

# Management Chat Room

**Mr. Louis H. W. WONG** – Executive Director, Managing Director in Project Management

Pursuing excellent quality with sustainable development concept

We run a very unique business model – the Tiandi Model – across all of our projects located in prime areas of high-growth cities in China. Instead of simply building high-end residential, commercial and retail developments, we are actually creating new communities. Because of this, we pay a lot of attention to environmental protection. Sustainability is one of our key goals.

In choosing strategic partners, we not only focus on their quality of work and expertise, but also place great emphasis on their ability to meet “green” standards. We require all of our strategic suppliers to obtain “China Environmental Labeling”, which is recognized by the Ministry of Environmental Protection. In 2010, we obtained the Platinum Award from the Hong Kong Green Council for both green purchasing and green office management.

Corporate social responsibility is one of the company’s core values. To this end, we are using the precast concrete construction method to achieve standardisation while simultaneously reducing industrial wastage. Our Knowledge and Innovation Community project in Shanghai has been using this method to a great success. With the commitment of the project teams, our projects have obtained certifications such as the “Leadership in Energy and Environmental Design” (LEED) and “Chinese Green Building Certification”.

We have also introduced a few new initiatives. Every two months, our “3rd party quality audit” commissions independent qualified surveying firm to ensure all works and materials used are in line with contract requirements. To strive for continuous improvement, we conduct customer satisfaction surveys to enhance the design, quality of work, usage of materials and property management services. Furthermore, we have introduced e-tendering system to reduce paper usage and enhance operational efficiency. Our continuous

quest to strive for excellence is an integral part of our core culture, and is reflected in the quality of our projects and services.

Last but not least, I would like to take this opportunity to show my gratitude towards the company. I have been with Shui On Group for 30 years and have witnessed the growth of Shui On Land. I followed in its footsteps and had relocated myself to Shanghai 9 years ago. Working in China brought me the most valuable experience throughout my career. I still remember when we only had two Shanghai projects back then, and now we have expanded our horizon to 6 different cities with well established project teams managing our projects. We obtained the Best Practice Award 2010 on Learning & People Development in recognition of our efforts in providing various training programs and learning opportunities to staff in line with the growth of the company. I am thrilled to have been a teammate in Shui On Land. I wish Shui On Land every success in its endeavors.



“In choosing strategic partners, we not only focus on their quality of work and expertise, but also place great emphasis on their ability to meet “green” standards.”



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

**Mr. Daniel Y. K. WAN – Executive Director, Managing Director and Chief Financial Officer**

Diversifying funding sources for better capital management

My priority as Chief Financial Officer is to safeguard and enhance the group's financial position.

During the year in review, we successfully restructured our debt portfolio by issuing a convertible bond and a RMB notes in the second half of 2010, and a second RMB notes in January 2011.

Bank borrowings will remain a major source of funding going forward, therefore we will continue to maintain productive relationships with mainland and overseas banks. However, given the new monetary tightening measures introduced in China and the rapidly changing global credit environment, we elected to diversify our funding sources so as to meet our growing capital requirements under our Three-Year Plan.

In September, we issued our first ever convertible bond, raising the sum of RMB 2.7 billion. In December, we issued a 3-year, RMB-denominated synthetic bond, settled in USD. This highly innovative product evoked a very positive response, and was 10 times over-subscribed. Riding the success of this issue, in January 2011 we launched a 4-year synthetic bond with the same structure, which was also well received by the market. In total, we raised RMB 9.3 billion from the bond issues, which substantially improved our cash position. Besides diversification in funding sources, these new issues enhanced our investor and lender base.

We have built our business on a solid foundation. But with the ever-changing business environment in Mainland, we decided to sharpen our business management tools so as to counter any potential challenges. Accordingly, over the past year, we made specific improvements and adjustments. They included deploying better cash flow

and cost control systems with a view to becoming more responsive to changes within our business parameters. China's central government response to the market can be very swift and strong. The Premier's declared determination to maintain a stable property market must be heeded. The company's newly instituted management tools have better positioned us to combat challenges in the years ahead.

For 2011, we expect a better cash position from property sales under our Three-Year Plan, with maturing projects paving the way for accelerated development. Together with the proceeds of the bond issues, the company is poised to meet our target of delivering a minimum of 1 million sq.m., with effect from the year 2012. Going forward, we will strengthen financial risk management through better control in balancing our assets and liabilities. Our focus is to ensure that the company is fully equipped to be the premier, innovative property developer in China, as we promised.



“The company's newly instituted management tools have better positioned us to combat challenges in the years ahead.”

# Interview with New CEO



**Mr. Freddy C. K. LEE** – Executive Director, Managing Director and Chief Executive Officer



Recalling the past, we are consolidating; Looking forward to the future, we are flourishing.

**One of the major changes at Shui On Land this year has been your appointment as the new CEO. What are your aspirations as the Group's CEO? What does Shui On Land mean to you?**

I have been with this company for more than 25 years, and have always admired our Chairman Mr. Lo, for his vision and the values he created within the company. I will continue to embrace these values in setting our overall direction and future business plans to ensure Shui On Land's continuous performance as the premier, innovative property developer in China.

“My goal is for Shui On Land to become one of China's most innovative and visionary property developers.”

**Since the Group's establishment, people have associated Shui On Land with its CEO and Chairman, Mr. Vincent H.S. Lo. How are you going to deal with this new change – the first time the Group has separated the roles of CEO and Chairman?**

I am really looking forward to tackling the challenges and I clearly understand what I am stepping into. The separation of the roles and responsibilities of Chairman and CEO will enhance the Group's overall effectiveness and its corporate governance structure.

**What do you hope to accomplish as the Group's new CEO? Can you outline your plans for Shui On Land?**

My job is to plan for the future of the Group. My goal is for Shui On Land to become one of China's most innovative and visionary property developers. To this end, I will strive to enhance the Group's efficiency and effectiveness, stimulate new growth, continue our push to be more customer-oriented, build up our own commercial asset management team to manage our rapidly expanding investment properties

portfolio, and continue to increase our strategic partnerships - enabling us to accelerate development and tap into the skills and expertise of our resourceful partners. With everyone rowing in the same direction, there is nothing that will stop this company.

I will also focus on simplifying organisational hierarchy by continuing implementation of our Three-Year Plan. Since the plan's inception in mid-2009, we have successfully trimmed down the number of departments from 37 to 14. As a result, we managed to reduce our headcount from 1,400 in 2009 to 1,207 by the end of 2010. We are becoming a project-based organization, with an efficient decision-making process that empowers frontline colleagues with better local market knowledge and expertise – allowing us to better respond to the market in a timely manner. GFA delivery has already exceeded original projection, which we have now updated and added to our 2011 target figures. We are confident of delivering at least 1 million sq.m. of GFA by 2012.