



# **Shui On Land Limited (0272.HK)**

## **2010 Annual Results Announcement**

16 March 2011

# Step into the Flourishing Future

攜手邁進 豐盛未來

- 1. 2010 Financial Highlights**
2. Business Strategy and Update of Three -Year Plan
3. Market Outlook
4. Appointment of New CEO

# Income Statement - Highlights



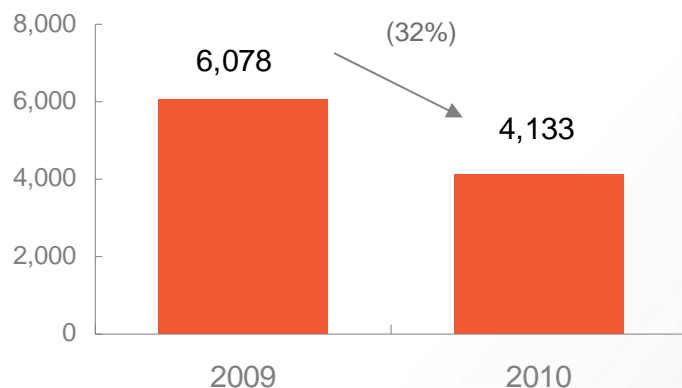
RMB' million	2010	2009	Change
Turnover	4,879	6,758	(28%)
Gross profit	2,010	3,529	(43%)
Increase in fair value of investment properties	2,711	536	406%
Share of results of associates	58	436	(87%)
Profit for the year	3,010	2,593	16%
Profit attributable to shareholders	2,809	2,673	5%
Underlying profit	756	1,684	(55%)
Earnings per share – basic (RMB)	0.55	0.55	-
Dividend per share – (HKD)			
Interim dividend paid	HK\$0.06	HK\$0.01	
Proposed final dividend	HK\$0.05	HK\$0.12	
Full year dividend	HK\$0.11	HK\$0.13	

