



An artist's impression of the VSIP Hai Phong Integrated Township & Industrial Park, Vietnam

## INTEGRATED URBAN DEVELOPMENT REVIEW

### Performance Scorecard *(S\$ million)*

	2011	2010	Change (%)
Turnover <sup>1</sup>	12.8	19.7	(35)
EBITDA	1.2	4.7	(74)
PFO	46.1	40.4	14
– EBIT	(0.3)	2.7	N.M.
– Share of results: Associates & JVs, net of tax	46.4	37.7	23
Net profit	38.7	36.9	5
ROE <sup>2</sup> (%)	7.2	7.3	(1)

#### Notes:

<sup>1</sup> Most of our Integrated Urban Development businesses are associates or joint ventures. The turnover is derived from providing services to these associates or joint ventures

<sup>2</sup> Excluding its returns on Sembcorp's corporate office on 30 Hill Street and its investment in Gallant Venture, the Integrated Urban Development business' ROE for 2011 was 13.0%

### Key Developments

- Sold a total of 226 hectares of land in Vietnam and China, and had 227 hectares of land commitments at year-end
- Signed a memorandum of understanding to explore the feasibility of a fifth Vietnam Singapore Industrial Park to be located in Quang Ngai province, central Vietnam
- Sold a 13-hectare land plot for the *New One North* project, the first mixed-use development on the Sino-Singapore Nanjing Eco Hi-tech Island
- Took a 50% stake in the Singapore consortium involved in the 1,000-hectare Singapore-Sichuan Hi-tech Innovation Park in Chengdu, Sichuan province, China

### Competitive Edge

- Leading Asian developer with over 20 years' experience undertaking master planning, land preparation and infrastructure development, and transforming raw land into large scale urban developments
- Owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia
- Integrated approach to delivering urban work and living environments that will attract local and international investments
- Over 600 multinational companies and leading local enterprises as tenants
- Opportunities for selective development of commercial and residential real estate at choice sites

## Operations Review

Sembcorp's Integrated Urban Development business (formerly known as Industrial Parks) turned in a good performance in 2011. Net profit grew 5% to S\$38.7 million, compared to S\$36.9 million in 2010, while profit from operations (PFO) increased 14% from S\$40.4 million to S\$46.1 million. The business benefited from strong land sales in the Vietnam Singapore Industrial Park (VSIP) projects, which registered a 30% growth compared to 2010. Meanwhile, the Wuxi-Singapore Industrial Park (WSIP) continued to see a steady income stream from factory rentals as well as contribution from residential sales.

In 2011, the business sold a total of 226 hectares of land in Vietnam and China, a 24% increase from the previous year's 182 hectares. Industrial land comprised 77% of land sales while commercial and residential land accounted for 23%. The growth in land sales was achieved in spite of a weaker global economic sentiment in the second half of the year. First land sales for both VSIP Hai Phong in Vietnam and the Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) in China were secured during the year.

In early 2012, the business was renamed Integrated Urban Development, in line with our focus on providing integrated urban solutions. Taking an integrated approach to delivering urban work and living environments, we have more than 20 years of track record transforming raw land into large scale urban developments comprising industrial parks as well as business, commercial and residential space. We also have the ability to extract further value by undertaking selective development of commercial and residential real estate at choice sites.

## Vietnam

2011 has been a challenging year for Vietnam. The country's economy expanded 5.9% for the full year, down from an average of 7% in the past decade as the government tightened fiscal and monetary policies to rein in high inflation. Despite the challenging business environment, our VSIP

projects performed well, securing high value land sales from several big multinational corporations. For the year, VSIP sold a total of 212 hectares, an increase of 30% from 2010's 163 hectares. Demand for industrial land continued to be strong, accounting for 82% of the sales and growing 73% from the previous year.

In southern Vietnam, our VSIP projects delivered a steady performance, surpassing the previous year's land sales performance and accounting for 58% of VSIP's total land sales. Our first 500-hectare VSIP project in Thuan An district is almost sold out and contributes steady recurrent income from factory rentals and electricity distribution. The second 2,045-hectare VSIP in the New Binh Duong Township is 38% taken up and continues to see interest from potential investors. 68 hectares of land have been committed by customers and another 873 hectares of saleable land remained available as at end 2011.

In northern Vietnam, the 700-hectare VSIP Bac Ninh continued to build on its momentum of securing well-established, long-term customers. Nokia is setting up its first manufacturing facility in Southeast Asia in VSIP Bac Ninh, joining PepsiCo and Foster Electric. The integrated urban development also attracted Malaysia's SP Setia who took up a large plot of residential land for an eco housing project. VSIP Bac Ninh sold 64 hectares of land in 2011 and total land take-up stood at 64% as at end 2011. Investor interest remained healthy with 103 hectares of land committed by potential investors and 142 hectares of saleable land remaining available as at end 2011. Meanwhile, land preparation and infrastructure works continued to progress for our fourth VSIP project in Hai Phong City. During the year, it achieved its first land sales to Kyocera Mita Corporation of Japan. The official inclusion of Hai Phong City in the Dinh Vu-Cat Hai Economic Zone is expected to further boost the attractiveness and marketability of the development.

