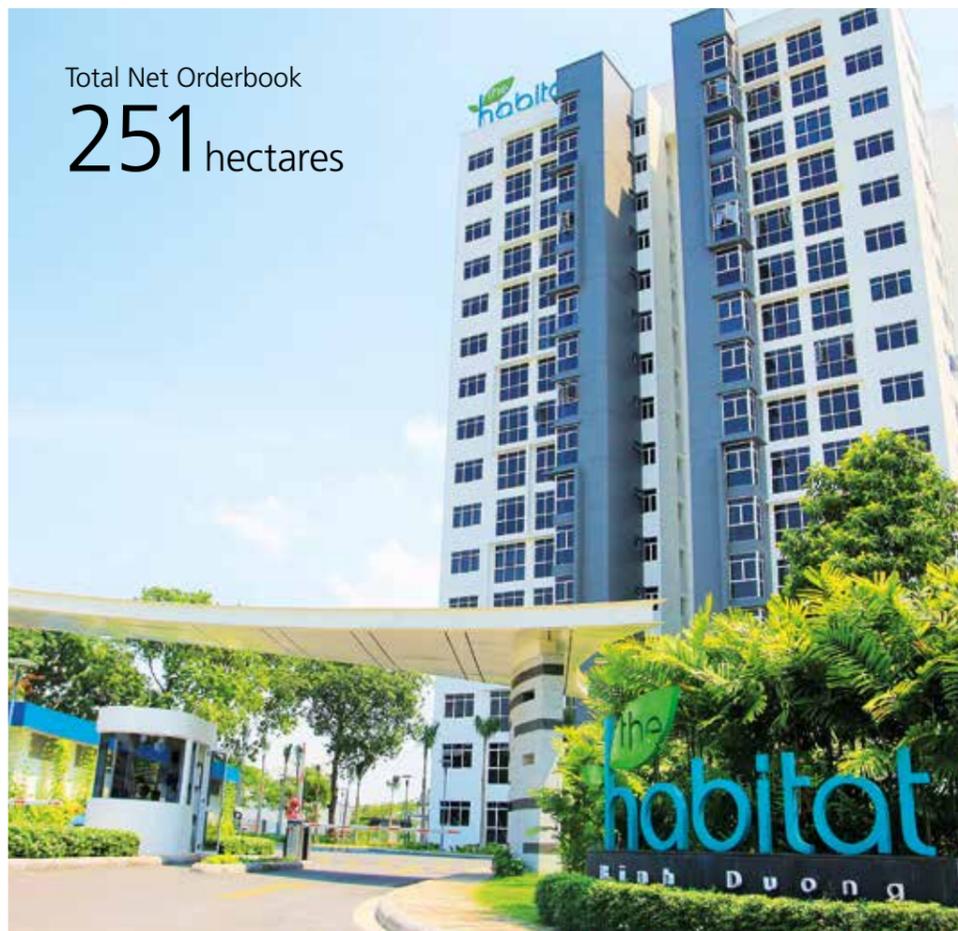




Operating and Financial Review

URBAN DEVELOPMENT



Total Net Orderbook
251 hectares

Competitive Edge

- Over 25 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, Indonesia and India
- A valued partner to governments, with the ability to deliver the economic engine to support industrialisation and urbanisation by attracting local and international investments

Clockwise from left:

The Habitat Binh Duong in Vietnam sold 99% of its first phase, with more apartment units to be launched in 2018

Vietnam's strong manufacturing sector benefited industrial land sales at the VSIP developments

The Jiangdao Technology Innovation Centre on Sino-Singapore Nanjing Eco Hi-tech Island, China, won the gold award for Best Innovative Green Building at the MIPIM Asia Awards 2017, which honours the top property projects in the Asia Pacific

Sino-Singapore Nanjing Eco Hi-tech Island, China, sold a 42.6-hectare mixed-use land plot, its single largest to date



Land available for sale
3,138 hectares

Urban Development Review

Performance Scorecard

Financial Indicators (\$ million)

