caltex and BP. SGX-listed China Aviation Oil, a Chinese firm, announced plans to build a US$135-million oil terminal in Singapore, in a JV with Dubai's Emirates National Oil Company. China Aviation Oil supplies one-third of China's aviation fuel. SGX-listed ecoWise Holdings, together with Vyncke Energietechniek NV (Holland) and Jebsen & Jessen Process Engineering (Malaysia), will invest in a S$3.6-million (US$2.1 million) biomass fired cogeneration plant and steam turbo-alternator in Singapore. The plant, to be subsidized with a grant from the European Union, will use woodwaste as its fuel.

17. In the services sector, NASDAQ-listed Mercury Interactive company, announced plans to invest S$60 million (US$35.3 million) over a 5-6 year period to expand its Singapore facility to become its Asia Pacific operations center, providing customer support, training and services for customers in Australia, China, Korea and Japan. Similarly, global HR firm Watson Wyatt said it will invest more than S$6 million (US$3.4 million) in a regional operations and research center in Singapore, to support and develop its operations in the Asia Pacific, while Deloitte & Touche announced plans to significantly expand its professional headcount in Singapore. Exel, a UK listed, FTSE 100 company, opened a S$23 million (US$13.5 million) logistics hub in Singapore to service its IT industry customers.

18. The Singapore Government continues to make strategic investments in promising start-ups or in new manufacturing ventures. For example, EDB Ventures, investment arm of Economic Development Board, announced its investment in a one-third stake in Aalst Chocolate, which was set up in Singapore in June 2003 to manufacture high quality industrial chocolate.

## ***SINGAPORE INVESTMENTS ABROAD***

19. China remains the top investment destination overall for Singapore companies, with the manufacturing and property sectors attracting the bulk of new FDI. Data for 2001 (latest available) put total Singapore FDI abroad at S$131 billion (US$78.5 billion), a 33% increase from 2001. FDI in financial services accounted for the majority of the FDI, followed by manufacturing FDI. Singapore's total investments overseas, including portfolio investments and other assets totaled S$257 billion (US$153.9 billion) in 2001.

**Singapore's Investment Abroad 2001**
(Billions)

| | | |
|---|---|---|
| Total FDI | S$131.9 | US$ 78.5 |
| Of which: | | |
| - Financial Services | S$ 74.1 | US$ 44.1 |
| - Manufacturing | S$ 27.1 | US$ 16.5 |
| - Transport/Communications | S$ 9.4 | US$ 5.5 |
| - Commerce | S$ 8.8 | US$ 5.3 |
| Total Investment abroad | S$257.0 | US$153.9 |

### GREATER CHINA

### Manufacturing

20. One of the largest investments announced during the Oct 2003-March 2004 period was the acquisition by Asia Pacific Breweries, through its associated company Heineken Asia Pacific Breweries (China) of a 21% stake in Hong Kong-listed Guangdong Brewery Holdings Ltd., for S$121 million (US$70.8 million). APB is jointly owned by Singapore's Fraser & Neave and Heineken NV. Other SGX-listed Singapore firms making manufacturing investments in China included:

- Flextech Electronics announced plans to acquire Hong Kong-based Dynax Digital Creation for US$12 million. The purchase will help Flextech, whose operations are based in ASEAN and India, to expand into North Asia.

- GES International opened a S$11.3 million (US$6.65 million), plant in Shanghai to produce point-of-sales systems for major customers such as NEC, NCR, Micro Systems and IBM.

- YHI International said it has established a wholly-owned subsidiary in Shanghai, YHI Advanti Manufacturing, with an investment of US$1.5 million. The plant will manufacture alloy wheels for the Chinese domestic market.

- Fu Yu Manufacturing invested US$1.4 million in a Zhuhai, Guangzhou injection molding and sub assembly plant, to meet increased demand.

- Armstrong Industrial established two wholly-owned subsidiaries in China - Armstrong Technology (Shanghai) Co. Ltd. (registered company US$300,000) and Armstrong Technology (Dalian) Co. Ltd. (registered capital US$500,000) to manufacture and sell mechanical sub-assembly parts, rubber and foam components.

- Brilliant Manufacturing, a producer of disk drive components, said it will establish two production plants in the Suzhou Industrial Park. The two plants will complement its existing facilities in Indonesia, Malaysia and Thailand.

- First Engineering has invested US$200,000 in a Shanghai subsidiary to manufacture precision molds and precision engineering components.

- Singatronics is investing US$6.5 million in a salt mining and processing venture, through Green Salt Group Ltd., which has a 25% stake in Qinghai Province Salt Industry Ltd.

21. As part of its efforts to invest in promising ventures in the region, the Singapore Government's investment holding company, Temasek Holdings, through wholly owned subsidiary Seletar Investments, bought a 6.16% stake in SGX-listed YHI International. A distributor in China of Yokohama tires and Hitachi industrial batteries as well as other automotive products, YHI runs a plant in Shanghai, producing 90,000-120,000 sport rims a month.

