



# **Shui On Land Limited**

**(stock code: 272 HK)**

## **Interim Results Presentation For the six months ended 30 June 2009**

August 27, 2009

Member of Shui On Group

[www.shuionland.com](http://www.shuionland.com)

# Contents

- 1. Market Outlook and SOL Strategy**
2. Interim Highlights
3. 2009 Interim Results Review
4. Three-Year Plan
  - Corporate Goals from 2009 to 2012



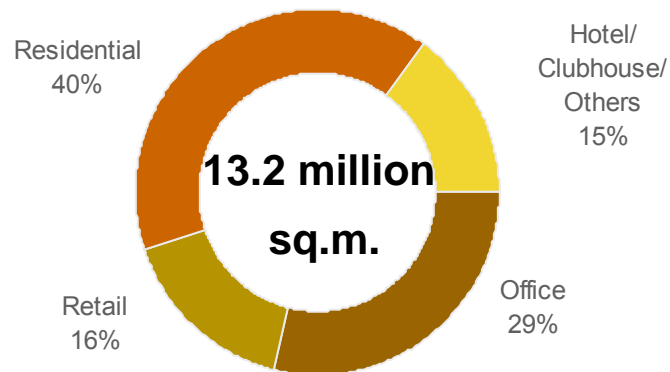
## **Market Outlook: OPTIMISTIC**

- ❑ China's residential market recovered, strongly evidenced by rising transaction volume across the mass market and luxury segments**
- ❑ Transaction volume in 2H09 may decrease due to shortage of property supply and rising selling price**
- ❑ Policy makers in Beijing are unlikely to reverse economic or property sector policy in 2H09**
- ❑ Regulators may fine-tune the policy to ensure lending, investment and property price growth are under control**
- ❑ Low interest rate and rising inflationary expectation will continue to inspire housing demand**
- ❑ Our retail property portfolio enjoys benefit from China's economic policy of spurring consumption and boosting household income**

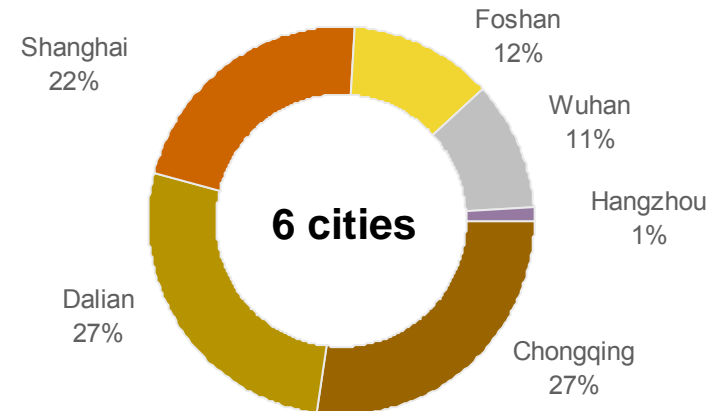


# Landbank: Sufficient for Development in Next 10 years

Total GFA by usage



Total GFA by city

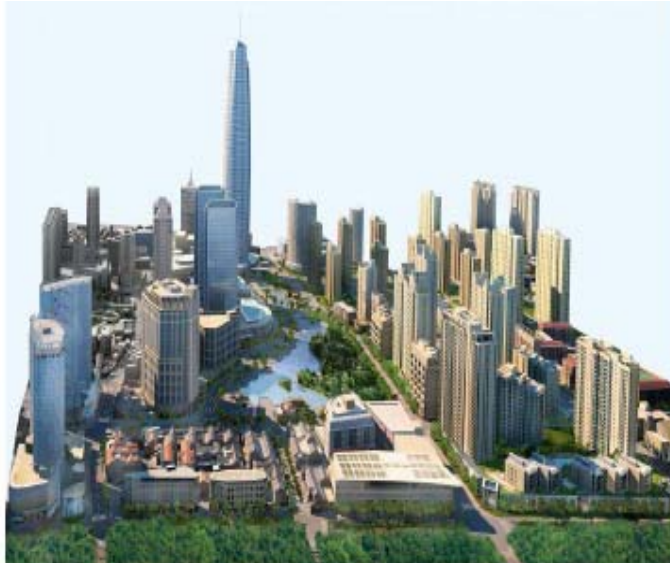


Total landbank: 13.2 mn sqm, Attributable landbank: 9.7 mn sqm

Taipingqiao	Rui Hong Xin Cheng	Knowledge and Innovation	Xihu Tiandi	Chongqing Tiandi	Wuhan Tiandi	DALIAN TIANDI • software hub	Foshan Lingnan Tiandi
							