	2017	2016	Change (%)
Turnover ¹	11.8	11.2	5
Profit from operations	89.4	38.4	133
– Earnings before interest and tax	(13.2)	(11.9)	(11)
– Share of results: Associates & JVs, net of tax	102.6	50.3	104
Net profit	83.2	33.3	150
Return on equity (%)	9.2	3.9	136

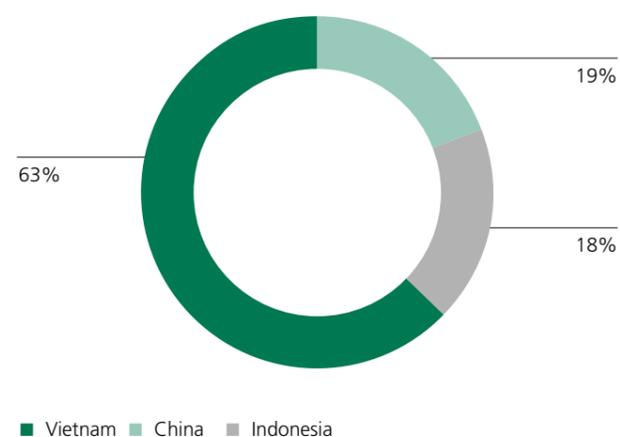
¹ Most of our Urban Development businesses are associates or joint ventures. Turnover reflected consists of payment for services provided to these associates or joint ventures

Operational Indicators (hectares)

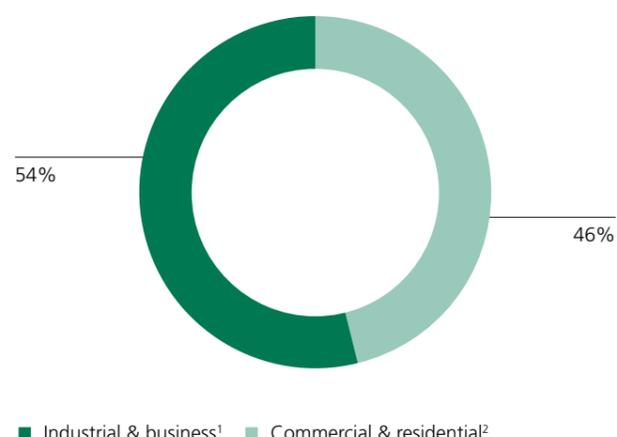
	2017	2016
Saleable land inventory	5,729	5,729
Land sold (cumulative)	2,340	2,061
Total net orderbook	251	240
Land available for sale	3,138	3,428

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

Remaining Saleable Land by Geography



Remaining Saleable Land by Segment



¹ Industrial & business land includes space for general and high-tech manufacturing, research and development, as well as business and technology incubators

² Commercial & residential land includes space for food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters

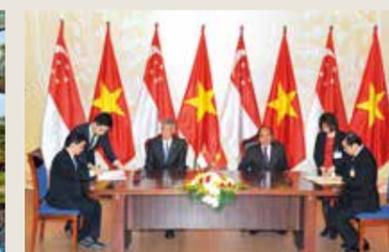
Key Developments



Entered the India market, securing master development rights for Andhra Pradesh's new capital city, Amaravati



Achieved record profits backed by strong land sales in Vietnam, China and Indonesia



Signed a MOU with the Da Nang City People's Committee to develop an innovation hub in Vietnam

Operating and Financial Review

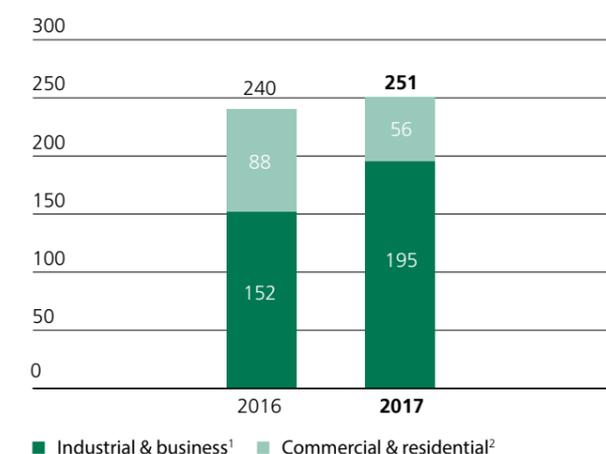
Record net profit with higher contributions from all operating markets