22. SGX-listed subsidiaries of foreign firms were also active in China:

- BRC Asia, a subsidiary of a Swiss firm, announced a S$10.5 million (US$6.1 million) joint venture with Magang Industry Development Company (MIDC) to market and manufacture steel welded wire mesh and other forms of wire and reinforcing steel products for the construction industry.

- IPCO International, majority-controlled by Malaysian and Australian owners, said it plans to acquire 90% of Anlu Jiaxu Gas Co., for US$6.5 million. The Chinese natural gas processing and supply company has a 30-year exclusive license to supply natural gas to Anlu City in Hubei Province; the remaining 10% of AJG is owned by the local Anlu City government.

- Westech Electronics, a firm with UK links, said it is establishing a $200,000 wholly-owned subsidiary in China to distribute electronics components.

23. Chinese firms that are listed on the SGX are also active investors in China. For example, SGX-listed but Chinese owned Devotion Eco-Thermal paid US$5.04 million to acquire 100% of Chinese firm Guangzhou Devotion Domestic Boiler Manufacturer,

which is jointly owned by Guangzhou Devotion Thermal Technology and Italian boiler manufacturer Riello.

## Property

24. The pace of new property-related developments by both private sector firms and government-linked companies has slowed considerably since mid-2003. SGX-listed Fraser & Neave (F&N), through its wholly-owned subsidiary Centrepoint Properties, bought a British Vigin Islands-incorporated firm through which it plans to expand its property investments in China. A consortium led by partially state-owned (but publicly traded) Keppel Land and comprising KLL (wholly-owned subsidiary of Keppel Land China Holdings), Dayen Environmental Ltd. (SGX-listed), CityOne (JV between KLL and government-linked HDB Corporation) and privately-owned G&W Group have formed Singapore-Shenyang Township Development Private Ltd., to carry out township development project in Hunan, Shenyang and Liaoning.

## Services

25. Publicly-traded transport group ComfortDelgro Corp. said its wholly-owned subsidiary, ComfortDelgro (China), plans to acquire the 80% stake of Beijing Tian Long Da Tian Vehicle Inspection Co. that is currently held by Beijing Gong Tong Shi Dai Trading Co., for S$6 million (US$3.53 million). The Beijing inspection company provides vehicle safety inspection and emission test services to an average of 55,000 vehicle tests a year in Beijing. In Chengdu, ComfortDelgro paid 3.65 million yuan for a 51% stake in Chengdu Jitong Integrated Vehicle Inspection Co.

26. In other Singapore investments in China's services market:

- SGX-listed Panpac Media paid S$3.96 million (US$2.33 million) to acquire Media Sky Associates from Chinese nationals who own Wide Angle Press (publisher based in Hong Kong) and Golden Horse Management (property owner and manager in China). At the same time, a Chinese firm, Sun Media Investment Holdings, said it is taking a 2.8% (US$500,000) in Panpac.

- Dayen Environmental said it has invested US$1.75 million in Jufuyuan Environmental in Beijing, through a wholly-owned investment vehicle, Dayen Investment Holdings. The new venture will undertake a 50-year water supply and 30-year wastewater treatment project in the Beijing Jufuyuan Industrial area in Beijing.

- Esmart Holdings, another publicly-traded firm, acquired a 51% stake for US$1.3 million in First Wise Holdings (China), which provides end-to-end video surveillance systems and solutions mainly to government agencies.

## ASEAN

27. While China continues to attract the largest number of investments, Singapore firms made significant investments in ASEAN in Q4 2003 and Q1 2004. Topping the list was Temasek Holdings' purchase of a 5% stake in Telekom Malaysia, for RM1.6 billion. Analysts see this as a significant deal as previous attempts by GLC SingTel to take up stakes in Malaysian government-linked companies were unsuccessful.

28. Singapore firms have been among the most active foreign investors in Indonesia, in the wake of vanguard investments made by Temasek Holdings in the telecom and banking sectors. In one of the largest investments in Indonesia during the Oct 2003-March 204 period, Singapore's OCBC Bank acquired a 22.5% stake in Bank NISP for US$70 million. Bank NISP, a JV partner with OCBC since 1996, is the 12th largest Indonesian Bank. Other significant investments in Indonesia included:

- Partially state-owned Keppel Energy teamed up with Japan's Electric Power Development (J Power) to acquire Powergen UK Plc's stake in Jawa Power Project for US$142.6 million. The JV, KJ Paiton Holdings, will be owned 50:50 by Keppel Energy and J Power, each of whom will contribute US$28.5 million to the JV, while the balance will be funded through a loan facility. The Indonesian project comprises two 610 MW coal-fired power stations linked to the Java-Bali grid.

