

INDUSTRIAL PARKS REVIEW

Performance Scorecard (S\$ million)

	2010	2009	Change (%)
Turnover*	19.7	18.5	7
EBITDA	4.7	13.6	(65)
PFO	40.4	34.1	19
– EBIT	2.7	11.4	(76)
– Share of results: Associates & JVs, net of tax	37.7	22.7	66
Net profit	36.9	28.3	30
ROE* (%)	7	6	24

* The turnover of Vietnam Singapore Industrial Park, Wuxi-Singapore Industrial Park, Sino-Singapore Nanjing Eco High-tech Island and Gallant Venture is not consolidated as these are joint ventures or associate companies.

* Excluding its returns on Sembcorp's corporate office at 30 Hill Street, Singapore 179360 and on its investment in Gallant Venture, the Industrial Parks business' ROE is 13.5%

Key Developments

- Sold a total of 183 hectares of land in Vietnam and China, and continued to focus on land preparation
- Celebrated the groundbreaking of the fourth Vietnam Singapore Industrial Park (VSIP) project in Vietnam, the 1,600 hectare VSIP Hai Phong Integrated Township and Industrial Park
- Launched its maiden commercial and residential real estate developments in the Wuxi-Singapore Industrial Park (WSIP) in China with a new mixed-use commercial and residential building, and a business and information technology park
- Commenced marketing of the 'Solar City' photovoltaic park in WSIP, with 25 hectares taken up
- Increased our effective stake in the Sino-Singapore Nanjing Eco High-tech Island in Jiangsu province, China, from 15% to 21.5%
- Joined a Singapore consortium to study the feasibility of the 1,000 hectare Singapore-Sichuan High-tech Innovation Park in Chengdu, Sichuan province, China

Competitive Edge

- Leading integrated developer of industrial parks and integrated townships in Asia with over 20 years' experience in undertaking the development of raw land, including land resettlement and infrastructure development
- Owns, develops, markets and manages integrated townships and industrial parks in China, Vietnam and Indonesia
- An integrated approach to township development designed to provide world-class industrial, commercial and residential space and a sustainable urban environment
- Over 600 multinational companies and leading local enterprises as tenants
- Opportunities for selective development of commercial and residential real estate at choice sites within our land bank

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Operations Review

The Industrial Parks business performed well in 2010. Its turnover for 2010 grew 7% to S\$19.7 million, compared to S\$18.5 million in 2009. Turnover from integrated townships and industrial parks owned and under management amounted to approximately S\$450 million, 18% higher than their 2009 turnover of S\$380 million. The business' net profit in 2010 grew 30% to S\$36.9 million, compared to S\$28.3 million in 2009, while profit from operations (PFO) increased 19% from S\$34.1 million to S\$40.4 million. The business' improved performance was driven by healthy take-up for commercial and residential land in its Vietnam Singapore Industrial Park (VSIP) project in Binh Duong, strong industrial land sales in VSIP Bac Ninh, as well as improved contribution from the business' associate, Gallant Venture.

In 2010, our Industrial Parks business maintained its focus on building its land bank and developing its industrial parks and integrated townships in Vietnam and China, where its projects cover a total gross land area of 6,687 hectares. With more than 20 years of experience in undertaking the development of raw land, including land resettlement and infrastructure development, the business takes an integrated approach to township development, designing self-sufficient sites that provide world-class industrial, commercial and residential space with an emphasis on sustainable urban development. In 2010, the business sold a total of 183 hectares of land, with a remaining 2,700 hectares of land available for sale in Vietnam and China to support future growth.

Based on current master plans, the business' six developments in Vietnam and China offer more than 12 million square metres of commercial and residential gross floor area to third party property developers for the development of building clusters for direct sale or lease. Going forward, in order to maximise the yield from our land bank, we also intend to undertake the selective development of commercial and residential real estate at choice sites within our land bank.