The Urban Development business achieved outstanding performance in 2017. Profit from operations grew from S\$38.4 million in 2016 to S\$89.4 million, while net profit grew from S\$33.3 million the previous year to S\$83.2 million. All operating markets, namely Vietnam, China and Indonesia, turned in a better performance and registered higher profit contribution.

In 2017, the business sold a total of 280 hectares of land compared to 201 hectares in 2016. Industrial land sales in Vietnam continued to be active throughout the year, driving our total land sales in the country up 13% to 184 hectares. Land sales in China more than doubled to 64 hectares, from 30 hectares sold in 2016. We also sold 31 hectares of land in Indonesia, more than three times the eight hectares sold the previous year.

Land commitments received from customers increased to 290 hectares, providing the business a healthy net orderbook of 251 hectares. In Vietnam, interest remains focused on industrial land, while in China and Indonesia, the orderbook is strong across both industrial and business, as well as commercial and residential segments.

Total Net Orderbook (hectares)



¹ Industrial & business land includes space for general and high-tech manufacturing, research and development, as well as business and technology incubators

² Commercial & residential land includes space for food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters

Urban Development Review

Vietnam

Our Vietnam business continued to thrive in 2017.

Vietnam attracted a 44% increase in registered foreign direct investment capital inflow during the year, compared to 2016. The country's manufacturing and processing sector remained a top-draw for foreign direct investment. This benefited our Vietnam Singapore Industrial Park (VSIP) projects, with industrial land sales accounting for 99% of total land sold in 2017. Commercial and residential land accounted for the remaining 1% of land sales.

VSIP projects in Binh Duong and Bac Ninh provinces performed exceptionally well, with strong demand for land in both projects' industrial zones. We are in the process of securing additional land bank for further growth. In addition, VSIP Bac Ninh will develop an additional 20 units of ready-built factories in phases, with the first phase of 32,000 square metres' lettable area targeted to be ready for lease in the third quarter of 2018.

During the year, we acquired additional equity shares in the Singapore consortium behind VSIP, increasing our interest from 92.9% to 96.6%. This translates to an effective shareholding of 49.3% in VSIP Joint Venture Co, the Vietnam-registered project company developing the VSIP integrated townships.

In March, we signed a memorandum of understanding (MOU) with the People's Committee of Da Nang City to express our interest in developing an innovation hub for the software development sector in Da Nang, central Vietnam. This is in line with the central government's push for higher value-added development in Vietnam's key cities. The MOU signing was witnessed by the Prime Ministers of Singapore and Vietnam, indicating strong government support for the project.

During the year, several prestigious awards were conferred on us in Vietnam. *The Habitat Binh Duong*, our first co-developed residential project in VSIP Binh Duong, won Best Mid-end Condo Development in its category at the 2017 PropertyGuru Vietnam Property Awards. As at end 2017, 265 units, or 99% of the development, have been sold. We plan to launch an additional 460 units in phases, starting from 2018. In addition, two of our most senior representatives in the VSIP projects, including Kelvin Teo, CEO of Sembcorp Development and Co-chairman of VSIP Group, were awarded Vietnam's *Friendship Medal*. The prestigious award is conferred by Vietnam's National Assembly in recognition of outstanding contributions by foreigners to the country's nation-building efforts over a sustained length of time.