GFA 1.2m sqm <b>Shanghai</b>	GFA 1.2m sqm <b>Shanghai</b>	GFA 0.5m sqm <b>Shanghai</b>	GFA 0.08m sqm <b>Hangzhou</b>	GFA 3.5m sqm <b>Chongqing</b>	GFA 1.5m sqm <b>Wuhan</b>	GFA 3.6m sqm <b>Dalian</b>	GFA 1.6m sqm <b>Foshan</b>



# Three-Year Plan: Corporate Objectives from 2009 to 2012



- ❑ To complete at least 1 million sq.m. of GFA in 2012 and to increase the completion rate consistently and continuously every year
- ❑ To have all projects financially self-sufficient within 3 years
- ❑ Strengthen cost control with zero growth in operating expense and headcount in the next 3 years
- ❑ To have completed the project-centric decentralization program together with new organization in place within 3 years
- ❑ Enhancing corporate governance and transparency by issuing newsletters on quarterly basis





# New Finance Committee: Membership and Meeting Time



**Mr. Vincent H.S. Lo**  
(Chairman)



**Sir John Bond**  
(Non-Executive  
Director)



**Dr. William Fung**  
(Non-Executive  
Director)



**Mr. Louis Wong**  
(Managing Director –  
Project Management)



**Mr. Aloysius Lee**  
(Managing Director –  
Commercial)



**Mr. Daniel Wan**  
(Managing Director and  
CFO)

**To meet twice a year before Board meetings in January and August**



## **New Finance Committee: Terms of Reference**

- ❑ To recommend for adoption by the Board overall company financial policies and game plan**
- ❑ To consider and approve financial strategies and objectives as recommended by the Chief Financial Officer in support of adopted development and growth plans for the Company**
- ❑ To review and monitor the Company's financial performance, position, rolling forecast, and cash flow**
- ❑ To monitor the performance of the Chief Financial Officer and Finance Department**
- ❑ To address and deal with such other matters as may be delegated by the Board to the Finance Committee**



# Appointment of Senior Management



Mr. Daniel Wan

- Appointed as Executive Director of Shui On Land Limited
- Managing Director and CFO
- Joined the Company since March 2009
- Former General Manager and Group CFO of The Bank of East Asia



Mr. Freddy Lee

- Promoted as Managing Director of Shui On Development Limited – the executive arm of the group
- Director of Wuhan project and Foshan project
- Joined the Shui On Group since 1986
- Over 17 years of working experience in construction management
- Over 7 years of working experience in property development in the PRC





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## Financial Highlights: *for the six months ended 30 June 2009*

	RMB million	
Total turnover:	1,335	(↑18%)
Property sales:	1,010	(↑22%)
Turnover from investment properties:	305	(↑ 6%)
Profit attributable to shareholders:	718	(↓ 45%)*

**\* Main reasons:**

- i) Deferral of revenue and profit recognition from Casa Lakeville due to changes in accounting policies***
- ii) No sales of equity interests to strategic partners***