Vietnam

Significant progress was made during the year in terms of land resettlement and infrastructure development.

Within VSIP Binh Duong, our second VSIP project in southern Vietnam, we resettled 30 hectares of land during the year, leaving only 20 hectares of the

project's total gross land area of 2,045 hectares to be resettled in 2011. We also completed the preparation and infrastructure development of 44 hectares of industrial land and 96 hectares of residential land. Profits from the sale of 36 hectares of industrial land and 62 hectares of commercial and residential land were realised. These sales have brought VSIP Binh Duong's take-up rate to 24% of saleable land, with 1,060 hectares of saleable land remaining available. While almost all 500 hectares of the nearby VSIP I are fully committed, the development continues to provide steady recurrent income from factory rentals and electricity distribution. The two VSIP projects in southern Vietnam now have a total of 404 committed customers, compared to 382 customers in 2009.

In northern Vietnam, while no additional resettlement was done in VSIP Bac Ninh during the year, effort was instead focused on land preparation. We completed land preparation for 120 hectares, enabling several customers to begin construction of their factories, including Foster Electric Company and Mapletree Logistics. Profits from the sale of 54 hectares of industrial land were realised, bringing the take-up rate to 20% of saleable land, with a total of 350 hectares saleable land remaining. VSIP Bac Ninh now has 30 committed customers compared to 21 in 2009, including PepsiCo, which took up 12 hectares of industrial land during the year to construct its second largest beverage production facility in Southeast Asia. We will progressively resettle the remaining 228 hectares out of the 700 hectare project gross land area over the next two years in tandem with customer demand.

The Industrial Parks business also stepped up its successful presence in the country with the groundbreaking for its fourth VSIP development in Hai Phong, northern Vietnam, which was witnessed by the Prime Ministers of Vietnam and Singapore. Located in Hai Phong City's new waterfront district in the vicinity of the North Cam River area, the 1,600 hectare integrated township has a planned 1,100 hectares allocated for commercial and residential development and 500 hectares allocated for a business and industrial park. A highlight of the site, which has 920 hectares of land available for sale, is a four kilometre stretch of waterfront land along the river, with additional water frontage along river tributaries within the site.

To date, VSIP Hai Phong has received the investment

licence for 611 hectares of industrial land and the business expects to receive an additional investment licence for a further 137 hectares of commercial and residential land in 2011. During the year, land resettlement was completed for 250 out of the 611 hectares. In addition, land preparation commenced for the arterial boulevards within the resettled land. Piling works were also completed for five detached ready-built factories of 2,000 square metres each to be completed in 2011.

China

In 2010, several new developments were launched in the Wuxi-Singapore Industrial Park (WSIP), including a mixed-use commercial and residential building, a business and information technology park and the 'Solar City' photovoltaic park. The launches were well-received with a healthy take-up for land and units released for sale.

The development of the mixed-use commercial and residential building as well as the business and information technology park marked a first for the business, as it leveraged on opportunities available to participate in the selective development of commercial and residential real estate to enhance returns on land in choice sites. The business and information technology park, a joint venture with Hong Kong-listed First Shanghai Group, offers a total 99,000 square metres of gross floor area. Since the soft launch of the development's first phase in June 2010, 38% of its gross floor area has been taken up.

Meanwhile, the business also saw the soft launch in October of its mixed development, 'International Garden City', comprising a 120-room serviced apartment block owned by WSIP and operated by Modena Residence, which is under the Frasers Hospitality Group. The soft launch of two apartment blocks of 177 units totalling 17,000 square metres gross floor area saw an encouraging response, with 92 units covering a total of 52% of gross floor area sold.

Another development which saw encouraging take-up was the 'Solar City' photovoltaic park, a collaboration between Suntech Power and the Wuxi New District with a planned area of 400 hectares. 40 hectares of land belonging to WSIP will be used for the project's first phase. Of these 40 hectares, 25 hectares have been taken up.