Development Progress in Vietnam



VSIP industrial land sales sustained their upward momentum, led by strong performances at our projects in Binh Duong and Bac Ninh provinces



Our first real estate development in Vietnam won the PropertyGuru 2017 Vietnam Property Award for Best Mid-end Condo Development, HCMC

China

Our China businesses did very well on the back of robust commercial and residential land sales.

The Singapore-Sichuan Hi-tech Innovation Park (SSCIP) was a strong performer in 2017. The project continued to attract keen interest from high-technology companies and real estate developers, which invested RMB 4.8 billion in investment capital during the year.

Two community hubs will commence construction in 2018, providing creative space for the first batch of technology and media tenants moving into the park in the latter half of the year. In the next few years, six schools will also be completed within the SSCIP, increasing activity within the community and strengthening the attractiveness of the development to prospective residents. In the last two years, improvements to amenities and connectivity to the surrounding regions have increased the value of land within the development, reflected in rising residential land prices. The number of developers participating in auctions for residential land within the development has also driven prices higher.

The performance of our Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) project improved significantly over 2016. The project sold its single biggest land plot to date, a 42.6-hectare mixed-use land plot auctioned for RMB 7.8 billion. Apartments, offices, commercial units and a cultural tourist attraction will be developed on the site. Apart from land sales, we will be launching 48,000 square metres of lettable area within our *New One North* development when the business park is completed in 2018.

Sembcorp's wholly-owned and developed *International Water Hub* is poised to be the first commercial building specially designed for water-related industries on SNEI. The more than 34,000-square metre development marked its topping out in August 2017, with construction targeted for completion in the second half of 2018. The development achieved gold certification under the Leadership in Energy and Environmental Design (LEED) rating system, as well as a China Green Building 2-star rating. With international investment promotion activities undertaken throughout the year, we have now signed 10 MOUs with various institutes of higher learning and water associations that intend to locate in and collaborate with the water hub.

Development Progress in China



Singapore-Sichuan Hi-tech Innovation Park has been successful in attracting industry and real estate developers, due to conducive amenities within the park and good connectivity to surrounding regions



International Water Hub in China, a technology and business centre, as well as Riverside Grandeur, a residential development next door, celebrated their topping out in 2017. Both projects are on track to be completed in 2018

Over in Wuxi, our Wuxi-Singapore Industrial Park continued to generate healthy revenues from electricity and rental income. Average occupancy rates for ready-built and built-to-specifications factories remained at healthy levels of above 80%. An additional 30,000 square metres of standard factory space completed development in mid-2017, and has already reached 30% take-up. We also commenced the construction of ready-built factories spanning another 36,500 square metres, as well as the second phase of a built-to-specification factory for our long-term lease tenant, OSRAM. These additional projects are expected to contribute towards our recurring income in 2019.

Urban Development Review

Development Progress in Indonesia



Park by the Bay in Semarang, has attracted 35 tenants to its industrial park, drawn by the development's strong amenities and infrastructure



The 42 residential and commercial shophouse units in the Park by the Bay development are sold out

Indonesia

Our Kendal industrial park in Semarang, Indonesia, *Park by the Bay*, also performed better in 2017. During the year, our team there focused on the preparation and handover of land to customers secured over the course of 2016 and 2017.

The project registered strong industrial land sales, as prospective customers' confidence rose following visible progress in development and construction activity on the site. Since its official opening last year, the project has been well-received and has attracted 35 companies to locate on the site. The 42 shophouse units within the project, jointly developed with a real estate developer, have also all been sold out.

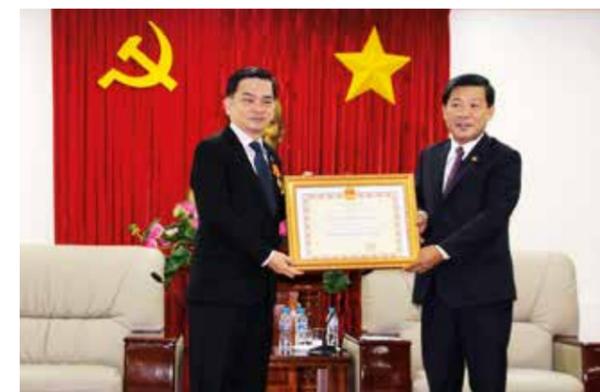
During the year, we completed the construction of 14 factory buildings for small and medium enterprises totalling 6,400 square metres. These are already 40% taken up. We plan to construct another 4,156 square metres of industrial space in tandem with growth in demand.