## **Financial Highlights: *for the six months ended 30 June 2009 (Cont'd)***

<b>Basic earnings per share</b>	<b>RMB16 cents</b>	<b>(↓ 43%)</b>
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<b>Proposed interim dividend per share</b>	<b>HK\$1 cents</b>	<b>(↓ 86%)</b>
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<b>Cash balance</b>	<b>RMB5.5 billion</b>	<b>(↑ 62%)</b>
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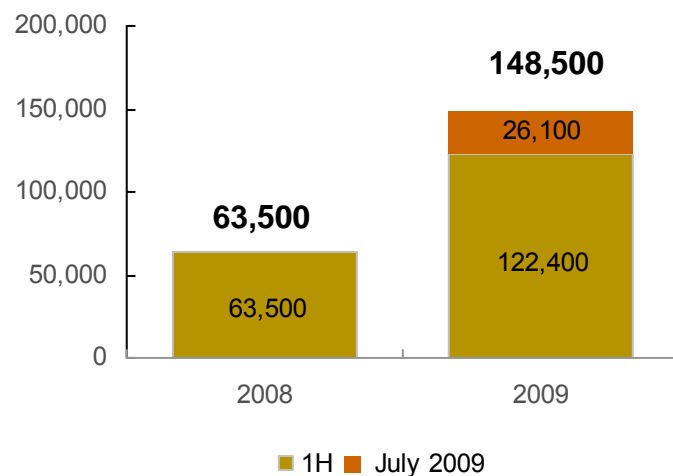
<b>Net gearing ratio</b>	<b>18%</b>	<b>(↓ 9%)</b>
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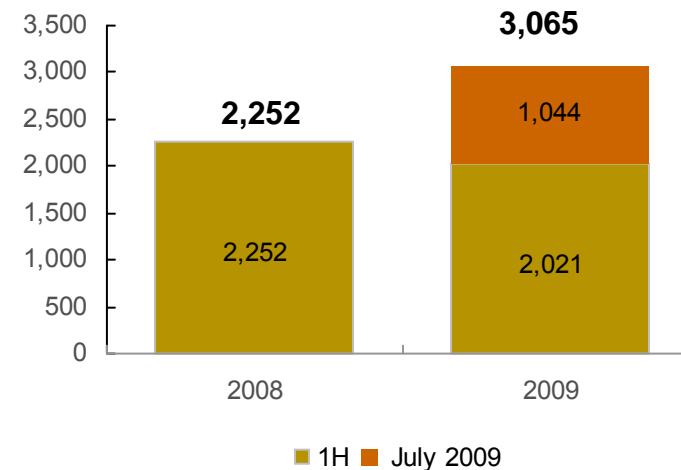
# Contracted Sales Update

- Up to 31 July 2009:
  - Contracted sales in area: **148,500 sq.m.**
  - Contracted sales proceeds: **RMB3,065 million**
- Mainly contributed by *Shanghai Casa Lakeville, Wuhan Riverview and Chongqing Riviera*

Contracted sales in GFA (sq.m.)

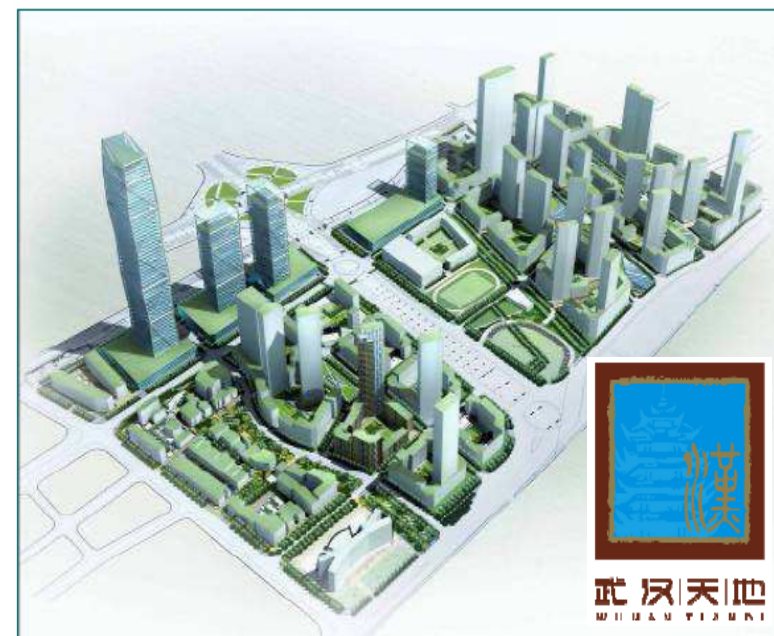


Contracted sales proceeds (RMB million)



# Strategic Partnerships with Redevco

- ❑ **9 July 2009:** partner with European retail real estate magnate Redevco to collaborate on developing the shopping centre in Wuhan Tiandi
- ❑ **SOL** → master-plan and construction management
- ❑ **Redevco** → design and concept development, asset management, marketing and promotion
- ❑ **GFA** of shopping centre: 100,000 sq.m.
- ❑ Total investment: RMB2 billion
- ❑ Start construction in 4Q2010
- ❑ To be completed in 2012



Accelerate growth through strategic partnerships

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## 2009 Interim Results Highlights

<b>RMB million</b>	<b>For the six months ended 30 June</b>		
	<b>2009</b>	<b>2008 (Restated)</b>	<b>Changes</b>
Turnover	1,335	1,132	↑ 18%
Gross profit	390	628	↓ 38%
Profit attributable to shareholders	718	1,294	↓ 45%
Underlying profit attributable to shareholders *	95	1,093	↓ 91%
Gross margin	29%	55%	↓ 26%
Net profit margin	54%	114%	↓ 60%
EPS – basic (RMB cents)	16	28	↓ 43%
Interim dividend per share (HK\$ cents)	1	7	↓ 86%

\* Underlying profit attributable to shareholders is before revaluation of investment properties and fair value adjustment on derivative financial instruments.