Following the successful progress of our first four VSIP projects, a memorandum of understanding was

signed with the People's Committee of Quang Ngai province during the year to explore the feasibility of a 1,020-hectare integrated urban development in central Vietnam. The proposed development will comprise a 500-hectare industrial park located within the Dung Quat Economic Zone, where government-supported special economic zone incentives will be made available to manufacturers. Separately, 520 hectares of land are expected to be zoned for commercial and residential purposes near downtown Quang Ngai city. The signing was witnessed by the President of Vietnam His Excellency Truong Tan Sang and Singapore Prime Minister Lee Hsien Loong.

## China

In 2011, WSIP performed well despite being a mature industrial park that has been operating for 18 years. Rentals from ready-built factories and electricity distribution continue to provide a stable income stream while initiatives to enhance the yield on this project have progressed well. During the year, we completed and handed over a 140,000-square metre custom-built factory to New York Stock Exchange-listed Suntech Power, which will rent the premises under a long-term lease agreement. Five new ready-built factories have also been rented out, including those in the *Solar City* photovoltaic park. In the commercial and residential space, occupancy rates for the business and technology park improved from 38% to 50%. Good take-up was also registered for the *International Garden City* apartment project in Wuxi New District, which sold 137 units during the year, 50% more compared to 2010. Construction of *Hongshan Mansion*, a 108-unit residential development, progressed well during the year and is targeted to be launched in the second quarter of 2012.

Over in Nanjing, the SNEI project has completed its urban master plan, industry positioning study and ecology planning system. Of the island's 1,500-hectare gross land area, 809 hectares will be preserved for eco-tourism, while 715 hectares will

be developed which includes 324 hectares of office, commercial and residential land available for sale. Through our joint venture company, we have secured a 13-hectare site to develop the first major mixed-use development on the island named *New One North*. Encompassing a research and development park, an exhibition centre and a waterfront commercial-leisure-residential precinct overlooking Hexi New City on Nanjing mainland, *New One North* will yield about 152,000 square metres in gross floor area.

During the year, we also completed the feasibility study for a new integrated development, the Singapore-Sichuan Hi-tech Innovation Park. Strategically located in Chengdu's Tianfu New City central business district, the project adds 500 hectares to our land bank available for sale. The integrated development will focus on attracting innovative and knowledge-intensive industries in eight clusters comprising information technology, digital media, pharmaceutical research, precision engineering, environmental services, service outsourcing, banking and insurance, and will be developed by a joint venture between the Singapore consortium, in which Sembcorp has a 50% stake, and its Chinese partners.

## Indonesia

Our 23.92%-owned associate company Gallant Venture continued to deliver positive results although its profit contribution in 2011 was lower compared to 2010. Its property development business registered lower resort land sales while the industrial parks business continued to face competitive pressure.

## Market Review and Outlook

The Integrated Urban Development business is expected to deliver better performance in 2012 compared to 2011, in anticipation of contribution from the SNEI project and underpinned by 227 hectares of land commitments. Our projects in Vietnam and China remain attractive destinations for foreign investors. However, the economic

# INTEGRATED URBAN DEVELOPMENT REVIEW

---

downturn in Europe and the USA may slow down manufacturing exports and delay potential customer investment decisions that could in turn impact the pace of our land sales. The Vietnamese and Chinese governments' measures to stabilise the housing market in their countries may also moderate the demand for commercial and residential space.

In the longer term, industrialisation and urbanisation remain a core priority for both Vietnam and China. The Vietnamese government has set a target to achieve full industrialisation by 2020. Its urban population is expected to reach 59% in 2050 from 30% in 2009<sup>1</sup>. Similarly, China's economic and social priorities are moving towards industry upgrading, sustaining growth and promoting domestic consumption. Its urban population is expected to grow from 46% in 2009 to 73% by 2050<sup>1</sup>, adding a projected 46 million middle class households from 2010 to 2015<sup>2</sup>.

With 2,711 hectares of land available for sale, our projects in Vietnam and China provide a robust development pipeline. Furthermore, with our ability to extract further value by undertaking selective development of commercial and residential real estate at choice sites, we believe that the business is poised for growth in the coming years.

<sup>1</sup> *United Nations World Urbanisation Prospects, The 2009 Revision*

<sup>2</sup> *Boston Consulting Group: 'Winning in Emerging-market Cities', September 2010*