# Property Sales Declined Due to Change in Sales Mix from Different Cities, while Rental Income Grew



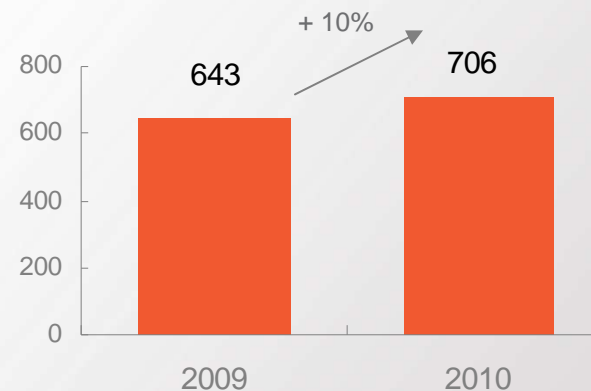
## Recognised Property Sales

RMB' million



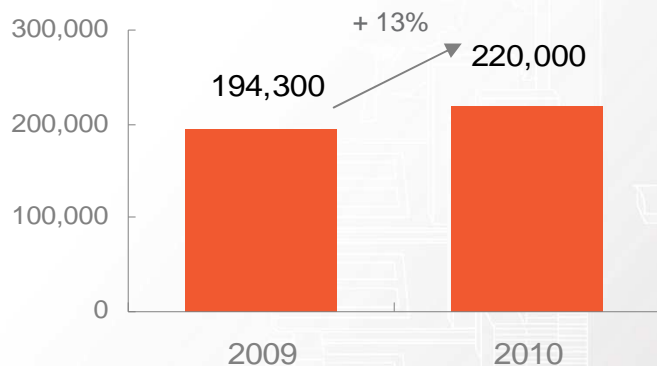
## Income from Investment Properties

RMB' million



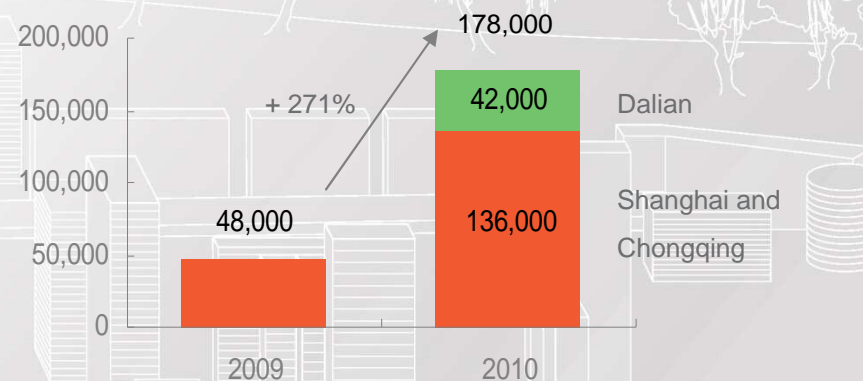
## Property Sales Gross Floor Area ("GFA") Handed Over

sq.m.



## Investment Properties GFA Delivered

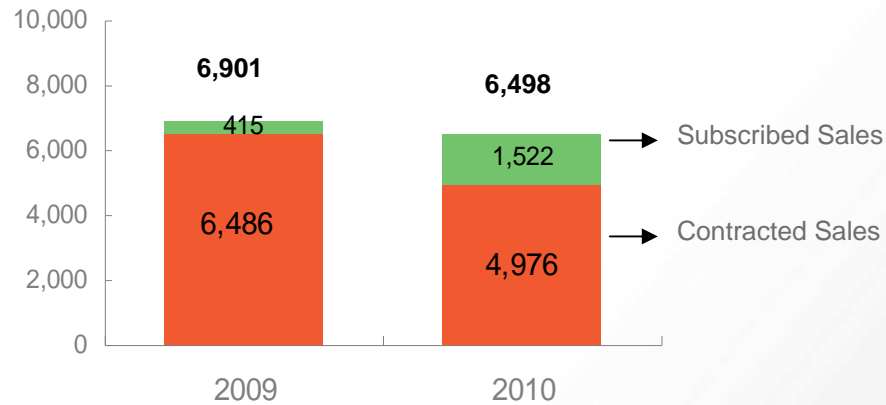
sq.m.



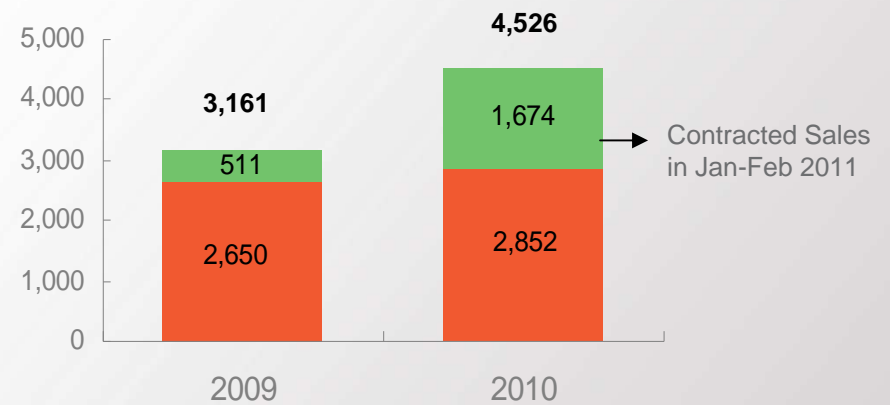
# Diversified Source of Property Sales from 5 Cities



