

Corporate Finance Reports

The Singapore Mergers & Acquisitions Bulletin

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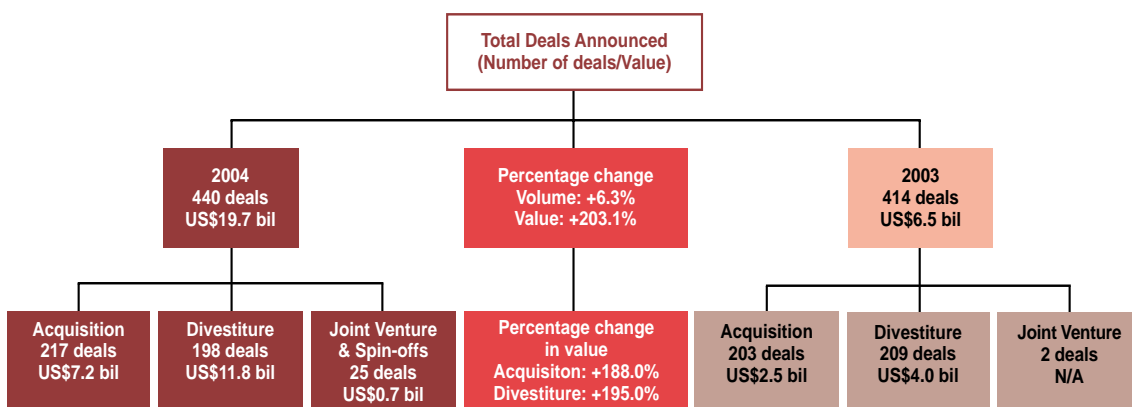
Hyperactivity in Singapore

Prepared by PricewaterhouseCoopers Corporate Finance Pte. Ltd's mergers and acquisitions (M&A) team, this bulletin aims to provide an overview of the M&A activity levels in Singapore in 2004. The findings show that 2004 has been a more exciting year for M&A activities not only in terms of the deal size, but also in terms of "battles" fought in comparison with 2003.



In our previous M&A bulletin reviewing year 2003's M&A activities, we indicated that the M&A market might have reached its bottom and is set to rebound in 2004. In terms of volume, while growth was minimal, 2004 saw an over 200% increase in the value of M&A transactions announced in comparison with 2003!

Figure 1: Summary of 2004 & 2003 M&A deals



N/A: Not Available

Figure 1 above provides a summary of the M&A scorecard for 2004. Divestiture deals appear to be the main driver of M&A activities in Singapore. An interesting point to note is the increase in value of the deals in 2004 over 2003. We noted the presence of spin-offs this year as companies become more focused and undertook corporate restructuring exercises by spinning off non-core subsidiaries.



2004 Highlights

As can be seen from figure 2, cross-border deals increased to 63% of the number of M&A deals and 69% of deal value in 2004. (The comparative number of deals and deal value for 2003 were 52% and 51% respectively).

Figure 2: Breakdown of cross-border and local deals

Deal Breakdown	2004				2003			
	Inbound Acquisitions	Outbound Acquisitions	Total Cross-Border	Pure Domestic Deals	Inbound Acquisitions	Outbound Acquisitions	Total Cross-Border	Pure Domestic Deals
Number of Deals	76	199	275	165	55	159	214	200
Value (US\$ billion)	2.0	10.4	12.4	7.3	0.4	2.9	3.3	3.2

Inbound Acquisition: Where a foreign company acquires a domestic company
Outbound Acquisition: Where a domestic company acquires a foreign company

Overall, deal activity was more or less spread over the whole of 2004 unlike in 2003 where we saw a significant spurt in deal value in the second half of 2003, as indicated in our previous bulletin. The trend of almost three outbound deals for every inbound transaction evident in 2003 is still strong in this period. Again in 2004 as in 2003, the increase in both number of deals and deal size are concentrated on domestic companies acquiring foreign companies. Clearly Singapore companies have embarked on a mission of globalising Singapore's businesses and are acquiring businesses overseas to meet this strategic goal. In fact, Singapore made it to the top ten M&A transactions in India with electronics manufacturer Flextronics International Ltd.'s acquisition of India-based Hughes Software Systems Limited from Hughes Network Systems. Hughes Network Systems is a unit of The DIRECTV Group, Inc. controlled by media tycoon Rupert Murdoch's News Corporation. Some of these deals are highlighted in the next few sections.

Top Deals

Figures 3 and 4 below highlight the top five cross-border and pure domestic deals respectively for 2004. The largest deal announced was in the utilities sector. As with previous top deals, the acquisitions were with the intention to gain control of the targets.