- Publicly-traded Auston International Group acquired 65% of Indonesian firm, P.T. Rizki Lancar Sentosa (RLS), for S$34 million (US$20 million). RLS owns a building complex and land in Jakarta, earmarked for development and construction of educational institutions for local residents. Auston also acquired a 20% stake in PT Eradunia to tap into Indonesia's education consultancy services.

- SGX-listed Amtek Engineering, through a 55%-owned subsidiary, Lian Jun Industrial Private Ltd., has established a new subsidiary, PT Amtek Plastic Batam, in Batam, Indonesia, to manufacture precision plastic injection molding products. The factory will have an initial capital investment of S$2.7 million (US$1.59 million) in equipment and machinery.

- SGX-listed ECS Holdings entered into a JV with Indonesian firm, PT Harrisma Agung Jaya, to form ECS Indo Private Ltd. to distribute IT products and services in Indonesia. ECS Indo's paid-up capital of S$1.0 million will be contributed 60% by EC Holdings and 40% by the Indonesian partners.

- Yet another publicly-traded Singapore company, aquarium fish breeder Qian Hu teamed up with Indonesian national Hendra Suria to set up PT Qian Hu Aquarium & Pets Indonesia. Qian Hu will own 55% shares in the JV with US$279,000. The JV will breeding and sale of aquarium and pet products and accessories.

29. Elsewhere in ASEAN, majority state-owned (but publicly traded) property giant CapitaLand announced a JV with TCC Land Co. Ltd (Thailand), the property arm of the TCC group. CapitaLand took a 40% share in the JV for S$34.8 million (US$20.4 million). With the JV, CapitaLand will develop properties in the residential, office and retail sectors in Thailand. In Vietnam, publicly-traded PSC Corporation has invested US$300,000 to establish a wholly owned subsidiary, Health Solutions Medical Services, to provide primary outpatient health and drug prescription services.

## U.S., EUROPE AND OTHER DESTINATIONS

30. The largest single Singapore investment transaction during the Oct. 2003-March 2004 period occurred in the United States, where majority government-owned (but publicly traded) ST Assembly Test Services (STATS) announced the purchase of U.S. competitor ChipPAC for US$1.2 billion (S$2 billion) in stock. STATS is a mid-sized semiconductor test and advance packaging service provider, and the purchase of the larger ChipPAC will catapult STATS into the world's third largest microchip assembler. The CEO of STATS termed the purchase “an offensive strategy to make us a Tier 1 competitor”. STATS had sales of US$226 million in 2003, compared to ChipPAC’s US$368 million.

31. Also in the United States, ST Telemedia agreed in December to provide an additional US$100 million in contingency financing to Global Crossing. ST Telemedia had already invested US$450 million in Global Crossing, in which it now has a 61.5% stake and the right to appoint eight out of 10 board members. Global Crossing emerged from bankruptcy December 9.

32. Majority state-owned real estate company Capitaland made a number of significant non-China, non-ASEAN investments. The firm’s Australand Holdings subsidiary acquired the site of a former brewery in New South Wales for about US$120 million. Australand will transform the site into a residential and commercial development. In Japan, wholly-owned CapitaLand subsidiary CapitaRetail LPM Tokutei Mokuteki Kaisha acquired La Park Mizue, a suburban retail mall in Tokyo, for about US$47 million. The mall will be CapitaLand’s first shopping center investment in Japan and will be a seed investment for its proposed US$200-300 million CapitaRetail Japan Fund.

33. In other significant Singapore FDI, SGX-listed Singapore Food Industries, through its wholly-owned subsidiary, International Cuisine Limited, acquired soupmaker Cresset Limited of Ireland, for Euro 5.50 million (US$4.6 million), while Frontline Technologies, a publicly-traded IT services firm, announced plans to invest Accel ICIM. Finally, SembCorp Logistics, a subsidiary of majority state-owned (but publicly traded) SembCorp Industries, announced a US$1.35 million investment in a JV with Warner Offshore Corporation, to establish a oil industry logistics operation on Iran’s Kish Island.

## Divestment of Government-Linked Companies

34. In line with its divestment program of trimming non-strategic businesses of GLCs and refocusing on the core activities, Temasek Holdings in January sold its 10% stake in 98 Holdings, which acquired NatSteel in late 2002. The Singapore government released more information of divestments of GLCs during Deputy Prime Minister/Finance Minister Lee Hsien Loong's FY2004 budget announcement. Four GLCs whose activities involved construction, trading, 'Yellow Pages' services, postal services and reinsurance services, were completed divested in 2003. The government also decreased its shareholdings in eight companies, one of which was the country's postal service monopoly, SingPost, which listed 31% of its equity on SGX.

35. Several state-owned enterprises also sold assets, most notably government-linked SGX-listed DBS Bank, which sold its 10% stake in Hong Kong's Wing Lung Bank to Wu Jieh Yee Company for US$156.1 million. DBS said it will focus its resources and attention on its other banking operations - the merger of Dao Heng Bank, Overseas Trust Bank and DBS Kwong Bank, which together make up the fourth largest banking group in Hong Kong.