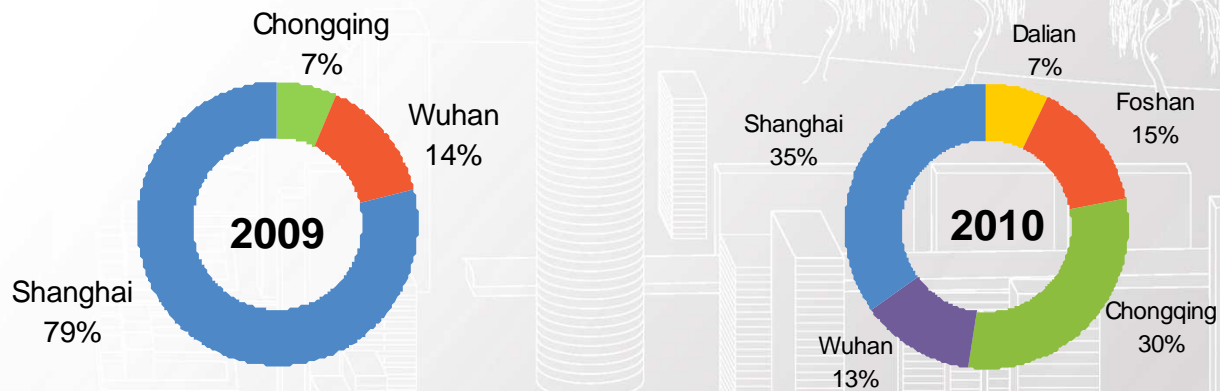
**Contracted Sales + Subscribed Sales**  
RMB' million



**Lock-in Sales for the Following Years**  
RMB' million



**Diversified Contracted Sales from 7 Projects in Shanghai and 4 other Cities in 2010**  
%

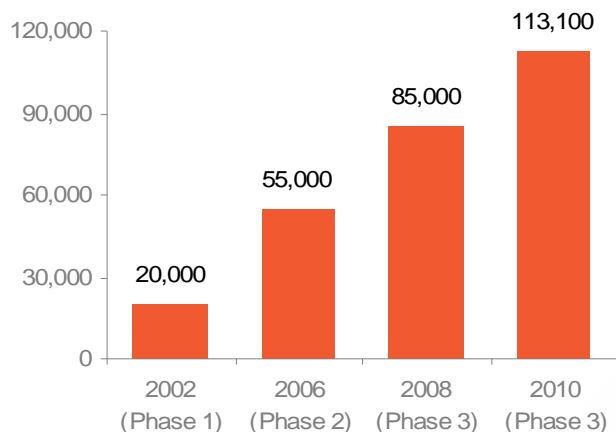




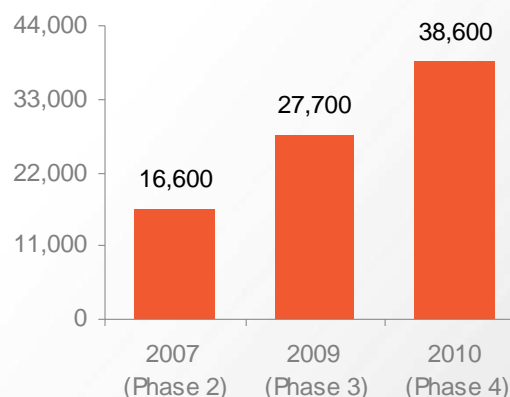
# Continuous Increase in Average Selling Price (“ASP”) Across All Our Projects



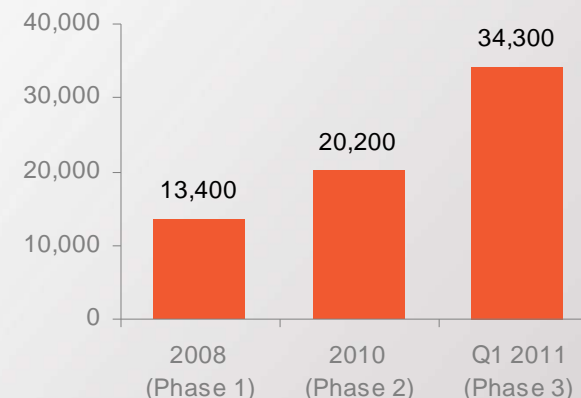
**Shanghai Taipingqiao**  
(RMB/sq.m.)