As expected, the top five cross-border deals were all outbound acquisitions. The targets were spread across different sectors such as the utilities, communications, technology, industrial and financial/real estate sectors. Domestic M&A was again dominated by the real estate/financial sectors, as was the case last year, primarily riding on the appetite of real estate investment trusts.

Figure 3: Top five cross-border deals

Announcement Date	Target	Acquirer	% Targeted (#)	Announced/ Completed Value (US\$ mil)
26 th April 2004	TXU Australia Holdings LP	Singapore Power Ltd.	100	3,720.0
10 th February 2004	ChipPAC, Inc.	STATS ChipPAC Ltd.	100	955.6
10 th October 2004	Kuehne & Nagel International AG	International Institutional Investors	20	776.0
29 th June 2004	Manufacturing operations of Nortel Networks Corporation (USA)	Flextronics International Ltd.	100	725.0
12 th May 2004	Bank of Asia Public Company Ltd.	United Overseas Bank Ltd.	81	550.2

Source : Bloomberg

(#) : In addition to percentage held before the transaction (if any)

Figure 4: Top five pure domestic deals

Announcement Date	Target	Acquirer	% Targeted (#)	Announced/ Completed Value (US\$ mil)
24 th February 2004	Great Eastern Holdings Ltd.	Overseas-Chinese Bank Corp Ltd.	81	1,679.9
3 rd August 2004	Neptune Orient Lines Ltd.	Temasek Holdings (Pte) Ltd.	69	1,611.6
6 th February 2004	7 commercial properties	CapitaCommercial Trust Management Ltd.	100	1,077.5
24 th May 2004	Plaza Singapura Mall	CapitaMall Trust Management Ltd.	100	413.8
7 th June 2004	Scotts Shopping Centre & The Ascott Singapore	Wheelock Properties (S) Ltd.	100	202.5

Source : Bloomberg

(#) : In addition to percentage held before the transaction (if any)

(*) : The 7 commercial properties include Capital Tower, 6 Battery Road, Starhub Centre, Robinson Point, Bugis Village, Golden Shoe Car Park and Market Street Car Park.



Target Industries

Figures 5a and 5b below provide the comparative breakdown of deals by broad industry groupings both in terms of number of deals and value, for 2004 and 2003 respectively.

It is apparent from a comparison of the breakdowns in 2004 and 2003 that the deal spectrum in terms of number of deals was similar in both years. While 74% of deals were in the financial/real estate, industrial and consumer sectors, these accounted for only 60% of the deal values. Compared to 2003, the spread of the top three industries by number of deals was quite similar. However in terms of deal size, the consumer sector, the second most popular sector in 2003, has been replaced by the utilities sector in 2004. This is mainly attributed to the acquisition made by Singapore Power which amounted to US\$3.7 billion.

Figure 5a: Breakdown of number of deals by target industry (in percentages)

