



With stringent control measures imposed on the property market, we remain confident on the future prospects and continue to adapt and fine-tune our business operations to place the Group in an advantageous position as the market adjusts to new environment and condition.



The background of the entire slide is a photograph of a large, mature tree with dense green foliage standing in a field of tall, golden-brown grass. The sky above is filled with heavy, dark, and dramatic clouds, with some light breaking through near the horizon, creating a moody and atmospheric scene.

Remaining

Firm in Adversity

“China Xintiandi became a fully separated operation within Shui On Land from 1 March 2013. In my capacity as Executive Chairman, I have taken on the initial lead in the establishment and positioning of the new company.”

Vincent H. S. LO
Chairman





Chairman's Statement

I must apologise for the poor results of Shui On Land (SOL) last year. The global economic conditions and austerity measures in the Chinese Mainland's property markets presented immense challenges, but I do not want to give any excuses for our poor performance. Suffice to say we have learned from this and we are going to improve our performance and the bottom line going forward.

For the year ended 31 December 2012, SOL generated a turnover of RMB4,821 million (HK\$5,926 million), down by 43% from the figure of RMB8,484 million achieved in 2011. Profit attributable to shareholders fell 41% against 2011 to RMB2,029 million (HK\$2,494 million), resulting in basic earnings per share of RMB0.35 (HK\$0.43). These decreases were primarily due to fewer properties being delivered in comparison to 2011.

Despite the year's challenges, I remain fully confident in the Group's ongoing growth and prospects. The Group has been on a long term growth track for the past few years, although we have had some ups and downs due to our relatively long development cycle, one of the factors behind our rather sluggish delivery.

We expect business performance to improve in 2013, on the back of the RMB6.3 billion locked-in sales which will be recognised in 2013 and beyond, and the strong sales experienced in the first two months of 2013. This cash inflow, together with capital raised from our successful debt issues in 2012, will provide solid financing both for our ongoing operations as well as our future endeavours. We held cash and bank balances of RMB8.6 billion as of 31 December 2012.

The implementation of the first Three-Year Plan, albeit falling short of the overall delivery target, has achieved a number of favourable outcomes including the diversification of income from markets outside Shanghai, the growth of Investment Property (IP) assets and increases in rental income, significant progress in large-scale relocations carried out in Shanghai, as well as the expansion of our quality landbank.

The growth in IP assets is of particular strategic significance as it lays a solid foundations for the planned spin-off of our commercial property business.

China Xintiandi

This growth in our commercial portfolio has increased the complexity of our business. Early 2012, I announced our plan to spin-off Shui On Land's commercial property business under a new company, China Xintiandi, to be listed on The Stock Exchange of Hong Kong. This spin-off will focus the business of managing, designing, leasing, marketing, enhancing and redeveloping PRC commercial properties under our recognised "Xintiandi" brand. In turn, this will enable SOL to focus on the property development business.

We have submitted an application for the spin-off of China Xintiandi to The Stock Exchange of Hong Kong. However, to realise the benefits of our strategy pending completion of the spin-off process, China Xintiandi became a fully separated operation within SOL from 1 March 2013. In my capacity as Executive Chairman, I have taken on the initial lead in the establishment and positioning of the new company. I am also delighted to announce that three of Hong Kong's leading business figures have agreed to join China Xintiandi as independent non-executive directors. I would like to welcome Dr. Lawrence Wong, former CEO of the Hong Kong Jockey Club, Mr. Raymond Lai, former Executive Director and CFO of the Hong Kong Airport Authority, and Mr. Anthony Nightingale, former Managing Director of Jardine Matheson, to our new venture. I look forward to their valuable contribution and wise counsel on the development and growth of China Xintiandi.

With Shui On Land and China Xintiandi each focusing on their strengths and clear business strategy, they will be able to realise their full potential, maximising profits as well as operating with greater synergy.

Building on Our Strengths

While 2012 may have been a slower year, it has nevertheless been a period of substantial consolidation. The first half of the year saw the launch of Foshan Lingnan Tiandi, our new landmark project in Guangdong Province, which was favourably received by the market. Developed along our tried and proven "Tiandi" concept, which focuses on preserving the cultural environment while breathing new life into the area, the project is rapidly emerging as a showcase for the region.

Our other projects too remain firmly on track. Residential flats on two land parcels in Rui Hong Xin Cheng and the Knowledge and Innovation Community were launched in Shanghai to strong demand, while THE HUB, China's first mixed-use commercial centre to be directly linked to a comprehensive transport hub, is proceeding apace. Located in the Hongqiao Commercial Zone in Shanghai, the development will serve a population of some 75 million people who live within an hour's travel of the development as well as more than one million passengers who will pass through the Hongqiao Transportation Hub daily when it is completed in 2014.

We will also benefit from the completion of relocation and resettlement activities on seven land parcels in our Taipingqiao and Rui Hong Xin Cheng projects in Shanghai. Having expended a great deal of time, resources and effort in what has proven to be a complicated and long drawn-out process, the completion of these relocation activities in 2012 and 2013 will provide increased momentum for the development of these projects. The first of these, Corporate Avenue Phase II, Tower 5 and Tower 3, an office and retail project within our Taipingqiao development, is due for completion in 2013 and 2014 respectively. One of the few new mixed-use developments to be launched in a prime location in Shanghai in the foreseeable future, it will generate an estimated annual rental income of about RMB700 million when fully leased.

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We also continue to build on the many advantages we hold in the marketplace. In view of our highly attractive landbank, one of the best among property developers in the Chinese Mainland, we have been able to site our developments in prime locations that offer a host of lifestyle benefits. Coupled with our customisation services, where in many instances customers can design their own requirements; our unique three-year warranty that comes with the purchase of our residential premises; as well as our pioneering strategy to offer one-stop services to customers in 2013, we are set not only to improve service delivery but also to maintain our premium pricing strategy.

Prospects and Future Outlook

In view of the ongoing volatility in both the global and local marketplace, progress is expected to remain slow over the next 12 months. With the number of property transactions in the Chinese market picking up visibly and with prices moving upwards towards the end of 2012 and beginning of 2013, the Central Government has recently introduced further measures to control investment and speculative activities which will add uncertainty to the market and dampen transactions, making 2013 difficult to forecast.

However, we can look forward with confidence. The establishment of China Xintiandi as a separate operation will allow clearer focus on the separate businesses of property development and asset management. Furthermore, going forward, Shui On Land will not just focus on large-scale projects, we will also be actively looking for and taking part in small-to-medium-sized schemes to fill profit gaps. The foundations have been

laid for our reorganisation, which will unearth the full potential of our commercial assets and deliver higher value to shareholders. Our strategic partnership with Mitsui Fudosan Co., Ltd. (Mitsui Fudosan) is going well and, moving forward with clear vision and purpose, we launched our second strategic Three-Year Plan in 2013. A major focus of this Plan is to expedite development and hasten the harvesting of our projects to bring in profits to the Group and our shareholders more quickly.

Appreciation

In conclusion, I would like to thank every one of you who has contributed to our achievements. To our shareholders and business partners, thank you for your loyalty and support. To my fellow Directors, management and all staff, thank you for your sound advice, dedication and hard work.

As we look to 2013, I have no doubt that with your ongoing help and support we will continue to build a bright and successful future for Shui On Land.



Vincent H. S. LO
Chairman

Hong Kong, 28 March 2013