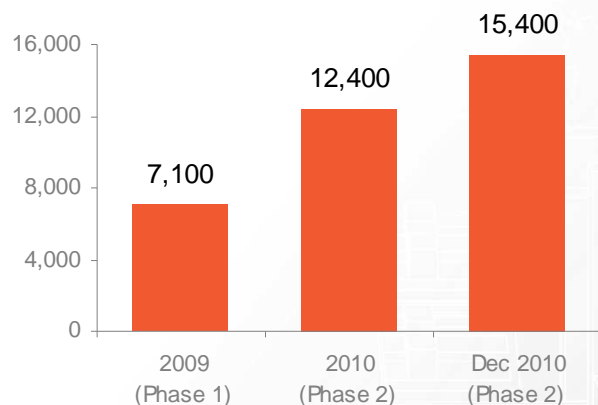
**Shanghai Rui Hong Xin Cheng**  
(RMB/sq.m.)



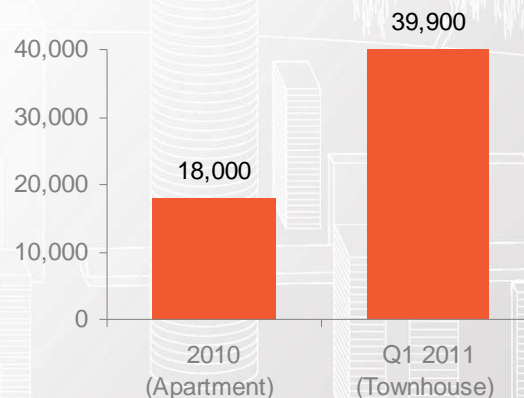
**Wuhan**  
(RMB/sq.m.)



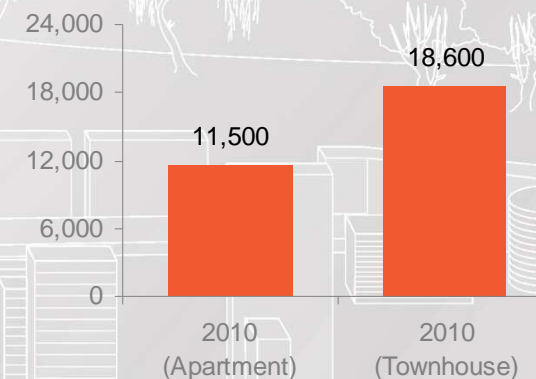
**Chongqing**  
(RMB/sq.m.)



**Foshan**  
(RMB/sq.m.)



**Dalian**  
(RMB/sq.m.)



# Margin Expansion Across All Our Projects



Project	Contracted Sales ASP	Recognised Sales ASP		Gross Profit Margin	
	2010	2010	2009	2010	2009
	RMB/sq.m.	RMB/sq.m.	RMB/sq.m.	%	%
Shanghai Taipingqiao	113,100	97,800	75,600	65%	60%
Shanghai Rui Hong Xin Cheng	38,600	27,700	-	49%	-
Shanghai Knowledge and Innovation Community (“KIC”)	25,100	24,700	19,500	32%	22%
Wuhan	20,200	16,300	14,400	26%	29%
Chongqing <sup>1</sup>	12,400	10,200	6,700	13%	(25%)
Foshan	18,000	-	-	-	-
Dalian	17,600	-	-	-	-
<b>Average</b>	<b>17,400</b>	<b>19,700</b>	<b>32,600</b>	<b>42%</b>	<b>52%</b>

Notes:

- 1) All the ASPs of Chongqing Tiandi quoted in this document are based on net floor area, a common market practice in the region.
- 2) Gross profit margin are based on recognised sales ASP.