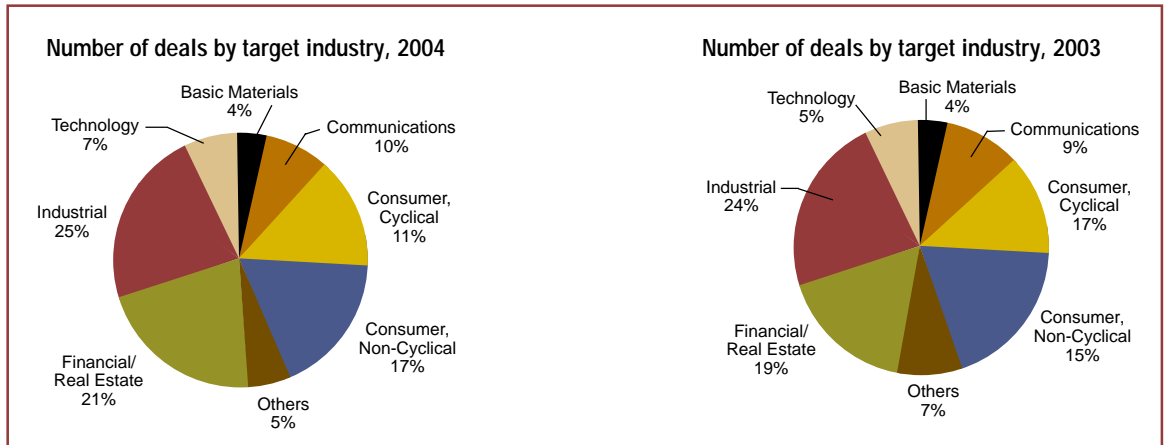
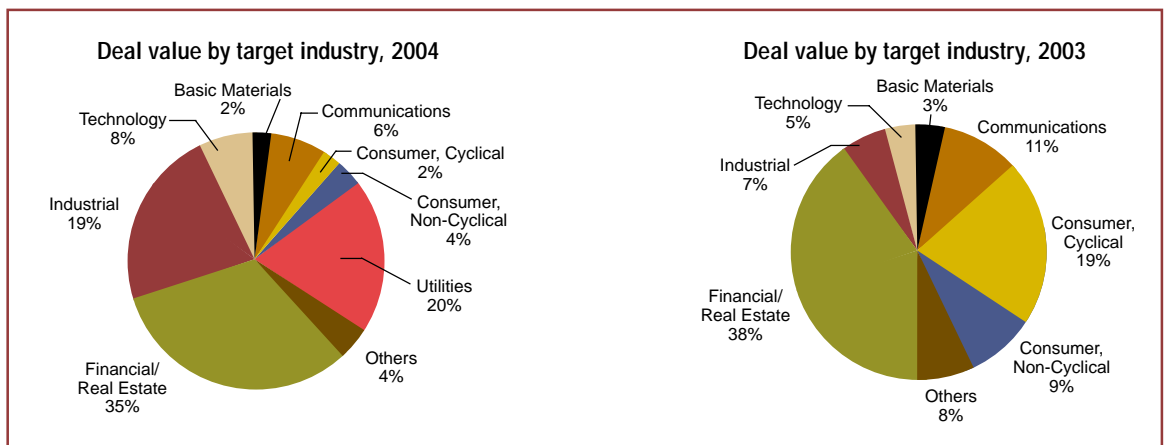


Figure 5b: Breakdown of deal value by target industry (in percentages)



Deal values were the highest in the financial/real estate sector, followed by the utilities, industrial and technology sectors. These four sectors accounted for 74% of the total deal value in 2004. Figure 6 below highlights the major acquisition or divestitures deals transacted in the top four industries.

Figure 6: Top five deals in the four major sectors

Target	Acquirer	% Targeted (#)	Announced/ Completed Value (US\$ mil)
Financial/Real Estate			
Great Eastern Holdings Ltd.	Overseas-Chinese Banking Corporation Limited	81	1,679.9
7 commercial properties	CapitaCommercial Trust Management Limited	100	1,077.5
Bank of Asia Public Company Ltd.	United Overseas Bank Limited	81	550.2
General insurance operations	Mitsui Sumitomo Insurance Company, Limited	100	441.8
Plaza Singapura Mall	CapitaMall Trust Management Limited	100	413.8
Utilities			
TXU Australia Holdings LP	Singapore Power Limited	100	3,720.0
Industrial			
Neptune Orient Lines Ltd.	Temasek Holdings (Private) Limited	69	1,611.6
Kuehne & Nagel International AG	International Institutional Investors	20	776.0
Elec & Eltek International Company Ltd.	Kingboard Chemical Holdings Limited	100	201.3
Bridex International Trading (Shanghai) Co., Ltd.	EDMI Limited	100	200.0
Jaya Holdings Ltd	Sime Darby Bhd	30	131.5
Technology			
ChipPAC, Inc.	STATS ChipPAC Ltd.	100	955.6
Hughes Software Systems Ltd.	Flextronic International Ltd.	75	308.1
K.R. Precision Public Company Ltd.	Magnecomp International Limited	82	101.8

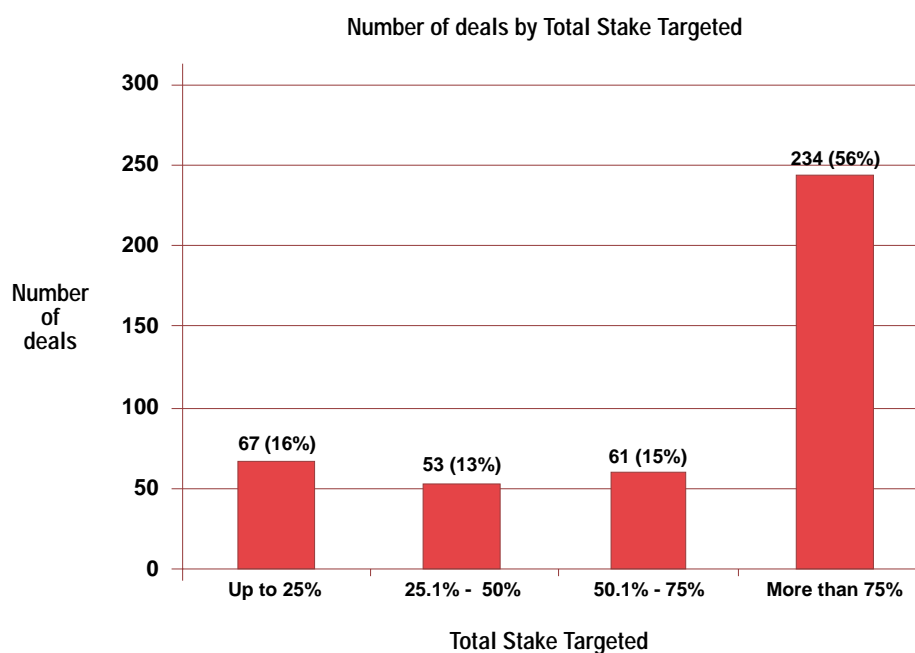
Source : Bloomberg, PwCCF's analysis
(#): In addition to percentage held before the transaction (if any)



