

# URBAN DEVELOPMENT REVIEW



Artist's impression of the Sino-Singapore Nanjing Eco Hi-tech Island, China

## Competitive Edge

- Over 20 years' track record in undertaking master planning, land preparation and infrastructure development to transform raw land into urban developments
- Significant land bank of integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia
- A valued partner to governments, with the ability to deliver the economic engine to support industrialisation and urbanisation by attracting local and international investments

## Performance Scorecard

Financial Indicators (\$ million)	2014	2013	Change (%)
Turnover <sup>1</sup>	10.7	12.5	(14)
PFO	47.5	45.1	5
- EBIT	(0.3)	(4.7)	94
- Share of results: Associates & JVs, net of tax	47.8	49.8	(4)
Net profit	44.3	50.2	(12)
ROE <sup>2</sup> (%)	6.4	8.2	(22)

### Notes:

<sup>1</sup> Most of our Urban Development businesses are associates or joint ventures. Turnover reflected consists of payment for services provided to these associates or joint ventures.

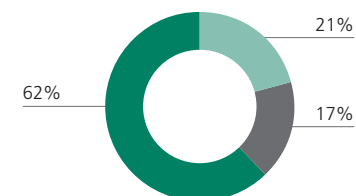
<sup>2</sup> Excluding its returns on Sembcorp's corporate office on 30 Hill Street and its investment in Gallant Venture, the Urban Development business' ROE for 2014 and 2013 was 9% and 12% respectively.

Operational Indicators (hectares)	2014	2013
Saleable land inventory	5,410	5,446
Land sold (cumulative)	1,633	1,494
Net orderbook	198	281
Land available for sale	3,579	3,671

Note: Figures are based on current planned estimates and exclude projects under Gallant Venture.

## Remaining Saleable Land by Geography

■ Vietnam ■ China ■ Indonesia



## Remaining Saleable Land by Segment

■ Industrial ■ Commercial\* & residential



\* Commercial land also includes office space for research & development, innovation and technology purposes.



**Key Developments**



Maiden profits from Singapore-Sichuan Hi-tech Innovation Park, China



Positive response to public land auction at Sino-Singapore Nanjing Eco Hi-tech Island, China



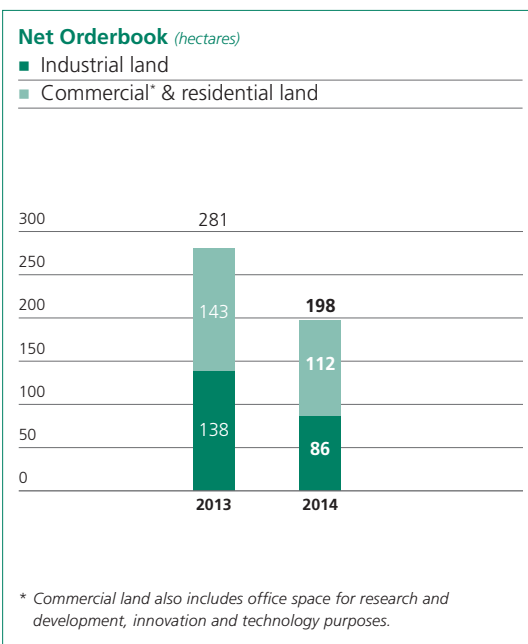
Commitments secured for land in new Kendal Industrial Park in Indonesia even before the launch of the project

**OPERATIONS & FINANCIAL REVIEW**

**Creditable performance amid a challenging year**

Against the backdrop of difficult market conditions, our Urban Development business recorded a net profit of S\$44.3 million compared to S\$50.2 million the previous year. Profit from operations (PFO) stood at S\$47.5 million compared to S\$45.1 million in 2013.

2014 saw a slower property market in China and dampened investor sentiment in Vietnam following an unrest in the country. With investor confidence returning in the fourth quarter, the business ended the year with a total of 140 hectares of land sales in Vietnam and China. It also received commitments from customers for a further 56 hectares of land, bringing its net orderbook to a total of 198 hectares as at end 2014. Industrial land accounted for 78% of the land sold in 2014, while commercial and residential land accounted for the remaining 22%.



**Vietnam**

2014 was a challenging year for our Vietnam operations. In May, unprecedented riots broke out across several provinces in the country. Binh Duong province, where our Vietnam Singapore Industrial Park (VSIP) I and II are located, was amongst the worst hit. In the aftermath of the unrest, we saw cancellations and delays for land orders across all VSIP projects, with dampened sentiment continuing through the second and third quarters of the year.

Notwithstanding this, our Vietnam business delivered a credible performance for the year. With investor confidence recovering late in the fourth quarter, we ended 2014 with higher land sales than in 2013. In terms of product mix, industrial land continued to form the bulk of land sold in the VSIPs, accounting for 94%, while the remaining 6% of land sold comprised higher-margin land for commercial and residential purposes.

During the year, we incorporated Sembcorp Infra Services to provide on-site warehousing and logistics operations to customers within the VSIP. This new subsidiary will offer tenants multiple pick-up and delivery points across the VSIP projects. It will also offer 15,000 square metres of warehouse space in VSIP Hai Phong by end 2015. Response so far has been encouraging, with a number of customers already making reservations to take up warehouse space. This new unit widens our suite of value-added solutions for tenants of the VSIPs, and is expected to contribute recurring income to the business.