To date, WSIP is almost fully taken up, with a mere 15 hectares' remaining saleable land. During the

year, WSIP secured a 12 hectare plot of land in the Wuxi New District's Hongshan area for the planned development of Hongshan Mansion, a 120,000 square metre gross floor residential development with a total of 700 units. To be developed over five phases, the initial phase to be completed by the third quarter of 2011 will comprise 30,200 square metres or 156 units of apartments and villas.

Meanwhile in September, the Industrial Parks business increased our shareholding in the Singapore consortium involved in the Sino-Singapore Nanjing Eco High-tech Island (SNEI) from 30% to 43%. This increased our effective stake in the Singapore-China joint venture SNEI project from 15% to 21.5%. During the year, the conceptual master plan for the entire 1,500 hectare development was finalised and approved, and plans are currently underway to appoint an urban planner for the development of 630 hectares with the remaining 870 hectares set aside under the master plan for eco-tourism. Situated a mere 6.5 kilometres from Nanjing's city centre on Jiangxinzhou, the SNEI is Nanjing City's largest foreign collaborative development to date. The project is expected to yield up to 3.2 million square metres of office and commercial space and about 2.2 million square metres of residential gross floor area. To date, it has 360 hectares of land available for sale.

In September, Temasek Holdings, through its wholly-owned company Singapore-Sichuan Investment Holdings, signed a memorandum of understanding with the Chengdu High-tech Zone Administration Commission to explore the joint development of the 1,000 hectare Singapore-Sichuan High-tech Innovation Park in Chengdu, Sichuan province. Sembcorp leads the Singapore consortium currently undertaking a feasibility study for the project, which is expected to be completed by mid-2011. Should the outcome of the study be favourable, a 50:50 Singapore-Chinese joint venture will be formed to undertake the project.

Indonesia

In 2010, our 23.9%-owned associate company Gallant Venture (GV) turned around from a net loss position. The improved performance was mainly due to the commencement of transfer of land titles in 2010 by GV's property development business, which recognised S\$33.3 million of resort land sales.

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Market Review and Outlook

In its World Urbanisation Prospects report released in 2009, the United Nations states that it expects urbanisation in Asia to continue at an unprecedented pace, with the projected creation of an estimated 90 new cities over the next 15 years. Asia's emerging middle class is expected to grow significantly, in terms of both size as well as spending power.

Against this background, we see significant opportunities for our Industrial Parks business, which delivers the economic engine to drive inward investments, job creation, growth in exports and fiscal revenues core to the economic growth of these fast-developing Asian economies through our industrial parks and integrated townships. The continued pace of industrialisation and urban population growth is also expected to increase demand for commercial and residential real estate, which is set to benefit the business, with its plans to undertake selective development of commercial and residential real estate at choice sites in its land bank.

In Vietnam, we expect VSIP Hai Phong to start contributing to our net profit in 2011. While its competitiveness may be somewhat affected by higher national wage levels as a result of economic growth, Vietnam's market is nonetheless expected to remain attractive to foreign investors given the country's increasing level of domestic consumption.

In China, the government's implementation of tightened credit controls and market cooling measures is expected to result in a slowdown in property demand, particularly in first-tier cities. Nonetheless, second-tier cities such as Nanjing and Wuxi, where our business operates, are expected to remain relatively attractive given their lesser degree of market saturation and lower business costs. With the population of second-tier cities expected to rise and per capita income for their growing middle class expected to increase, the housing market in second-tier cities is likely to still see growth. Furthermore, the anticipated relaxation of China's *hukou*, or household registration system, is also expected to result in an influx of first-time home buyers who may be attracted to second-tier cities with their continued growth and lower level of congestion. Against this background, we expect to see continued contributions from our residential and commercial developments in WSIP and from land sales in SNEI.

Meanwhile, Indonesia continues to be an increasingly attractive destination for foreign investments. We expect our associate GV's resort land sales to continue in 2011.