# Financial Position as of 30 June 2009

<b><i>RMB billion</i></b>	<b>30 June 2009</b>	<b>31 December 2008 (Restated)</b>	<b>Changes</b>
Total Assets	40.1	35.9	↑ 12%
Total Liabilities	19.7	17.7	↑ 11%
Total Equity	20.4	18.2	↑ 12%
Cash and Bank Balances <sup>1</sup>	5.5	3.4	↑ 62%
Net debt	3.7	4.8	↓ 23%
Net Gearing Ratio <sup>2</sup>	18%	27%	↓ 9%

*Note 1 : Includes pledged bank deposits of RMB2.6 billion (31 December 2008: RMB1.7 billion)*

*Note 2 : Calculated on the basis of dividing the excess of the sum of bank loans and /or notes payable over the sum of bank balances and cash by total equity.*



# Sales Revenue Performance and Analysis

## for the six months ended 30 June 2009

Project	For six months ended 30 June 2009			Group's interest
	Total GFA sold (sq.m.)	Total amount <sup>1</sup> (RMB million)	Average selling price <sup>1</sup> (RMB/sq.m.)	
Shanghai KIC Village R1/R2	14,000	261	20,000	86.8% <sup>2</sup>
Wuhan Tiandi The Riverview (A9,A7)	32,800	447	14,400	75.0%
Chongqing Tiandi The Riviera Phase 1 (LotB1-1/01)	55,300	279	6,600 <sup>3</sup>	79.4%
Others	-	23	-	-
<b>Total</b>	<b>102,100</b>	<b>1,010</b>	-	-

Note 1: The average selling prices are quoted before the business tax of 5% whereas the sales amounts are stated net of business tax.

Note 2: Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.

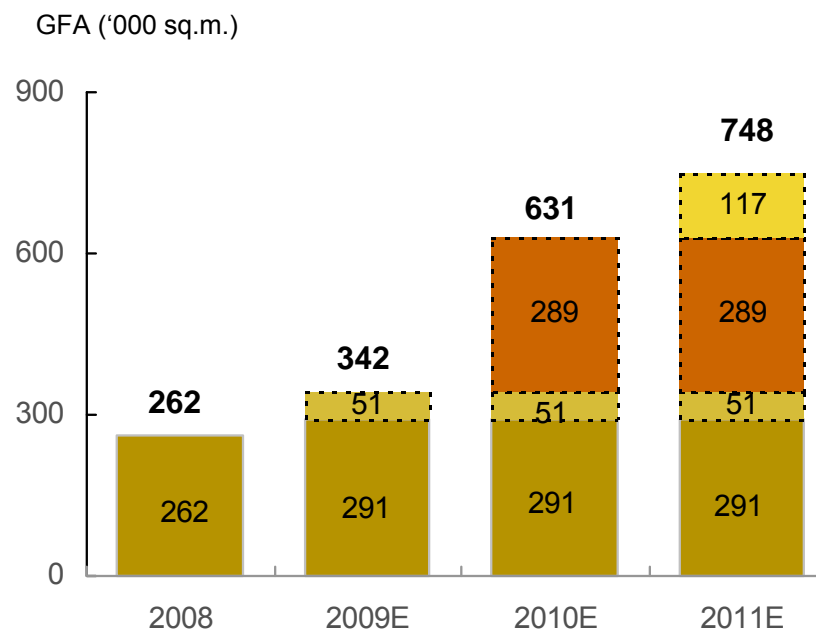
Note 3: The average selling price of Chongqing Tiandi is quoted based on net floor area, which is the common practice in Chongqing's property market.



