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Management's Chat Room

For Mr. Vincent H. S. Lo,
Chairman & Chief Executive Officer:

Q: What is your landbank strategy? What are the criteria for sourcing new land?

a: We are constantly seeking opportunities in China's high growth cities to increase our landbank, either on our own or by forming strategic partnerships. We will assess, among other things, the potential returns, including cash flow and capital appreciation; the strategic location of the land in relation to China's growth pattern; the economic potential of a city; the presence of historically significant architectural structures that can be preserved and incorporated; and the degree to which our proposed development complements the strategies of the local government.

We believe that the austerity measures introduced will create some market consolidation and that this will give well-established property developers, like Shui On Land, an opportunity to strengthen their landbanks.

Q: What is the situation regarding your loan for Knowledge and Innovation Community from the Shanghai Pudong Development Bank?

a: In August 2006, it emerged that the relevant authorities were investigating the alleged improper investment of pension funds into property developments. Shanghai Pudong Development Bank had arranged a loan for our KIC project, and this loan incorporated an entrustment arrangement with the Shanghai Social Security Fund. Shui On Land was not involved in this investigation, as far as we were aware, and legal advisors confirmed that the loan was legal and binding. However, as we stated at the time, to address possible concerns, we voluntarily repaid the loan in full in December 2006 and arranged alternative financing. These moves did not impact the very satisfactory progress of KIC.

For Mr. Louis H. W. Wong,
Managing Director – Project Management:

Q: Can you tell me more about Shui On Land's new sustainability development policy?

a: I am glad to chair our Sustainability Development Task Force, set up in September 2006. As an environmentally responsible property developer, we are committed to building and maintaining a clean, healthy, safe and energy-efficient living and working environment.

We aim to adopt sustainable development concepts wherever possible. This will help us to achieve the highest possible Leadership in Energy & Environmental Design (LEED) ratings for all our projects. Internally, our Green Office Programme ensures that our staff live up to the spirit of sustainable development.

Q: How do you ensure consistency in quality across all your projects?

a: We strive for excellence in everything we deliver. We have a quality assurance department that performs regular quality audits at each project. Any irregularities or cases of poor workmanship have to be rectified immediately. Our quality management system conforms to ISO9001:2000 requirements in every aspect of our project management activities. And we also maintain an ongoing commitment to the buyers of our residential units.

I am pleased to say that our high quality is well demonstrated by the numerous awards we have won over the years, and the very low number of customer complaints we receive.



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For Mr. William T. Addison,
Managing Director & Chief Financial Officer:

Q: Will you introduce more strategic partners, like those in Chongqing Tiandi? How does this benefit Shui On Land?

a: Forging strategic partnerships is one of our stated objectives and one that demonstrates the flexibility of our business model. We constantly review the suitability of existing sites for future development and, as opportunities arise, are prepared to realise part of the value of our projects at an early stage if we think it is beneficial.

By forming strategic partnerships, Shui On Land is able to share development risks, accelerate the development programme and investment returns, release capital and resources for more projects, and leverage complementary expertise of the partners.

Q: What are the Company's long-term funding requirements?

a: We are comfortable with our existing capacity to fund all our current projects for the foreseeable future. As at 31 December 2006, our committed capital expenditure amounted to RMB 3,874 million. Our net gearing ratio was conservative at 5%, making us well positioned to consider various funding options for new projects as the needs arise. As future projects are taken on, there will be additional capital commitments and the associated financing requirements will be considered.

Q: What is your exposure to relocation costs?

a: In China, relocation is carried out by local governments' relocation companies, after which cleared sites are handed over upon payment. Approximately 75% of Shui On Land's 8.4 million sq.m. landbank has a fixed relocation cost.

For Mr. Aloysius T. S. Lee,
Managing Director - Commercial:

Q: What do you expect will be your biggest challenges over the next two years?

a: I look forward to working as part of the team in formulating fruitful long-term development plans for the Company. More specifically, I would like to see us expanding Shui On Land's reputation for employing commercial practices that exceed the expectations of our customers. Strategies to leverage the "Shui On Land" brand and our multiple sub-brands will be pursued.

In addition, I am committed to developing a highly competent team of property professionals to develop long-term relationships with our multinational and local tenant partners.

- 1 Mr. Louis H. W. Wong
- 2 Mr. William T. Addison
- 3 Mr. Aloysius T. S. Lee