

# Industrial Parks Review

## PERFORMANCE SCORECARD (\$ million)

	2008	2007	Change (%)
Turnover	18.9	25.8	(27)
EBITDA	10.2	58.2	(82)
EBIT	8.2	55.4	(85)
PATMI before EI	31.5	34.0	(7)
PATMI after EI	31.5	72.7	(57)
Return on Equity (%)	7	15	(53)

### Note:

The turnover of Vietnam Singapore Industrial Park, Wuxi-Singapore Industrial Park and Gallant Venture is not consolidated as these are joint ventures or associate companies.

Industrial Parks Group comprises Vietnam Singapore Industrial Park JV Co, Vietnam Singapore Industrial Park and Township Development Joint Stock Company, Wuxi-Singapore Industrial Park Development Co, Gallant Venture, Sembcorp Parks Management as well as other investments and property.

## KEY DEVELOPMENTS

- Positioned as major land bank owner and developer with 4,145 hectares in Vietnam when fully developed.
- Investment certificates received for VSIP II expansion and the first phase development of VSIP Hai Phong.
- Development of the first phase of a 92,000 square metre business park within the Wuxi-Singapore Industrial Park.
- Formed Singapore consortium with Yanlord Land Group and Surbana Corporation to explore the feasibility of establishing a Nanjing-Singapore eco-city.

## COMPETITIVE EDGE

- Owens, develops, markets and manages industrial parks in Vietnam, China and Indonesia.
- Recognised as one of the leading industrial space providers in Southeast Asia, with over 500 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 is designed to provide a world-class manufacturing environment.

## OPERATIONS REVIEW

Sembcorp's Industrial Parks business' turnover for 2008 was S\$18.9 million compared to S\$25.8 million in 2007, mainly due to the divestment of Wuxi Garden City Mall Hotel in May 2007. Profit after tax and minority interest (PATMI) before exceptional items (EI) in 2008 was S\$31.5 million compared to S\$34 million in 2007 mainly due to associate Gallant Venture's lower profit contribution. In 2007, an exceptional gain of S\$38.7 million was recorded from the sale of 70 million (2.9%) Gallant Venture shares.

## Vietnam

In 2008, Sembcorp's Vietnam Singapore Industrial Park (VSIP) projects in Vietnam continued to perform well. In spite of the country's weakening economy and the global economic slow down, Sembcorp's VSIP I and II in southern Vietnam managed to achieve a combined 85% take-up rate, an increase of 15% over 2007. The two industrial parks now host a total of 363 customers. We also continued to strengthen our position as a major land bank owner and developer in Vietnam with a total area of 4,145 hectares when

fully developed. During the year, we received the investment certificate for a 1,000 hectare expansion of VSIP II, bringing the current total land area in VSIP II to 1,345 hectares. Feasibility studies were also completed for 1,600-hectare VSIP Hai Phong in the north and the investment certificate for an initial 611-hectare phase received. In Bac Ninh, initial phase land settlement was completed for the 700-hectare integrated township and industrial park and land preparation has commenced for customers. Sembcorp will contribute US\$4.8 million of equity capital for our 12% direct stake in the VSIP JSC which increased its share capital to undertake the development of the two new VSIP projects in northern Vietnam.

Our VSIP projects continued to garner awards in recognition of our ability to attract international customers and foreign investment to the country. Awards received in 2008 include the Saigon Times' Top 40 award, the Economic Times' Golden Dragon award and most notably, Euromoney's Best Industrial Developer award, ahead of developers of 179 other industrial parks in Vietnam.

## China

During the year, we expanded our presence in China and took steps to introduce our integrated township and industrial park concept. In October, a master agreement was signed to establish a new 1,500-hectare industrial township, the Guangxi-Singapore Industrial Park. The first phase of development for the project is expected to span 260 hectares.

In November, a memorandum of understanding was also signed for the development of an eco-city in Nanjing, Jiangsu province. Together with Yanlord Land Group and Surbana Corporation, we would be undertaking a feasibility study of the Nanjing-Singapore eco-city. A new bilateral project between the Singapore and China governments, the project aims to develop a modern, ecologically-friendly work-live-play environment housing high-tech industries and innovative enterprises, which will eventually serve as a showcase for sustainable development.

Meanwhile, the Wuxi-Singapore Industrial Park (WSIP) commenced construction for the first phase of its 92,000 square metre business park dedicated to

innovative and high value added service industry players. Higher contributions were also enjoyed from the industrial park following the handover of a 110,000-square metre custom built factory to Suntech Power in August, with whom we have a 12-year lease agreement. There are currently 68 tenants operating in the WSIP, taking up 98% of marketable area.

## Indonesia

Associate company Gallant Venture's profit contribution in 2008 was lower than in 2007 mainly due to a slowdown in land sales from its Bintan resorts. During the year, Gallant Venture reported accumulated land sales in Bintan's Lagoi Bay Resort and Township amounting to S\$67.1 million in value, pending full payment and transfer of land titles to buyers.

## MARKET REVIEW AND OUTLOOK

Our Industrial Parks business continues to be focused on developing integrated industrial townships in emerging markets such as Vietnam and China where we believe there will continue to be an impetus for industrialisation. However, the business' performance in 2009 is expected to be affected by the global economic slowdown and resultant weak investor sentiment. We expect that this will dampen the realisation of land sales as well as new take-up. Our key focus in 2009 will be on customer retention in existing townships and industrial parks, as well as on executing our new project pipeline. Land acquisition as well as infrastructure development of our expansion in VSIP II and new VSIP Bac Ninh, VSIP Hai Phong and Guangxi-Singapore Industrial Park projects will be paced to be in tandem with customer demand and take-up.