

# Industrial Parks Review

## Performance Scorecard (\$ million)

	2009	2008	Change (%)
Turnover	18.5	18.9	(2)
EBITDA	13.6	10.2	33
EBIT	11.4	8.2	39
PATMI	28.3	31.5	(10)
ROE (%)	6	7	(11)

### 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.

## Key Developments

- Expanded our integrated township and industrial park in Binh Duong, Vietnam from 1,000 hectares to 1,700 hectares. With this, VSIP will offer 4,845 hectares of land in Vietnam when fully developed.
- Announced the development of the 1,500-hectare Sino-Singapore Nanjing Eco High-tech Island in Jiangsu Province, China, the largest foreign collaborative project in Nanjing.
- Celebrated the 15<sup>th</sup> anniversary of the Wuxi-Singapore Industrial Park and announced a new phase of development which will make it a complete industrial, commercial and residential development.
- Collaborated with Suntech Power and Wuxi New District to jointly develop a 400-hectare "Solar City".

## Competitive Edge

- Owens, develops, markets and manages integrated townships and 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.
- An integrated approach to township development designed to provide world-class manufacturing space and a sustainable urban environment.
- Expertise in integrated township and industrial park management and international marketing attracts premier customers such as multinational companies and leading local enterprises.

## Operations Review

Sembcorp's Industrial Parks business' turnover for 2009 was S\$18.5 million compared to S\$18.9 million in 2008. Turnover from integrated townships and industrial parks owned and under management amounted to approximately S\$380 million for the year. The business' profit after tax and minority interest (PATMI) in 2009 was S\$28.3 million compared to S\$31.5 million in 2008, mainly due to our share of losses in associate Gallant Venture. Although the global economic downturn and the resultant weaker investor sentiment has slowed the realisation of profits from land sales in Vietnam, the Vietnam Singapore Industrial Park (VSIP) remains the largest profit contributor to the Industrial Parks business.

### Vietnam

During the year, we continued to strengthen our position as a major land bank owner and developer in Vietnam with a total area of 4,845 hectares when fully developed. Our Vietnam Singapore Industrial Park (VSIP) projects saw a few tenant withdrawals, but new customers enabled the VSIP to maintain a healthy take-up rate, indicating ongoing demand for quality industrial, residential and commercial space in the market despite the economic slowdown.

While the 500-hectare VSIP I in Binh Duong province in southern Vietnam is now fully developed, the 345-hectare initial phase of VSIP II achieved 91% take-up rate. In April, VSIP II also received an investment certificate for a further 700-hectare

expansion, on top of the 1,000 hectares for which an investment certificate was awarded last year. Out of this 1,700 hectares, 1,622 hectares was resettled by the end of 2009. This brings the total land area of the two VSIP projects in Binh Duong to 2,545 hectares. In 2009, profits from the sale of 81 hectares of industrial land and 35 hectares of residential land were realised. The two VSIP projects in southern Vietnam now have a total of 382 committed industrial and commercial customers, compared to 363 customers in 2008.

Meanwhile, land resettlement and preparation for customer take-up continued to progress well for the third VSIP integrated township and industrial park in Bac Ninh province. A total of 472 hectares of land was resettled as at end-2009. We handed over 34 hectares of land to three customers during the year, with a further orderbook of 94 hectares already set aside for another 18 confirmed customers. At a groundbreaking ceremony in January 2010 witnessed by the Prime Ministers of Vietnam and Singapore, we also launched our fourth VSIP project in Hai Phong city. The 1,600-hectare VSIP Hai Phong integrated township and industrial park has a planned 1,100 hectares allocated for commercial and residential development and 500 hectares allocated for a business park and clean industries park.

### China

In May, we announced the co-development of the 1,500-hectare Sino-Singapore Nanjing Eco High-tech Island in China's Jiangsu province with consortium partners Yanlord Land Group and Surbana Land. A new bilateral project under the cooperation framework of the Singapore-Jiangsu Cooperation Council, this project is currently Nanjing's largest economic and technological foreign cooperation project. It will provide a superior ecologically-friendly work-live-play environment and aims to attract research and development centres and position the Jiangxinzhou island as a new green enclave six kilometres from Nanjing's old city. In May, Singapore's Deputy Prime Minister Wong Kan Seng and Jiangsu Provincial Party Secretary Liang Baohua graced the groundbreaking ceremony for the project. The master concept plan for the development is being reviewed and once finalised, the project will be progressively completed over the next 10 to 15 years.

In November, we embarked on a new phase of development for the Wuxi-Singapore Industrial Park (WSIP) to complement WSIP's existing industrial zone with the addition of residential and commercial developments. WSIP will develop an additional 14,000 square metres of mixed-use residential and commercial land, with construction expected to commence in the first quarter of 2010. A business and information technology park with 102,000 square metres of gross floor area will also be developed in collaboration with Hong Kong-listed First Shanghai Group. The 35,000 square metres first phase of this business and information technology park is targeted for completion in the first half of 2010. Furthermore, WSIP and Suntech Power, the world leader in solar energy, also announced a collaboration with the Wuxi New District government to develop a 400-hectare "Solar City" photovoltaic park. Forty hectares of land belonging to the WSIP will be used to kick-start the first phase development of this photovoltaic park. We also celebrated the 15<sup>th</sup> anniversary of the WSIP in a ceremony witnessed by the two Co-chairmen of the Singapore-Jiangsu Cooperation Council.

### Indonesia

In 2009, our associate company Gallant Venture's industrial parks and resort land sales businesses were impacted by the global economic downturn and resultant weak investor sentiment. While Gallant Venture received new resort land sale orders worth S\$17.7 million in the fourth quarter of 2009 bringing the total cumulative resort land sale orders to S\$84.7 million, it has not yet recognised the income from these sales pending the full payment and transfer of land title to buyers.

## Market Review And Outlook

The global economic crisis has led to slower take-up for new industrial space. While the world outlook appears to have improved in the last quarter of the year, industrial customers are likely to maintain a cautious approach in waiting for clear and sustained signs of economic recovery before committing to new investments. Nevertheless, the long-term outlook for industrial developments in emerging Asian markets

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continues to be positive in light of the continued industrialisation.

In Vietnam, demand for residential and commercial developments in integrated townships is expected to be maintained with increasing urban migration and improvement in local per capita income levels. In 2010, we will continue to focus on global marketing for all three VSIP sites as well as land preparation for our projects in Bac Ninh and Hai Phong, which are currently in an early stage of development.

In China, the urban and economic restructuring of the Wuxi New District, increased foreign direct investment to the municipality and growing congregation of skilled talent in the area is expected to create a strong demand for township developments. In Nanjing, master-planning for the Sino-Singapore Nanjing Eco High-tech Island is expected to be finalised by mid-2010. Land preparation for the development will commence thereafter.

With the improved outlook on Indonesia and the opening of the integrated resorts in Singapore which are likely to attract more tourists to the region, we expect the business environment in the Riau islands to be enhanced.

In 2010, the Industrial Parks business is expected to perform better than in 2009 with the improved world economic outlook and our integrated approach to township development.