

# **SINGAPORE INVESTMENT DEVELOPMENTS**

## **FIRST QUARTER, 2003**

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### **SUMMARY**

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1. The first quarter of 2003 saw a continuation of recent investment trends. First, while new FDI is continuing to come in to Singapore, much of the investment is being funded from earnings, and there have been relatively few examples of new major projects. Second, Singapore firms remain active foreign investors, with government-linked firms continuing to lead the way. Third, China maintains its place as the leading destination for Singapore FDI, followed by Singapore's ASEAN neighbors, although the largest single reported investment in Q1 was a US\$329 million loan to a US property group. Noteworthy investments in China include a joint venture (JV) to design and build specialized heavy commercial and equipment, and a JV agreement to establish a commercial aircraft repair facility (see para. 8). Finally, looked at from a sectoral perspective, over half of reported new foreign direct investment by Singaporean firms went into property (although this is skewed by one large property investment), while investments in the traditional manufacturing and services sectors accounted for about 20% of the total. Still, there were also noteworthy investments in the energy and transport sectors. Given that official data on foreign investment for Q1 is not yet available, this report is based largely on accounts of new investment found in the media, company press releases, and filings at the Singapore Exchange, and thus underreports investment by privately-held Singapore firms.

*Note: These investment reports and other topical economic reports are posted on the Embassy's Internet site: <http://singapore.usembassy.gov/>*

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### **INVESTMENTS IN SINGAPORE**

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#### **Temasek Holdings Invests in Local Firms**

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2. The Singapore Government's main holding company, Temasek Holdings, continues to make strategic investments in promising local companies. One aim, as elaborated in the July 2002 Temasek Charter, the holding company's mission statement, is to help Singapore companies establish operations offshore. In the latest example, Temasek invested US\$5.8 million in Singapore-listed Autron Corporation, a leading supplier of equipment and solutions for electronics manufacturers in China. The additional investment will finance Autron's plan to establish more centers west of China's coastal manufacturing belt.

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#### **Recent FDI in Singapore**

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3. The first quarter saw relatively few new headline foreign investments in Singapore. Singapore is still chalking up new FDI, though much of this is in the form of reinvested earnings, rather than new money coming in to the country from abroad.

4. One of the most active sectors in attracting FDI has been the chemical sector. In Q1, Faci SpA, through its subsidiary Faci Asia Pacific Private Ltd., has invested US\$5.7 million in a second metal stearate plant on Jurong Island, Singapore's chemical complex. According to the Singapore Economic Development Board, the second investment of Faci SpA, a leading manufacturer of metal stearates in Italy, has affirmed the attractiveness of Singapore as a global chemical hub. The stock of foreign direct investments (FDI) in Singapore's chemical industry is more than US\$8 billion, making it the second largest contributor to FDI in manufacturing after the electronics and precision engineering industries. The industry attracted US\$1.2 billion worth of fixed asset investment commitments in 2002.

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### **SINGAPORE INVESTMENTS ABROAD**

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5. China retains its place as the favorite destination for Singapore FDI, with ASEAN markets in second place; based on press reporting and corporate disclosures, we estimate over half of all new FDI announced by Singapore firms in Q1 went to China. However, the single biggest reported FDI was a US\$329 million loan to a U.S.-based hotel group (see para 16). Besides this case, there were few reports of significant new investment in

the U.S. or Europe. The real estate sector also retains its popularity for Singapore investors, both in China and elsewhere.

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## GREATER CHINA

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6. Historically, Singapore Government enterprises have led the investment push into China, and that trend continues. The Government of Singapore Investment Corporation (GIC) announced it has invested an undisclosed amount in the “C Tech Fund”, a fund jointly established by China’s State Planning Commission, State Economic and Trade Commission, Shanghai Alliance Investment Co. and the Chinese Academy of Sciences. The US\$88 million C Tech Fund includes other prominent investors such as Kerry Group and SUNeVision. GIC has also invested in an 8% stake in China-based Beijing Capital Land for US\$38.5 million.