India

Amidst a busy year in our existing operating markets, the Urban Development business also expanded onto new shores in 2017. Following the close of a Swiss Challenge process in May, Sembcorp Development and its consortium partner, Ascendas-Singbridge, were jointly awarded the master development rights to the start-up area for Amaravati, the upcoming capital city for the newly-constituted state of Andhra Pradesh.

A greenfield site, Amaravati is envisioned to become a vibrant, diverse and modern smart city and the jewel of Andhra Pradesh, and a compelling destination to attract global investment and talent.

The 684-hectare start-up area will be located within the 20-square kilometre capital city of Amaravati, along the River Krishna waterfront. It is expected to create the first centres of activity, attracting investments and people into Amaravati with a mix of catalytic developments for business, commercial and residential use. A joint venture will be formed between the master developers and the government of Andhra Pradesh, which intend to work closely together on industry positioning and investment promotion to attract economic activity to the city.



Kelvin Teo (left), CEO of Sembcorp Development and Co-chairman of VSIP Group, is awarded Vietnam's Friendship Medal. The prestigious award was conferred by Vietnam's National Assembly in recognition of the contributions by foreigners to the country's nation-building efforts. Pictured with Mr Teo is Mr Tran Thanh Liem, Chairman of Binh Duong People's Committee

Outlook

In 2017, Vietnam's gross domestic product (GDP) grew by 6.8%, driven primarily by strong domestic demand and export-oriented manufacturing. While GDP growth is forecast to be slightly lower at 6.5% for 2018, our Vietnam business has built up a strong orderbook for 2018, almost double its orderbook at the start of 2017.

China's GDP grew 6.9% in 2017. In 2018, growth is expected to ease to 6.4%, as the country continues to rebalance its economy. However, technological development and innovation are expected to continue to feature prominently in China's development. This is reflected in strong take-up of space for high-tech manufacturing, research and development, as well as business and technology incubators at our projects in China. The Chinese government recently announced the establishment of the Sichuan Free Trade Zone, greatly benefiting SSCIP. On land sales, SSCIP has attracted a good orderbook. Profit from the sale of a number of plots of mixed-use land will be recognised in 2018.

Following reforms in 2017 by China's central government to its housing policy, impacting residential land and property prices in top-tier cities including Nanjing, we are taking a cautious outlook on residential land sales at SNEI for 2018. Nonetheless, the outlook for investments in technology and innovation remains buoyant and we look forward to several land auctions in 2018 at SNEI. We will also be completing the construction of our *International Water Hub* in the second half of 2018. The hub will offer Grade A office space, on-site laboratories catered to water companies, as well as conference facilities.

Meanwhile, Indonesia recorded GDP growth of 5.1% for 2017, with growth forecast at 5.3% for 2018. Major infrastructure upgrading works by the Indonesian government are set to improve options for the movement of cargo for tenants of *Park by the Bay*. These include improvements to the trans-Jakarta highway from Batang to Semarang, where our project is located, and the completion of a double-track railway line from Kendal to Jakarta and Surabaya.

The Urban Development business has a healthy net orderbook of 251 hectares of land that is expected to be converted to land sales over the next two years. This comprises 195 hectares of industrial and business land and 56 hectares of commercial and residential land. In addition to land sales, the business expects income contribution from the sale of its property developments upon the launch of these properties. These include *Riverside Grandeur* in Nanjing, China, as well as phase two of *The Habitat Binh Duong* and other residential projects at the VSIP developments.

The Urban Development business is expected to continue to perform well in 2018.