

## INDUSTRIAL PARKS REVIEW

### PERFORMANCE SCORECARD (\$ million)

|                      | 2007        | 2006  | Change (%) |
|----------------------|-------------|-------|------------|
| Turnover             | <b>25.8</b> | 68.0  | NM         |
| EBITDA               | <b>58.2</b> | 130.1 | NM         |
| EBIT                 | <b>55.4</b> | 120.4 | NM         |
| PATMI before EI      | <b>34.0</b> | 42.4  | (20)       |
| PATMI after EI       | <b>72.7</b> | 149.3 | (51)       |
| Return on Equity (%) | <b>13</b>   | 24    | (46)       |

**Note:**

Industrial Parks Group comprises Vietnam Singapore Industrial Park (VSIP) Joint Venture Company, Wuxi-Singapore Industrial Park (WSIP) and Gallant Venture, Sembcorp Parks Management as well as other investments and property. The turnover of VSIP, WSIP and Gallant Venture is not consolidated as these are joint ventures or associates.

NM: Comparisons of 2006 and 2007 figures are not meaningful as Nirwana Gardens was divested and VSIP deconsolidated in 2006, and Wuxi Garden City Mall divested in 2007.

### OPERATIONS REVIEW

Sembcorp's Industrial Parks business' turnover for 2007 was S\$25.8 million compared to S\$68.0 million in 2006. This was due to the divestment of Wuxi Garden City Mall Hotel, as well as the deconsolidation of Vietnam Singapore Industrial Park (VSIP) as a subsidiary with effect from April 2006. Profit After Tax and Minority Interest (PATMI) before exceptional items (EI) in 2007 was S\$34.0 million compared to S\$42.4 million in 2006. PATMI before EI in 2006 included a significant one-off gain of S\$16.4 million due to the write-back of provision on recovery of loan and interest income from Wuxi-Singapore Industrial Park (WSIP). Excluding this one-off gain in 2006, our industrial parks business' performance in 2007 would have improved over the previous year. In addition, Gallant Venture's profit contribution in 2007 was lower than its contribution in 2006. PATMI after EI was S\$72.7 million compared to S\$149.3 million in 2006. In 2006, the unit's exceptional gain totalled S\$106.9 million, mainly due to the sale of Wuxi Garden City Mall, while in 2007, an exceptional gain of S\$38.7 million was recorded from the sale of 70 million (2.9%) of Gallant Venture shares.

In 2007, Sembcorp's VSIP projects in Vietnam continued to deliver strong performance and growth. Reflecting strong demand from the country's industrial sector, 2007 saw 18 new customers signing agreements to locate in VSIP I and 17 existing tenants expanding

### KEY DEVELOPMENTS

- Launched in 2006, Vietnam Singapore Industrial Park II is close to full take-up, with 95% of the land available taken up.
- Developing a new 700-hectare industrial park and township in Bac Ninh Province in northern Vietnam.
- Memorandum of understanding signed to explore the feasibility of developing a 1,200-hectare industrial park and township, in Hai Phong, Vietnam's third largest city.

### COMPETITIVE EDGE

- Owns, develops, markets and manages industrial parks in Indonesia, China and Vietnam.
- Recognised as one of the leading industrial space providers in Southeast Asia, with over 400 multinational companies and leading local enterprises as tenants.
- Expertise in industrial park management and international marketing attracts premier customers, including multinational companies and leading local enterprises.
- Integrated approach to township development designed to provide a world-class manufacturing environment.

their operations in the industrial park, which now hosts 239 tenants. The land area developed for sale is now 81% occupied, while factory space in the industrial park remains fully occupied. To meet additional demand for utilities, VSIP I increased its water supply to tenants from 33,000 to 42,000 cubic metres per day in the third quarter of 2007. Sewage treatment capacity was also expanded by 6,000 cubic metres per day, bringing total capacity to 12,000 cubic metres per day. The expansion will be operational by end of first quarter 2008.

