



“Our strategy and business model combined with the current market strength position us firmly as a leader in the world’s largest property market.”

# Chairman's Statement

## **BUILDING A FUTURE, SHARING A DREAM**

2006, the year in which Shui On Land became a public company, was both momentous and successful.

The Company was listed on the Stock Exchange of Hong Kong on 4 October 2006 and the listing was well received. Our shares have traded satisfactorily since then and I am optimistic about the share's potential for good long-term growth.

I am pleased to report that we exceeded the profit forecast indicated at the time of our IPO. For the year ended 31 December 2006, we achieved a turnover of RMB 4,729 million, profit attributable to shareholders before revaluation of RMB 1,536 million, and earnings per share were RMB 48 cents. Our Board of Directors has proposed a final dividend of HK 6 cents per share for the year 2006.

## **Good Progress Ensures Platform for Strong Future Earnings**

All our developments in the Chinese Mainland are progressing well. In Shanghai, we have started selling residential units at all of our projects, The Lakeville Regency in Shanghai Taipingqiao, Knowledge and Innovation Community (KIC) and Rui Hong Xin Cheng. All three have been well received by the market. Our Wuhan Tiandi and Chongqing Tiandi projects are also on schedule and the introduction of strategic partners in Chongqing gives us a strong foundation for future growth.

Austerity measures introduced by the PRC Government during the year to curb speculation did not impact our overall development programme, but they did necessitate the re-scheduling of our residential sales programme. As the austerity measures take effect, we believe that the market will consolidate somewhat and this will create opportunities for well-established developers like Shui On Land to acquire additional high quality land.

Today, we have a landbank of approximately 8.4 million sq.m. of GFA in four of China's leading cities, providing a platform for the Company to accelerate our growth trajectory in the future.

In addition, in March 2007, Shui On Company Limited invited Shui On Land to participate in the development of Dalian Software Park Phase 2, a large-scale, mixed-use complex. This will cater to the software outsourcing industry, a sector identified by the Dalian municipal government as an economic growth engine for the city. Our Board of Directors is considering the invitation, and this new project, if approved, will give us access to approximately another 3.9 million sq.m. of buildable GFA.

## Our Unique Business Model

Our commitment to investors during our IPO was that Shui On Land would offer a unique and compelling business model. This is based on our proven expertise in master planning; a strong footprint in China and access to prime land; a leading brand name in real estate development; visionary leadership and high quality management; and high growth and world-class corporate governance. Our ability to transform huge parcels of land in the Chinese Mainland is unparalleled, and our large-scale, comprehensive developments add value to the different components within them.

It is not coincidental, therefore, that the theme of our first annual report is 'Building a Future, Sharing a Dream'. These words are very familiar to every member of our staff and all who know our Company, and have been for many years. They capture Shui On Land's spirit of Innovation, Quality, and Excellence, and the pages that follow demonstrate how Shui On Land is delivering on its commitments and is helping to transform some of China's leading cities.

We have entered 2007 on track to deliver the sustained high growth trajectory and superior financial returns that we believe will differentiate Shui On Land in the years ahead. Shui On Land is committed to China for the long term and seeks to contribute to the nation's economic growth. I have every confidence that we will achieve our objectives.

## The World's Most Exciting Property Market

China's economy continues to grow rapidly with the property market underpinning its progress.

In 2006, China achieved a 10.7% GDP growth, the fourth successive year of double-digit growth. The cities in which Shui On Land operates also achieved impressive growth, with Shanghai up 12%, Wuhan up 14.8% and Hangzhou up 14.3%, and Chongqing, one of the world's largest cities, up 12.2%.

I have commented on the austerity measures above, and Shui On Land supports totally a healthy and stable property market as this is both in the national and private sector interest. Markets the world over have demonstrated that stability can best be achieved through market forces, and we believe that the Chinese Government will continue to support this overall long-term market trend.

To accelerate the process in the residential sector and to help investors and developers to fulfill their roles, we will continue to work closely with governments at municipal, provincial and state levels to address the need for large-scale affordable housing. Development of this sector would benefit the market generally by bringing a better balance to the supply/demand and public/private equations, and thus stability.

## Our Directors and Staff

I want to thank all members of staff within Shui On Land for their hard work and commitment in our endeavour to make our Company a leading property developer in the Chinese Mainland. Our people are key to our success and we have always regarded our employees as our most important asset. We are proud of the Company's achievements in this area, and of our 'people' policies.

I would also make special note of our Vice Chairman and Chief Operating Officer, Mr. Wilfred Y. W. Wong, who will leave the Company in May this year. We thank him for his contribution and wish him every success in the future.



In April, we announced the appointment of Mr. Aloysius T. S. Lee as the Managing Director responsible for the Company's commercial business. He brings with him more than 25 years of relevant experience within the context of a listed company and we look forward to his adding much value to our process. We welcome him to Shui On Land.

Concurrently, we announced the formation of a new Executive Committee to oversee the management of the Company as we go forward. It comprises our three Managing Directors: Mr. William T. Addison (Finance), Mr. Louis H. W. Wong (Project Management), and Mr. Aloysius T. S. Lee (Commercial). Together, our Executive Committee presents a formidable force to meet the challenges in the coming years.

### **Shui On Land and the Future**

Shui On Group has more than 20 years of 'hands-on' experience in China's property market and we feel good about the prospects for the country and for its economy. We know China well and are fortunate in that we have long relationships and a track record for delivering excellence.

Of course, managing the growth of the world's most populous country is not easy for its Government. But extraordinary results have been achieved and we are confident that this progress will continue. In 2006, for example, private enterprise accounted for 59% of industrial output value, up from 32% in 1996. The underlying demand for high quality property developments in a country of 1.3 billion people, who are creating affluence and a fast-growing middle class, is enormous. This is especially so in the four key cities that Shui On Land has carefully identified and where we partner with the local governments.

In these metropolises, prices have risen strongly, but they still represent only a fraction of their comparatives in other cities. This presents a huge upside potential as we participate in China's transformation towards a global economy.

Looking ahead at sustaining our growth in the long term, we are currently in discussion with the governments of a number of other cities with a view to working with them in the master planning and transformation of their urban centres. Were these to come to fruition, our landbank would be very significantly expanded in rapid growth areas. These discussions are most encouraging and are progressing well.

Shui On Land's strategy and business model are unique and robust. They position us firmly as a leader in the world's largest property market, which continues to strengthen. We are financially strong, have an outstanding management team and staff, and are confident in the future. In 2007, we look forward to achieving further growth for our shareholders.

**Vincent H. S. Lo**  
*Chairman & Chief Executive Officer*

Hong Kong, 20 April 2007