

TIMELY

Our management makes decisions with precision and responsiveness, allowing us to match our plans with the movements of the market. Time and timeliness are of the essence. We seize the moment and the opportunity, converting our choices into value for the future.





CHAIRMAN'S STATEMENT

“Your Company relied on its sound business model and strategies to respond to the economic challenges and to continue growing the business.”

2008 was a challenging year. The subprime crisis drove the global economy into a financial crisis of such proportions that almost every country experienced a severe downturn. The strike was so strong that most of Asia struggled and the China market was also affected. Exports, which are an important engine for China's GDP growth, witnessed a severe drop in the latter part of the year. The high growth rate that the Chinese economy had been experiencing and even the 8% growth target for 2009 has been cast into doubt. The property sector was also impacted, with both sales volume and prices falling across the country. Against this dramatic background, your Company relied on its sound business model and strategies to respond to the economic challenges and to continue growing the business.

I am pleased to report that for the year ended 31 December 2008, we achieved a turnover of RMB3,556 million or HK\$3,940 million. Our profit attributable to shareholders was RMB2,480 million or HK\$2,748 million while our underlying profit attributable to the Company's shareholders, excluding the revaluation of investment properties and fair-value adjustment on derivative financial instruments, was RMB2,214 million or HK\$2,453 million, representing an increase of 1% and 7% over 2007 respectively. Basic earnings per share were RMB0.59 or HK\$0.65. In addition to the given interim dividend of HK\$0.07, your Directors have proposed a final dividend of HK\$0.01 per share for the year 2008, together with a bonus issue of one new share for every ten shares held.*

We issue shares as a bonus to shareholders instead of a higher dividend in cash so that more cash can be preserved for further development. The dividend yield including the bonus share of 2008, was higher this year than that of 2007. While we can rely on larger cash reserves for future development, shareholders can also enjoy and share in the growth of the Company from the bonus issued.

* Except for dividend per share that 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 RMB1.000 to HK\$1.108 for 2008 and RMB1.000 to HK\$1.026 for 2007, being the average exchange rates that prevailed during the respective years.

“The global financial adversity offers space and opportunity for self-improvement..... This is a time when we can further consolidate our business. When the market is more stable and when suitable opportunities arise, we will return to the expansion trail.”

We believe that our high quality premises located in prime locations and our integrated master-planned communities together form a winning combination that is rare to find in China. Our projects continued to achieve higher sale prices despite the very depressed market conditions in 2008, which in itself was a testimony to the good market perception of our projects.

Our investment properties also performed well, contributing revenue to the Group of RMB593 million, which is an increase of 25% over the turnover of 2007. We have a proven track record of creating and managing one of the best-known landmarks in China – the Shanghai Xintiandi. Wuhan Tiandi Phase I, which has opened for business since September 2007, is also beginning to make a name for itself in Wuhan.

OPPORTUNE STRATEGY FOR SUSTAINING GROWTH

Our unique business model has proven to be effective even under adverse market conditions. The innovative hallmark approach of creating a total community with mixed-use facilities via master-planning and our phased completion gives us the flexibility to adjust our development focus to cater to market demands and changing conditions.

Shui On Land possesses one of the best landbanks in China, all of which is centrally located within the Mainland's cities.

Prime locations combined with high quality premises in well-planned communities ensure that property values will be less susceptible to market fluctuations.

Prudent financial and risk management are of utmost importance to attain consistent performance. Even though the credit environment deteriorated dramatically during the latter part of the year after the collapse of Lehman Brothers, we were able to secure the necessary funds to redeem the Senior Notes of USD375 million, which became due on 12 October 2008, using a combination of internal resources and borrowings from relationship banks.

Property development is capital intensive. Being a relatively young company, our resources are finite. Through strategic partnership, we inject capital and the complementary expertise of our partners into our projects. Strategic partnership can also assist us in our ventures into exciting new growth areas, such as integrated development projects targeting knowledge and tourism.

We have collaborated successfully with various partners in the past, either at a project level or for a particular parcel of development. Our partnerships include developers, contractors, consultants and other equity investors. From 2006 to 2008, we have completed RMB4.8 billion worth of strategic partnerships. We will continue to look for suitable strategic partners who share in our vision, development strategy and mission and who can add value to our projects.

TIMELY MOVES FOR MASTERING CHANGES

While our business model and strategies provide us with a sound foundation and platform for business development, we have also taken decisive and appropriate actions to cater to the market changes.

Before the financial crisis, we were focusing more on value creation and land appreciation in our development programme. However, with the current tight credit environment and the high cost of funds, we are now focusing on maintaining a better and closer balance between value creation and cash generation in our business. We plan to expedite on the production of residential development for sale in the foreseeable future to generate more cash.

GRASPING THE ARISING OPPORTUNITIES FOR FURTHERING EXPANSION

Long-term economic prospects in China remain positive. The property market has shown signs of stabilising with a substantial increase in transaction volume throughout the country. The market will become more buoyant with the help of favourable Government policies in the long-term. The continuous demand for better quality residential and commercial properties due to upgrading and rapid urbanisation will ensure the long-term prospects of our industry.

We have also moved fast to develop and foster a closer relationship with domestic Chinese banks. In recent months, your Company has been granted substantial credit lines by two of the major local banks, namely Agricultural Bank of China and Bank of China.

The global financial adversity offers space and opportunity for self-improvement. In late 2008, we undertook a finance reorganisation exercise that led to the establishment of the Finance Committee under the Board. We are now in the process of setting up the Committee. With the participation of our Independent Non-executive Directors, the role of this Committee will be to establish financial policies to provide oversight and discipline for the overall finance function of your Company.

This is a time when we can further consolidate our business. When the market is more stable and when suitable opportunities arise, we will return to the expansion trail.

APPRECIATION

I would like to express my gratitude towards our shareholders, the financial institutions that have supported us, our Directors, and last but not least, our dedicated staff. Capitalising on the understanding and support of our shareholders, the guidance of our Directors, the trust of our banks and the concerted efforts of all Shui On Land staff, we will continue to create value and benefits for your Company and all our stakeholders. Although 2009 will be another tough year, I am confident that Shui On Land will emerge from this financial turmoil stronger and fitter than ever. We shall do our best to deliver on all our promises to you.



Vincent H. S. LO

Chairman & Chief Executive Officer

Hong Kong, 16 April 2009