# Property Investment

Project		Leasable GFA (sq.m.)	Occupancy
Shanghai Xintiandi		57,000	100%
Corporate Avenue		83,000	98%
RHXC	Phase 1	5,000	98%
	Phase 2	28,000	100%
KIC	Village R1/R2	32,000	22%
	Plaza Phase 1	52,000	77%
Hangzhou		6,000	100%
Wuhan		27,000	66%
Chongqing		1,000	0%
Total leasable GFA		291,000	

## Expanding investment property portfolio



- ❑ Turnover: **RMB305 million** (↑ 6%)
- ❑ Market value of completed investment properties as of 30 June 2009: **RMB 8.9 billion** (↑ 6%)



**Continue to perform well with high occupancy & steady rental income**

# Expected Launch in 2009 and beyond

Project	GFA available for sale/pre-sale in August 2009 & beyond (sq.m.)	Group's interest
Shanghai Taipingqiao Lot 113	25,100	99.0%
Shanghai Rui Hong Xin Cheng Lot 8	30,600	74.3%
Shanghai KIC Village R1/R2	39,300	86.8%*
Wuhan Tiandi The Riverview (Lot A7,A10,A8)	19,100	75.0%
Chongqing Tiandi The Riviera Phase 1 (Lot B1-1/01) The Riviera Phase 2 (Lot B2-1/01)	76,400	79.4%
Others	200	-
<b>Total GFA (sq.m.)</b>	<b>190,700</b>	<b>-</b>

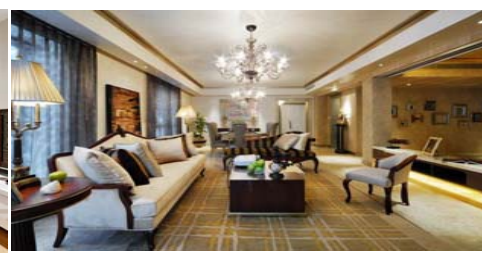
Project launch plan
Launched Tower 9 (GFA 11,200 sq m) in mid August
Launched Lot 8 in late July
Plan to launch R2 office (GFA 15,500 sq m) and residential (GFA 22,300 sq m) soon
Continue to sell existing inventories
Continue to sell phase 1 inventories; plan to launch phase 2 in late 2009

\* Agreement has been reached to increase the interest from 70% to 86.8%, subject to completion of the capital injection.



# Market Response on Recent Property Sales

Project/Lot	Launch date	Launch GFA (sq.m.) / Units	Average Selling Price (RMB / sq.m.)	Market response
<b>Shanghai Taipingqiao</b> Casa Lakeville T11	22 May 2009	7,500 / 52	56,800	Sold out in three days
<b>Shanghai Taipingqiao</b> Casa Lakeville T12	27 June 2009	8,100 / 48	68,200	Substantially sold out in one day
<b>Shanghai Taipingqiao</b> Casa Lakeville T9	15 August 2009	11,200 / 93	73,000	Substantially sold out in three days
<b>Shanghai Rui Hong Xin Cheng</b> Phase 3 Lot 8	25 July 2009	32,300 / 248	27,400	Sold out 86% in two days



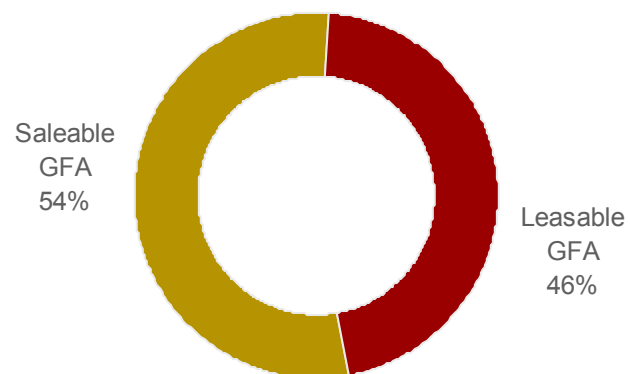


# Delivery Schedule (2009-2011)

Project GFA ('000 sq.m.)		Shanghai Taipingqiao	Shanghai Rui Hong Xin Cheng	Shanghai KIC	Chongqing Tiandi	Wuhan Tiandi	Foshan Lingnan Tiandi	DALIAN TIANDI · software hub	Total
2009	Saleable	71	-	30	-	39	-	-	140
	Leasable	-	-	17	32	31	-	-	80
2010	Saleable	7	32	22	47	85	-	40	233
	Leasable	29	2	60	3	2	25	168	289
2011	Saleable	-	63	-	90	-	54	-	207
	Leasable	-	12	54	-	-	51	-	117