7. Several government-linked enterprises announced in Q1 new FDI in the utilities sector in China. SembCorp Utilities, subsidiary of government-linked SembCorp Industries, invested US\$124 million in a 30% stake of a new power project in Shanghai, the Shanghai Caojing Cogeneration Company. SembCorp’s partners in the new generating company include Shanghai Electrical Power (36%), municipal-owned Shanghai Shenergy (30%) and Shanghai Chemical Industrial Park Development Company (4%). Meanwhile, another SembCorp subsidiary, SembCorp Environmental Management announced the purchase of a 60% stake (US\$267,000) in the waste collection business of Shanghai Sincere Environmental Services Company. A private sector, publicly-traded Singapore firm, Ipco International, has also invested in the utilities sector in China. Ipco announced the acquisition of 26.4% of China Gas for US\$37.9 million, from Hong Kong-based Heng Fung Holdings Ltd. China Gas is both a gas distributor and owner of gas pipelines in China.

8. China’s manufacturing sector has also attracted new FDI from Singapore government-linked companies. For example, ST Kinetics has invested US\$15 million in a JV with Beijing Heavy Duty Truck Plant. The JV, Beijing Zhonghuan Kinetics Heavy Vehicles Company, will design and build specialized heavy commercial and heavy vehicles. And ST Aerospace, a subsidiary of government-linked public-listed ST Engineering, has signed a JV agreement with China Eastern Airlines to set up a commercial aircraft repair facility in Shanghai. The US\$98 million JV will be owned 49% by ST Aero and 49% by CEA.

9. Private sector publicly-listed Singapore firms have long been investors in manufacturing operations in China, and Q1 saw continued Singapore FDI in this area. Much of the FDI is destined for the electronics sector. For example, Norelco Centreline Holdings, a contract equipment manufacturer, announced plans to invest about US\$5 million to double its current electronics production capacity in China through a new facility in Suzhou, supplementing its existing plant in Shenzhen. Meanwhile, a subsidiary of publicly-traded Sunlight Group Holding Ltd. said it will pay US\$2.6 million for a 60% share of Advance Science-Lab (International) Ltd (ASL HK). The Hong Kong firm’s subsidiary, ASL China, designs, manufactures and installs precision laboratory

furniture and accessories. ASL China has facilities in a number of major Chinese cities; its main customers include foreign MNCs.

10. Ossia International Ltd., through its subsidiary Internet Technology Group Ltd., said it has acquired Sino Rise Offshore Ltd. (SROL) for \$27.7 million from three companies owned by nationals from Hong Kong and China: Newco International Development Ltd., Crown Faith Group Ltd. and Asian Internet Development Ltd. Finally, Super Coffeemix Manufacturing announced the investment of US\$3.92 million for a 49% stake in a joint venture with Xuzhou V.V. Cereal Company Ltd. of China. The JV, known as the Wuxi V.V. Super Coffee Company Ltd., will manufacture coffee related products.

11. Firms that are foreign-owned but are Singapore incorporated and/or whose shares trade on the Singapore Exchange also announced new investments in China. Huan Hsin Holdings, founded in Taiwan, will invest an additional US\$5.1 million in its 51% owned subsidiary, Zhan Yun (Shanghai) Electronics Co. and wholly-owned Shanghai Yi Hsin Industry Co. The investment will double its notebook casing production in China, to 820,000 units per month, by end 2003. Another publicly-traded firm, Hong Kong-based Asia Dekor Holdings announced the establishment of a 70:30 US\$24 million JV with Top Mark Development Ltd. to manufacture high-density fiber board in China.

12. While China itself racks up the greatest volume of Singapore FDI, Singapore firms also made new investments in Taiwan in Q1. For example, Singapore-listed Achieva Ltd., through its wholly-owned subsidiary Achieva Investments Private Ltd., has set up a joint venture, Achieva Components Taiwan Co. Ltd., in which it has a 80% stake. The subsidiary, which has an initial capital of NT\$20 million, will primarily represent electronic components manufacturers in Taiwan. In another investment, publicly-traded publisher and bookseller Popular Holdings has invested US\$600,000 in two majority-owned subsidiaries in Taiwan to engage in both wholesale, retail, and publishing activities.