Likewise, VSIP II also saw growth. The factories remained fully occupied, and as of December 2007, VSIP II had 114 customers, including 45 new customers secured during the year. Three existing tenants also expanded their operations. Launched in 2006, 95% of the land in the newly developed industrial park has already been taken up. The supply of utilities has also been increased to meet demand. Water supply in VSIP II was increased from 5,000 to 7,900 cubic metres per day in the fourth quarter of 2007. Meanwhile, construction of its 6,000 cubic metres per day sewage treatment plant was completed and will be operational by the first quarter of 2008.

During the year, we expanded our presence in Vietnam with the launch of a third VSIP project in Bac Ninh Province in July. The new VSIP-Bac Ninh project not only marks our entry into the growing northern Vietnam market, but will also showcase our first integrated industrial park and township concept in the country. Akin to a city within an industrial park, the industrial township will offer a world-class manufacturing, residential and commercial environment for multi-national companies and local leading enterprises, and is an improvement over traditional industrial parks in terms of urban planning and facilities. The 700-hectare VSIP-Bac Ninh, which will consist of 500 hectares of industrial area and 200 hectares for residential and commercial development, is strategically located within Vietnam's Northern Economic Zone near Hanoi. VSIP-Bac Ninh will be home to non-pollutive, high-tech and capital intensive industries. Since the announcement of the US\$103.7

million project in July, 15 new customers have already signed letters of intent to set up operations in the park. The investments are set to occupy 130 hectares of land.

With the latest project in Bac Ninh, VSIP has established three industrial parks and townships in Vietnam totalling 1,545 hectares. The industrial parks have attracted 368 customers to-date. In August, a memorandum of understanding was also signed with the People's Committee of Hai Phong City to explore the feasibility of developing a fourth VSIP project, a 1,200-hectare industrial park and township, in Hai Phong, Vietnam's third largest city.

In China, our WSIP operations saw land take-up reach 100% during the year. Over 80% of the factories in the industrial park are now occupied. New commitments were signed with four companies while 18 existing tenants expanded their operations in the industrial park. Most notably in December 2007, a 12-year lease agreement was signed with NYSE-listed Suntech Power, the world's largest solar module manufacturer. WSIP will construct a 110,000 square metre build-to-suit factory for Suntech, to be completed in July 2008. There are currently 68 tenants operating in WSIP, with a total investment value of about US\$1.7 billion.

Gallant Venture's profit contribution in 2007 was lower than in 2006. This was mainly due to lower revenues from land sales and rentals, partially offset by lower operating cost, financing cost and tax expense.

## MARKET REVIEW AND OUTLOOK

The current economic outlook for our key market of Vietnam is positive. Local economic policies and the overall business environment have improved with Vietnam's accession to the World Trade Organisation in 2007. Export revenue is targeted to grow 22% in 2008. Likewise, industrial production is expected to post robust growth with Binh Duong, Hanoi and Hai Phong amongst the best-performing provinces. In view of the positive economic outlook, we expect our Vietnam industrial parks to continue performing well. In particular, as electronics and automotive industries

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converge in manufacturing locations outside Hanoi, we expect good take-up rates for VSIP-Bac Ninh, in northern Vietnam.

WSIP in China is expected to continue generating stable baseload earnings from utilities supply and rentals. However, with the available land fully taken up and factory space reaching almost full occupancy, profit growth from the sale of land is expected to moderate. According to China's National Bureau of Statistics, 2007 saw China's economy growing 11.4% and industrial output expanding 18.5%. For 2008, the World Bank forecasts China's Gross Domestic Product to grow by 9.6%. WSIP is well-positioned to benefit from continued growth in the country and plans are currently underway to further develop and expand the industrial park. WSIP has evolved from a general industrial park to one that caters to IT-related and high-tech manufacturing, with the potential for business park development.

Our Industrial Parks unit aims to maintain its performance in 2008. However, should the USA enter into a prolonged recession, causing a slowdown in the manufacturing sector, the Industrial Parks business may be affected.



Sembcorp provides essential utilities and services to many of the world's leading chemical and manufacturing companies at the Wilton International site in the UK, pictured here.