Buyers with a Mission

Similar to 2003, control continued to be a prominent element in 2004. From figure 7 below, 71% of deals were undertaken with the intention of achieving a controlling stake in the companies acquired as compared to 78% in 2003.

Figure 7: Breakdown of number of deals by total stake sought



Year of The Rooster

2004 turned out to be a better year for M&A in Singapore as compared to 2003. Deal numbers have been increasing steadily since 2001 when we started tracking activities in Singapore. While it may take some time for deal values to reach the figures experienced in 2001, they have shown marked increase in 2004, with deal values being more than the total deal value transacted in 2002 and 2003 put together.

The increase in spin-offs shows that corporate restructuring that has been taking place, may just pave the way for a fresh round of consolidation further down the road. The healthy growth in cross-border deals with respectable deal size could be a sign of companies emerging with global aspirations. With the twin trends of emphasis on going global and the realisation that scale is important, M&A activity is set to continue its upward momentum into 2005.

Banking, telecommunications and the energy sectors have already been touted by analysts to lead M&A in 2005 as state-linked firms here look across the causeway and other offshore areas for growth. The healthy relationship between the two premiers also augurs well for this expansion.

Another industry likely to experience merger activities could somewhat be related to our “feathered” friends. The year of the rooster could see airlines merging sooner rather than later. Recent deals relating to Qantas may suggest that it could be piloting into its most exciting period in history (with a marriage of sorts very likely in the cards and Singapore Airlines Limited as one of the potentials). In addition, the battles of low-cost carriers’ place in the sky could also result in some consolidation in the not too distant future.

In addition to these sectors, we do not under-estimate the potential of smaller companies that can merge to create greater synergies and increase the depth of services, as only the fittest will survive. Early this year, we have already witnessed the merger of A-Sonic Aerospace Limited and Airocean Group Limited. Judging from the performance of their stock prices, it is apparent that the market welcomed the deal.

We have also highlighted two of our more exciting M&A transactions in 2004 for your reference in the following pages. In particular, we would like to highlight the speed that we have executed these transactions and the value-add we have provided. Please do not hesitate to contact us if you require further details. Our contact details can be found on the last page of this Bulletin.

Notes:

1. Sources: Bloomberg, Factiva, Reuters, PwCCF’s analysis.
2. This M&A report uses data on deals reported on Bloomberg for the relevant periods with deal status as pending or completed, where either the target or acquirer is based in Singapore.
3. Transactions include all equity related deals (e.g. takeovers, tender offers, private equity buyouts, management buyouts, privatisations, joint ventures, spin-offs) and transactions relating to specific types of purchases (e.g. operations, business units, hotels, dealership business, services, management, commercial buildings and shopping malls) which have data reported on Bloomberg for the specified period.
4. Share buy-backs and asset purchases (e.g. property/land, machinery/equipment, plant/factory, non-commercial buildings and vessels) are excluded.
5. A deal is still counted in the number of deals even if no values are disclosed for it.
6. The values of transactions reported on Bloomberg may include the total amount of net debt depending on the offer size (in terms of percentage of shares outstanding) and the final stakes achieved.
7. For completed deals, the reported value is taken. For pending deals where available, the current amount is shown (@ 31 December 2004), otherwise the announced value.
8. Joint Ventures and spin-offs are not included in the analysis in Figures 3,4,6 and 7.
9. Research conducted: January 2005.



Transaction Spotlight

Fung Choi



We were privileged to have been appointed by the major shareholders of Fung Choi Printing and Packaging Group Limited (“Fung Choi”) to be instrumental, as their financial adviser, in introducing to them a strategic partner in Fraser & Neave (“F&N”), the parent of Times Publishing and in advising them on the transaction.

