

HD Singapore firms selling off Australian assets as resource boom fades

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SINGAPORE -- Companies here are actively selling off large amounts of Australian assets. These companies are trying to adjust their portfolios to reduce risk, amid growing signs that Australia's economy is slowing as the resource boom fades.

Olam International, Singapore's leading agricultural products trader, announced in late June that it will sell 80% of outstanding shares in its subsidiary Olam Grains Australia to Japanese trading giant Mitsubishi Corp. for \$64 million. Although Olam will continue to hold the remaining 20%, the risk will be reduced substantially compared to the sole investment.

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Last year, Singapore-based budget carrier Tiger Airways Holdings sold 60% of its outstanding shares in its Australian arm to Virgin Australia Holdings. This sale was also intended to limit the risk of unprofitable operations.

Demand for resources in China has slowed amid its efforts to shift toward a domestic demand-led economy. Accordingly, Australia's economic growth, which had been led by resources exports, has slowed as well.

Australia-based assets accounted for 10% of the portfolio of Temasek Holdings, the Singaporean sovereign wealth fund, as of the end of March, down 3 points from a year earlier. Meanwhile, the ratios of Chinese and Singaporean assets rose.

Australia has long been a promising market for Singaporean companies due to its proximity and high growth potential. There have been moves, however, to shift funds to Southeast Asia and China, in hopes of greater growth potential and economic growth.

The sale of Australian property firm Australand Property Group by CapitaLand, Singapore's largest real estate developer, is a case in point. CapitaLand has decided to withdraw from Australia by selling all of its 59% stakes in Australand last November and this March. The real estate developer has prepared to focus on the development in its core markets of Singapore and China by making CapitaMalls Asia, its commercial facility-related subsidiary, private.

Nevertheless, Frasers Centrepoint, a Singaporean property developer, has moved ahead with the acquisition of Australand. Lim Ee Seng, CEO of Frasers Centrepoint, said that the acquisition of Australand will enable his company to attain its goals, including the increase in its overseas revenues and strengthening of its bases in Australia, more quickly.

Australia appears to be maintaining its attraction for companies that emphasize the diversification of their portfolios.

CO mntsubc : Mitsubishi Corp | olamil : Olam International Limited | tgrgr : Tiger Airways Holding Limited | vrbair : Virgin Australia Holdings Ltd

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