**China**

In 2014, China's economy posted its weakest growth in 24 years. This translated to a sluggish market for land sales. Furthermore, the country saw a slowdown in industrial growth, with the Purchasing Managers' Index decreasing to 50.1 in December 2014 compared to 51.0 in December 2013.

In particular, the performance of our Wuxi-Singapore Industrial Park (WSIP) project, which relies on factory rental and electricity distribution as its main sources of income, was affected by poor sentiment in both the property and manufacturing sectors. Despite this, the development saw the entry of a new long-term tenant during the year. It handed over an 11,000-square metre factory built to specifications for Muehlbauer, which began an eight-year lease in June. Take-up for commercial and residential projects launched by WSIP was marginally higher compared to 2013. These projects included WSIP's business and technology park, which saw 65% of its initial phase taken up; the International Garden City residential project, where 171 or 97% of the apartment units have been sold; as well as Hongshan Mansion, a new residential development which has also sold 21 units or 19% of its initial phase.

Meanwhile, our Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) project saw a slowdown in new land sales for much of the year. However, this was mitigated by several announcements from the local and central governments from the third quarter of the year. In September, Nanjing's municipal government announced the abolition of restrictions that limit the number of homes that residents can own, while in October, the central government eased monetary policy by lowering its benchmark lending rates. The impact of these announcements was immediately seen in an improved take-up of residential units in Jiangxinzhou, where SNEI is located, as well as in good response to a public auction of land in the SNEI in December, with land sales to be booked next year.

In 2014, our Singapore-Sichuan Hi-tech Innovation Park made maiden profits from a land sale. The 1,000-hectare innovation park, located in the central business district of Chengdu's Tianfu New City and within a newly established national-level economic zone, broke ground in 2012.

Development Progress at the Sino-Singapore Nanjing Eco Hi-tech Island



Riverside Commercial Complex (under construction in the foreground) overlooking mainland Nanjing



Pedestrian bridge linking the island to mainland Nanjing

Indonesia

In Indonesia, our new Kendal Industrial Park (KIP) project in Central Java has already begun to draw interest from both local and foreign manufacturers. Two companies have signed expressions of interest to buy land, even before the formal launch of the project.

Located along the Jakarta-Semarang-Surabaya Economic Corridor in Central Java, KIP is positioned to benefit from the spillover of manufacturing activity from greater Jakarta. During the year, the detailed engineering design for the entire 860-hectare project was completed. The first of KIP's eight ready-built factories was also constructed, with the remaining seven to be built on demand. Land and infrastructure development for the project continues to progress in preparation for handover of prepared land to customers in 2015.

Following the dilution of Sembcorp's stake in Gallant Venture (GV) to 11.96% and the reclassification of GV as an available-for-sale

financial asset, our subsidiary Sembcorp Parks Management has ceased to provide marketing services to Batamindo Industrial Park and Bintan Industrial Estate.

OUTLOOK

The Urban Development business has an orderbook of 198 hectares of land, which will be converted into sales in the next two years. This comprises 86 hectares of industrial land and 112 hectares of commercial and residential land. In addition, we continue to receive enquiries for land within our projects in Vietnam, China and Indonesia.

While the World Bank has projected global growth to rise moderately to 3% in 2015, risk factors for our business include residual uncertainty as to the outcome of government measures to promote sustained recovery in the Vietnam and China property markets. Other risk factors include

Development Progress at the Vietnam Singapore Industrial Park Projects



13 ready-built factories have been completed at VSIP Hai Phong with 10 factories already tenanted



33 companies have commenced operation at VSIP Bac Ninh

economic uncertainty in the eurozone, which may affect our customers' export markets, and the weak yen drawing Japanese investment and manufacturing activities back to their home base.

Going forward, the outlook for our key markets is expected to improve. In 2014, Vietnam recorded gross domestic product growth of just under 6%, marking its highest growth in three years. Investor confidence appears to have recovered since the last quarter of 2014 and in November, Vietnam's parliament approved new regulations for the real estate sector permitting foreign ownership of property. This is expected to boost interest in residential real estate. Furthermore, the country is looking forward to the conclusion of the Trans-Pacific Partnership, which is expected to benefit Vietnam and its industries, such as the garment and footwear manufacturing sectors.

While China's growth has moderated, the impact on its real estate sector is expected to be mitigated by new measures introduced by the

authorities, including a rate cut by the People's Bank of China in November. Furthermore in the third quarter of 2014, the government lifted restrictions in Chengdu, Wuxi and Nanjing on the number of homes that residents can own. This is expected to provide a boost to the property market over the next year.

Meanwhile in Indonesia, pre-launch interest in KIP has been very encouraging. With the development's strategic location in Central Java, it is well-positioned to capture the spillover of manufacturing activities from Jakarta. The project has secured commitments for land, and continues to receive enquiries from Jakarta-based manufacturers.

In 2015, the business is expected to deliver a steady operating performance. As we continue to focus on the successful execution of our new projects, we believe we are ready to respond quickly to a growth momentum in orderbook and deliver land to our customers.