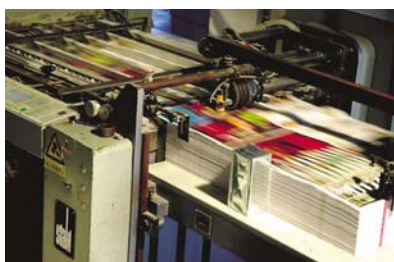
Fung Choi is an established and fast growing printing and packaging company and is one in which F&N has taken pride in associating themselves with when they took a 33% pre-IPO stake in Fung Choi. During the initial evaluation, the business synergies were clearly apparent. The transaction, valued at about S\$37 million, was concluded within ten weeks, one of the fastest transaction we have managed. This was in addition to the IPO process we were managing then.

In fact, all parties, Fung Choi, their major shareholders, F&N and the underwriters, were appreciative of the significant strategic value we have created in bringing this transaction to fruition. Not only was the investor delighted with the “fit” of Fung Choi to their strategic intention in China but Fung Choi and the underwriters were also delighted with F&N as an “anchor” to the IPO exercise.

Fung Choi was listed on SGX-Mainboard on 20 October 2004 with a market capitalisation of S\$155 million and raised more than \$38 million.

This is what F&N had to say about our role:

“PwCCF’s ability to make timely matching of two relevant parties to form a strategic alliance of strong mutual benefits, through its extensive network of international contacts is indeed a powerful plus.”



Pentex-Schweizer Circuits Ltd



We were privileged to have been appointed by Amvest Holdings Pte Ltd and Schweizer Electronics AG, the major shareholders of Pentex-Schweizer Circuits Ltd (“Pentex”) as their financial adviser on the disposal of their stake in Pentex to Sanmina-SCI.

Pentex-Schweizer Circuits Ltd manufactures and markets printed circuit boards for application in industrial, automotive, telecommunication, medical and consumer electronic devices. The company has operations primarily in Singapore and China with customers mainly from Europe, USA and Japan. Pentex was till recently listed on the mainboard

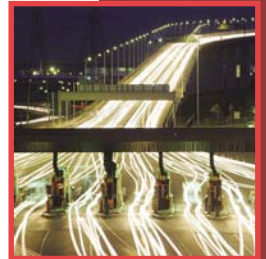
of the Singapore Stock Exchange.

Sanmina-SCI is one of the world’s largest contract manufacturers with revenues in excess of US\$12 billion. Sanmina’s rationale for the transaction was to strengthen its presence in Asia especially China. The key attraction was Pentex’s facilities in China which offered critical mass as well as room for future expansion.

The transaction was structured as a scheme of arrangement between Pentex and Sanmina. Being a listed entity, the deal involved seeking approval from the Securities Industry Council, Singapore Stock Exchange, Shareholders as well as the Courts in Singapore.

This is what Mr. Kik Teng Guan one of the shareholders of Amvest Holdings Pte Ltd and the Group Managing Director of Pentex had to say about our role:

“PwCCF’s complete focus on maximising value for the shareholders of Pentex manifested itself throughout the complete transaction process. Their innovative and out-of-the box solutions and incredible ‘deal-closing’ skills ensured a successful transaction.”



Briefs of Key Transactions

Amtek Engineering Ltd

Advised on business acquisition and share disposal involving its Malaysia-listed subsidiary, Kris Components Bhd

Financial Adviser

Pentex-Schweizer Circuits Limited

Advised major shareholders Amvest Holdings and Schweizer Electronic AG on divestment to Sanmina SCI Corp.

Financial Adviser

Fung Choi Printing and Packaging Group

Advised the major shareholders on the pre-IPO divestment of a 33% equity stake to Fraser & Neave

Financial Adviser

Project Shining Mountain

Advised a European MNC on a complex acquisition across Asia, Australia and South Africa

Financial Adviser

Owl International Pte Ltd

Advised on the divestment of Owl to SuperCoffeeMix Manufacturing Ltd.

Financial Adviser

Tricon Restaurants International Ltd

Advised Tricon on the re-franchising of its corporate-owned restaurants in Singapore

Financial Adviser

Singapore Airport Terminal Services Ltd

Advised SATS on the acquisition of Country Foods Pte Ltd

Financial Adviser

Lindeteves-Jacoberg Limited

Advised on the acquisition of Brook Crompton Motors by Lindeteves-Jacoberg from Invensys Plc

Financial Adviser



How We Can Help You

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