

MANAGEMENT CHAT ROOM

“ Our target is to develop 1 million sq.m. of GFA per annum from the year 2012. “Standardisation” and “Customisation” are our key strategies to meet our target. ”

Mr. Louis H. W. WONG – Managing Director (Project Management)
“Standardisation” and “Customisation”

Our projects in Wuhan, Foshan and Chongqing are maturing and are poised to contribute cash flow and profit to the Group. Our target is to develop 1 million sq.m. of GFA per annum from the year 2012. “Standardisation” and “Customisation” are our key strategies to meet our target.

Standardisation includes synchronising best practice, standards and the operating systems of project teams and centralising procurement, product design and layouts through formalised strategic partnerships with key architects, consultants, contractors and suppliers. We have set a target of 70% for construction materials purchased for our projects through centralised procurement systems. Such strategies have been in operation for the last three years and have proved to be effective. In addition, we have introduced an e-tendering system for procurement to further enhance operational efficiency. These initiatives have lowered production costs, streamlined procedures, and improved control of delivery timing and procedures. Standardisation of product design and layout plans has shortened the development cycle and construction time, enabling us to achieve set goals for the year.

In 2009, in order to provide better quality and differentiated products to end-users, we continued our premium customisation programme in certain key projects. For Phase III of Rui Hong Xin Cheng launched in 2009, we offered our customers a selection of interior designs based on different floor plans for approximately 20% of the units. These initiatives evoked a favourable market response. We continue to expand and promote such initiatives across our projects.

From left to right: Mr. Freddy C. K. LEE, Mr. Louis H. W. WONG,
Mr. Vincent H. S. LO, Mr. Daniel Y. K. WAN



“ Strong cash flow and a low gearing ratio provide us with more flexibility in capital management and allow us to meet the funding requirements of our Three-Year Plan. ”

Mr. Daniel Y. K. WAN – Managing Director & Chief Financial Officer
Prudent Financial Policy and Capital Management

The Group achieved excellent results in 2009, the centerpiece being record high property sales. Steady growth in rental income of our investment properties portfolio further enhanced our exceptional financial performance, improving the cash flow position and the capital structure of the Group.

Shanghai Casa Lakeville was the major contributor to our property sales in 2009 while the maturing projects in other cities such as Wuhan and Chongqing, have been accelerating rapidly. Contracted sales in Wuhan and Chongqing increased from RMB511 million in 2008 to RMB1,301 million in 2009. We anticipated that their contribution to our property sales will ascend the podium in the near future. In addition, rental income from our investment properties with increased space is also providing stable and recurrent income for the company. The rental income stream will continue to grow as more of our investment properties are completed in the coming years.

Strong cash flow and a low gearing ratio provide us with more flexibility in capital management and allow us to meet the funding requirements of our Three-Year Plan. In December 2009, we successfully concluded a HKD1 billion senior unsecured syndication loan with a group of international financial institutions, making us the first Chinese developer from Hong Kong to successfully enter the syndication market following the global financial crisis. Subsequently, we also secured HKD7,164 billion in bank loan facilities, which signaled strong support for our Group from the banking industry. We shall continue to steer a prudent financial course as we expand our business frontiers.

Strategic partnerships remain the Company's long-term business strategy to give synergy to our development projects. This strategy enables us to accelerate returns from our projects, to diversify our risks and to enhance cash flow. We continue to seek out compatible strategic partners as co-developers of projects in 2010 and beyond.

Mr. Freddy C. K. LEE – Managing Director (Shui On Development Limited)
Three-Year Plan, Decentralisation and Talent Management

In mid-2009, we introduced our Three-Year Plan targeting an increase in delivery of properties of a minimum GFA of 1 million sq.m. per annum, from 2012. Decentralisation is an initiative allowing greater autonomy for the project team to make timely, front line decisions about product development, construction management, sales and marketing, and leasing. The corporate head office retains responsibility for financial management and capital allocation, as well as formulation of corporate development strategies. Our projects are maturing, with a significant portion of the site area cleared and site formation completed. Project-based organisation is clearly more conducive to coping with the ever-increasing construction volume and product delivery, providing for faster cash flow in the coming years. To date, property under development has increased to over GFA3.2 million sq.m.. The decentralisation process and project-based organisation were implemented on 1 January 2010.

At Shui On Land, we value our talent. Our tailored training programmes, such as management cadet programme, functional executive programme, management trainee programme and graduate trainee programme, have served us well since we began developing them in 2000. These programmes have proved to be key to talent retention, nurturing leadership and developing careers, while enhancing the Company's overall management and execution capability. Our talent development programmes have produced more than 50 staff graduates to date, many of whom have been promoted to leadership roles in the Company. To accomplish the overall goals of our Three-Year Plan, we place strong emphasis on our Human Resources programmes. In 2009 we invested in a series of new talent development programmes in this context. Meanwhile, the Shui On Academy, which was established at the end of 2008, continues to play a pivotal role in organising and enhancing the vital area of personnel training.

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