

# Growth across Asia pushes expansion.





With some of its warehouses reaching full utilisation, SembCorp Logistics in 2005 increased its warehousing capacity throughout Asia by approximately 108,600 m<sup>2</sup>.

# SembLog reported higher turnover and PATMI thanks to increased sales in all regions and strong performance in Supply Chain Management.

SembCorp Logistics (SembLog) continued its expansion and growth across Asia in 2005. Turnover reached S\$542.5 million, up 8% from S\$500.6 million in 2004. On a comparable basis, excluding earnings contribution and divestment gains from Kuehne & Nagel International, in which SembLog held a 20% interest until October 2004, Profit After Tax and Minority interest (PATMI) grew a healthy 33% to S\$62.0 million due to strong Supply Chain Management performance particularly in North Asia.

### Supply Chain Management

On a comparable basis, Supply Chain Management turnover increased 8% from S\$452.1 million to S\$490.2 million, contributing 90% to Logistics' turnover. On a comparable basis, PATMI grew 36% to S\$47.3 million from S\$34.8 million in 2004.

Sectors that performed strongly were Consumer, Hi-tech and Industrial. Our supply chain customer base continued to grow in 2005 and we secured a total of 245 contracts, of which 173 were from new customers. We also gained more regional accounts. As of end 2005, we served 22 customers regionally.

In some locations, our warehouses reached full utilisation. We added a number of new facilities including 37,000 square metres (m<sup>2</sup>) in Singapore, 20,000 m<sup>2</sup> in India, 5,000 m<sup>2</sup> in Japan, 8,000 m<sup>2</sup> in Malaysia, 5,100 m<sup>2</sup> in South Korea, 23,000 m<sup>2</sup> in Thailand and 10,500 m<sup>2</sup> in Vietnam.

In Singapore, our new 30,000 m<sup>2</sup> distribution centre in Tuas began operations at end 2005 and to help us cope with increased demand, another 7,000 m<sup>2</sup> was also added to our warehousing facility at 3 Clementi Loop.

Supply chain turnover in Southeast Asia grew to S\$305.3 million despite a one-off project which had boosted revenue in 2004. This region contributed 62% to total supply chain turnover 2005. A total of 55 contracts were secured during the year and additional warehousing facilities were added to cope with stronger business volumes.

Early in the year, our supply chain network in Southeast Asia expanded with the establishment of PT SembLog Indonesia and SembLog-MacroAsia Philippines, which commenced operations in July and October 2005 respectively. In the six months of its operations, PT SembLog Indonesia established three distribution centres. Its distribution coverage now extends to nine major cities, including Jakarta, Surabaya, Medan and Jogjakarta.

The North Asia region was a strong performer, generating a growth of 12% in turnover to S\$120.0 million due to increased business activity in China, South Korea and Japan. Eighty-three supply chain contracts were secured during the year, of which 66 were from new customers.

Cross-border supply chain operations in North Asia gained momentum as demand for China-Japan and China-Korea supply chain services grew. To cater to this growing demand, we are establishing a strategic presence

in eastern China by leasing 13,000 m<sup>2</sup> of warehousing facility in the Qingdao Free Trade Zone in Shandong province, where the majority of foreign direct investments from Japan and South Korea into China are made. Scheduled to be operational by mid-2006, the facility will also support our expansion into freight management services as Qingdao port is the third largest port in China.

In Japan, Footwork Express now ranks among the top ten logistics transportation companies in Japan following its acquisition of Kyushu Sankyo Unyu, the second largest transportation company in the Kyushu region of Japan. Dedicated supply chain marketing teams have been formed, while the consolidation of Footwork and Kyushu Sankyo Unyu's terminals and the rationalisation of resources are in progress.

South Asia operations recorded strong turnover growth of 76% to S\$48.0 million from 96 contracts secured during the year, of which 62 were from new customers. Our marketing teams worked hard at improving the quality of the customer base by pursuing higher-yielding accounts. The South Asia teams were also active in building the freight management business, which saw good results in the year. However, operations were impacted by floods and as such, provisions for doubtful debts and impairment of assets were made. Operating losses for the year stood at S\$3.1 million, down 3% from 2004.

### Oil and Gas Logistics

Oil and Gas Logistics delivered stable performance. Turnover registered an improvement of 12% to S\$48.1 million, while PATMI fell 11% to S\$15.0 million, primarily due to higher expansion, rental and redevelopment costs as well as the loss of one of its income streams. The masterplan for the redevelopment of SembLog's Loyang base in Singapore has been completed and is pending approval from the authorities. We are also exploring new markets, such as Cambodia and Myanmar, to expand our operations to.

### Specialty Logistics

Metals and Collateral Management (CMA)-linked logistics continued to do well in 2005. We secured 29 new CMA-linked contracts. A total of 132,000 metric tonnes of metals were handled during 2005 compared with 45,000 metric tonnes handled in the six months of operations in 2004.

In a move to tap the rising demand for metals and CMA-linked logistics services in China, SembLog's 50%-owned subsidiary, Pacorini-SembLog, set up Pacorini-SembLog Shanghai in late 2005. The legal entity would allow Pacorini-SembLog Shanghai to seek alliance as a licenced warehouse provider with the Shanghai Futures Exchange to undertake the delivery and storage of Shanghai Futures Exchange-approved non-bonded metals into the Exchange.

Chemical logistics was another segment of Specialty Logistics that expanded in 2005. SembLog's 49:51 joint venture with Belgium's Katoen Natie, Katoen Natie SembCorp, added a second chemical logistics terminal on Jurong Island costing S\$19.9 million. Construction of the 30,000 m<sup>2</sup> facility, which will be adjacent to Katoen Natie SembCorp's existing terminal, is underway and is expected to be completed by end 2006.

### Outlook

Asia is where our Logistics business is focused and most Asian economies are expected to perform strongly in 2006. The demand for logistics services in Asia is therefore expected to remain strong, in line with increased business activities. SembLog will continuously tap into the growing demand for Supply Chain Management services in Asia and we expect its recurring earnings in 2006 to be better than that of 2005.

#### Performance indicators (S\$ million)

	2005	2004
Turnover	542.5	500.6
PATMI	62.0	1,168.7