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## ASEAN

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13. Despite the sometimes prickly political discourse between Singapore and Malaysia, Singapore investors, including government-linked companies, remain active investors in non-politically sensitive sectors of the Malaysian economy. For example, SembCorp Environmental Management, a subsidiary of government-linked SembCorp Industries, announced in Q1 plans to invest US\$3.4 million in a 30:70 JV with Malaysia's Consolidated Plantations to design, build, own and operate a biomass waste-to-energy plant in Malaysia. The plant is scheduled for completion by the third quarter of 2004. Publicly-traded ornamental fish breeder Qian Hu, often cited by Singapore officials as a model of successful entrepreneurship, is buying Malaysia-based Kim Kang Aquaculture's fish breeding farm for US\$4.4 million. Kim Kang specializes in the breeding and exporting of Arowanas and other high-priced ornamental fish.

14. The first quarter saw several relatively small new private investments in Indonesia. Portek International Ltd. invested US\$4.3 million in a new subsidiary, PT. Serbaguna Terminal, to operate container handling equipment. Meanwhile, Singapore-based

private-owned Asia Resource Corporation invested US\$5.1 million in a US\$17-million tobacco processing plant which is owned by Standard Commercial Group and an Indonesian national.

Elsewhere in ASEAN, publicly-traded Zagro Asia Ltd. announced the purchase Fezagro Co., Ltd., a wholly-owned subsidiary of F.E. Zuellig (Bangkok) Ltd., for US\$2.7 million. Fezagro is in the business of formulating, marketing and distributing nutritional and medical products for farmed animals and cultivated crops.

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## INDIA

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15. Although Singapore officials see India as an increasingly important investment location (Singapore Prime Minister Goh Chok Tong visited India in April, announcing the start of negotiations on a bilateral free trade agreement), the first quarter saw few significant new investments in India. One exception was the US\$9.2 million investment by government-linked but publicly traded Singapore Computer Systems for a 30% stake in Kshema Technologies Ltd. A Bangalore-based software services company, Kshema specializes in software development for industrial automation, healthcare/life sciences and financial services, and has a presence in the U.S. and Europe.

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## REAL ESTATE

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16. Singapore investors continue to buy prime real estate assets outside of Singapore. As with Singapore FDI generally, government and government-linked enterprises account for a large share of investments in the real estate sector. GIC Real Estate, part of the Government of Singapore Investment Corporation, made what appears to be the biggest single investment by a Singapore entity in Q1, with a loan investment of US\$329 million in Strategic Hotel Capital. Based in Chicago, Strategic Hotel owns luxury hotels in the U.S., Mexico and Europe. The loan has a term of two years with three one-year extension options. GIC Real Estate has also bought a 50% stake (for an undisclosed sum) in a prime office building in central Paris.

17. While much of Singapore's FDI in the real estate sector generally has been directed at Asia, principally Greater China, Q1 was relatively quiet for new Singapore investments in Chinese real estate ventures. In one example, government-linked but publicly traded CapitaLand Ltd. has bought an additional 20% interest in Hong Kong's Bayshore Development Group for US\$58 million. Elsewhere, Ascendas, a government-owned developer, announced the purchase of the Citicorp Center building in Seoul, its first purchase in South Korea. Although the official price is not disclosed, media sources say the building was bought for less than US\$60 million. Ascendas said it intends to invest up to US\$500 million in the South Korean real estate market over the next few years. Ascendas owns business buildings in China, Taiwan, Vietnam, the Philippines, Indonesia and India. Closer to Singapore, Ascott Group, a government-linked owner and developer of serviced apartments, paid US\$3.0 million for a 96-unit serviced residence development in Kuala Lumpur.