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CHAIRMAN'S STATEMENT



Strategic Growth

2007 was the second year since Shui On Land became a public company. It was a year in which we consolidated our position as one of the Chinese Mainland's most innovative and visionary property developers while strengthening our platform for further strategic growth.

Now in our second year of listing on the Stock Exchange of Hong Kong, our business performance was strong and I remain confident of the Company's potential for robust long-term growth.

I am pleased to report that for the year ended 31 December 2007, we achieved a turnover of RMB4,570 million or HK\$4,689 million, profit attributable to shareholders of RMB2,462 million or HK\$2,526 million and underlying profit attributable to shareholders, excluding the revaluation of investment properties and fair value adjustment on derivative financial instruments, of RMB2,060 million or HK\$2,114 million, and basic earnings per share were RMB59 cents or HK61 cents. Our Board of Directors has proposed a final dividend of HK10 cents per share for the year 2007. This, together with the interim dividend of HK5 cents, takes the total to HK15 cents per share for the year.*

Land Purchases and Strategic Partnerships

In line with our long-term planning and vision, all our developments in the Chinese Mainland continued to perform well. In Shanghai, the sales of residential units at the Lakeville Regency in Taipingqiao and Knowledge and Innovation Community (KIC) were well received by the market. Wuhan Tiandi made remarkable progress with all the residential units of its first phase sold out in just over six hours.

We forged strategic partnerships to bring in expertise and experience, in addition to financial resources, and started to see their benefits in helping to move forward our large-scale projects on both international and local levels. We intend shortly to bring in strategic partners to develop some of our residential parcels in order that we can release our internal resources for new projects which we believe will create more value for our shareholders.

* Except for dividend per share which is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1 to HK\$1.026 for 2007 and RMB1 to HK\$0.976 for 2006, being the average exchange rates that prevailed during the respective years in accordance with the International Accounting Standard 21 "Effects of Changes in Foreign Exchange Rates".

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In November, Shui On Land has acquired by auction the development and land use rights of the land in Zumiao Donghua Lane in Foshan City, Guangdong, with a buildable gross floor area of 1.5 million sq.m. The Company will capitalise on the huge potential and rapid growth of Foshan to develop a quality city-core integrated project, aiming to facilitate the transformation of the city into a major economic and cultural hub in Southern China.

In total, we have acquired a landbank or approximately 13.1 million sq.m. of buildable gross floor area (10 million sq.m. attributable to the Group) in six of China's most promising and fast-developing cities, which will be a strong foundation to build the Company's future growth performance.

A Long-term Vision Grounded in Reality

Our ability to play a significant role in transforming cities with our projects in the Chinese Mainland is based on our partnerships with the government and a firm grasp of market trend and conditions. We are further expanding our unique business model from comprehensive city-core integrated projects to include knowledge communities and tourism facilitated developments as we see huge growth potential in China's IT technology and tourism sectors.

As we enter 2008, we are taking major steps forward in our vision of transforming some of China's leading cities, knowledge centres, and tourism and cultural hubs. That is why we have chosen "Strategic Growth" as the theme of this year's annual report. Our projects span over many years and this has provided us a good base to work on a nine-year profit plan. We have set high targets for the Company to achieve and the on-going nature of our mega projects made our long range planning more feasible and practicable.

A Property Market with Huge Potential

Despite the volatility of the global economy, China's economy continues to grow strongly and the property market is part of its onward momentum.

In 2007, China achieved a GDP growth rate of 11.9%, the fifth successive year of double-digit growth.

As a supporter of a healthy and stable market, we have welcomed the Chinese Government's macro-economic controls and measures to prevent overheating. We also believe that market forces have an ultimately stabilising effect over the long term, and that the Chinese Government will continue to support this trend. Above all, we are confident of the long-term growth and strength of the market, despite predictions of volatility and speculation about its near-term direction.

To grow with the cities is Shui On Land's philosophy in social responsibility. We will continue to work closely with governments at all levels to enhance the quality of life and speed up the pace of social and economic development in the cities where we have presence, as we believe that all stakeholders will benefit from our contribution to the overall prosperity of the community.

Our Vision for Sustainable Development

We are proud of the achievements we have made in corporate social responsibilities and in corporate governance. We believe in sustainable growth and in providing a trusted, transparent and credible framework for the reporting and management of such growth. Last December, we were honoured to receive the Hong Kong Corporate Governance Excellence Award 2007 presented by the Chamber of Hong Kong Listed Companies in recognition of our corporate governance efforts.

We will continue to ensure that the growth we are experiencing is sustainable. Attaining sustainability certification for every project we build and plan is a declared policy of the Company.

Our Directors and Staff

Shui On Land would not have reached its position as a leading property developer in the Chinese Mainland without the energy and dedication of our management and staff. We have always regarded our people as the key to our success and our most important asset. We are proud of our people policies and our achievements in caring for our staff and their future development.

Last year, as we moved forward with our strategies and plans, we have implemented the project-based organisation with project directors overseeing different projects rather than centrally managed. Day-to-day management of the Company will continue to be led by the Executive Committee comprising three Managing Directors: Mr. William T. ADDISON (Finance), Mr. Louis H.W. WONG (Project Management), and Mr. Aloysius T.S. LEE (Commercial). As part of our strategic framework and within a reasonable time frame, the roles of Chairman and Chief Executive Officer will be divided and a successor to the Chief Executive Officer position will be sought within the Company, allowing me to take a step back from execution to focus on the macro trend and to lead in the formulation of growth strategy for the Company.

Following our listing in October 2006, share options were made available to all our staff ranging from amahs to Managing Directors. This has had an appreciable effect on our staff's sense of investment in our growth and success, and is part of our nurturing of a culture of employee ownership.

As we look towards the future, I am confident that the strength of the Shui On Land team will enable us to further build on our goal of becoming a leader in the world's largest property market. I have no doubt that this market will continue to strengthen over time, and that with our outstanding team of Shui On People, we will rise to the challenge and achieve further growth for our shareholders.



Vincent H. S. LO

Chairman & Chief Executive Officer

Hong Kong, 17 April 2008