Note: Figures presented above may be subject to changes depending on the actual progress of construction

Delivery GFA – Saleable vs. Leasable



Delivery GFA – Shanghai projects vs. Others



# Financial Updates

- ❑ A total of **HK\$2.0 billion** new equity fund was raised through share placement in June 2009
- ❑ Total debt: **RMB9.3 billion** (long-term debt 89% and short-term debt 11%, RMB 39% and foreign currency 61%)

Currency denomination	Total RMB equivalent (RMB million)	Due within 1 year (RMB million)	Due after 1 year but before 2 years (RMB million)	Due after 2 years (RMB million)
RMB	3,589	530	621	2,438
HK\$	5,472	523	914	4,035
US\$	205	-	-	205
<b>Total</b>	<b>9,266</b>	<b>1,053</b>	<b>1,535</b>	<b>6,678</b>

- ❑ Total funds available
  - **RMB5.5 billion** cash balance (includes RMB2.6 billion pledged bank deposits)
  - **RMB1.0 billion** unused banking facilities as of 30 June 2009

\* Approved by various banks, subject to the finalization of loan agreements.



# Capital Commitments

<i>RMB billion</i>	Total	2H 2009	2010	2011 & after
Land cost	8.7	1.2	2.1	5.4
Construction cost	3.2	0.8	1.6	0.8
<b>Total CAPEX*</b>	<b>11.9</b>	<b>2.0</b>	<b>3.7</b>	<b>6.2</b>

**TOTAL: RMB11.9 billion**

- **RMB7,104 million:** Land and construction payments
- **RMB4,646 million:** Remaining land costs of Foshan project
- **RMB121 million:** Funding to DALIAN TIANDI · software hub project

\* Only include contracted capital commitments for development costs and capital expenditure



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# Accelerate Development Pace

## To Complete 1.0 million sq.m. of GFA by 2012

- Fully utilize current landbank
- Standardize our residential design
- Develop cleared site



# Strengthen Financial Position

## All projects will be financially self-sufficient by 2012

- Develop land that has been cleared and paid
- Disposal of non-core commercial assets
- A more balanced mix of property development for sales or lease





# Better Cost Control

## Control Development and Operating Costs

- Achieve economy of scale & bulk purchase of major building components
- Further develop strategic partners in construction process
- Zero growth in operating expense & headcount in the next 3 years
- Continue to implement cost consciousness program



# Speed Up Decentralization Process

## To complete our decentralization process by January, 2010

- Project-based organization – Retain decision making process on project level
- Flatter and slimmer organization to improve overall efficiency
- Review and revamp compensation structure with greater emphasis on performance and measurable targets



# Enhancing Corporate Governance

## Increase Transparency

- Issue newsletter on quarterly base
- Publish sales updates on new project launch



瑞安房地產  
SHUI ON LAND

Shui On Land (272.HK)

Building a Future  
Sharing a Dream

Investor Newsletter  
Issue 1

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### Contract Sales Update

Shui On Land Limited (the "Company" or "SOL") is pleased to announce that the sales and pre-sales period from January to June 2009 amounted to a GFA of 124,000 sq.m. and 2009YTD contract sales. This is contributed primarily from the Company's projects in The Riverview (Wuhan Tiandi Lots A7, / Riviera (Chongqing Tiandi, Lot B1-1/01) and Casa Lakeville (Shanghai Taipingqiao Lot 113). There is no material difference between the above sales figures and the figures disclosed in regular financial reports. As such, the figures are for investors' reference only.



**Shui On Land Sales Update ---- Casa Lakeville Tower 9 sold 90% of residential units over the past weekend.**  
(19th August, Shanghai)

The sales launch of Casa Lakeville Tower 9 was commenced in both Hong Kong and Shanghai on 15 August 2009. Over 90% of the residential units have been sold within three days.

Casa Lakeville Tower 9 comprises of 93 units with saleable GFA 11,199 sq.m. Of which, 84 units were sold with average selling price of around RMB 72,000 to 73,000 per sq.m., total sales proceeds is approximately RMB720 million.

Casa Lakeville is a superior luxury residence located at Shanghai Xintiandi as part of Taipingqiao project with 11 towers that provides 474 units measuring from 89 to 427 sq.m. per unit. Taipingqiao stands as one of Shanghai most storied districts which upon completion will cover an area of 52 hectares with a total constructed floor space of 1.3 million sq. m.







**Thank you**

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