# Prudent Valuation of Investment Properties



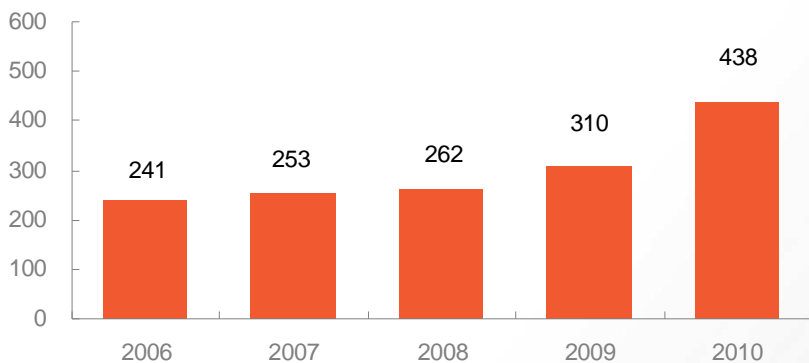
Project	Fair Value Gain (Loss) in 2010	Carrying Value as of 31 December 2010	
	RMB' million	RMB' million	RMB / sq.m.
<b>Completed Investment Properties at Valuation</b>			
Shanghai Taipingqiao	946	9,635	59,500
Shanghai Rui Hong Xin Cheng	47	637	18,200
Shanghai KIC	69	2,745	20,600
Wuhan	78	649	14,100
Chongqing	-	453	13,300
<b>Subtotal</b>	<b>1,140</b>	<b>14,119</b>	<b>34,400</b>
<b>Investment Properties Under Development at Valuation</b>			
Shanghai Taipingqiao	912	3,926	25,000
Shanghai Rui Hong Xin Cheng	24	208	17,300
Shanghai KIC	438	751	14,200
Chongqing	(56)	1,046	2,100
Foshan	253	884	13,200
<b>Subtotal</b>	<b>1,571</b>	<b>6,815</b>	<b>8,700</b>
<b>Investment Properties Under Development at Cost<sup>1</sup></b>	<b>-</b>	<b>5,959</b>	<b>-</b>
<b>Total</b>	<b>2,711</b>	<b>26,893</b>	<b>-</b>

Note 1: Exclude un-relocated land

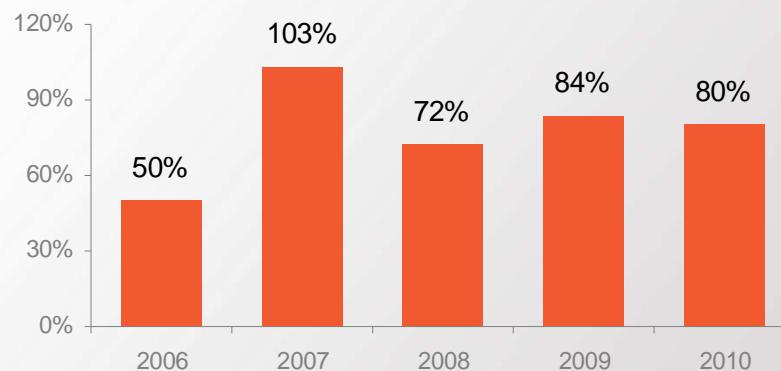
# High-quality Commercial Properties Provide Alternative Financing Channels



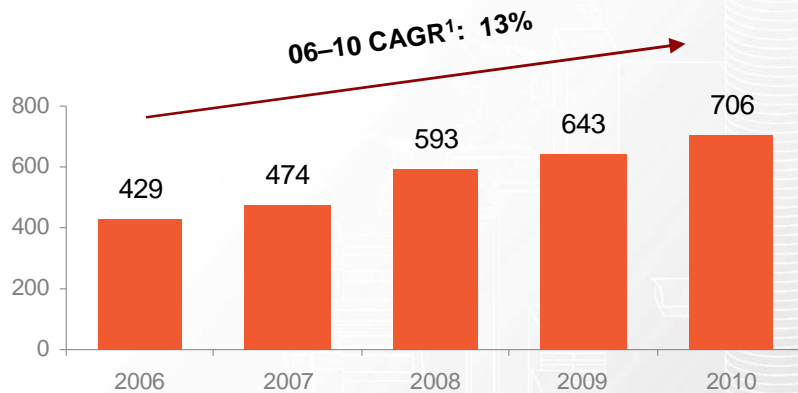
**Investment Properties GFA**  
'000 sq.m.



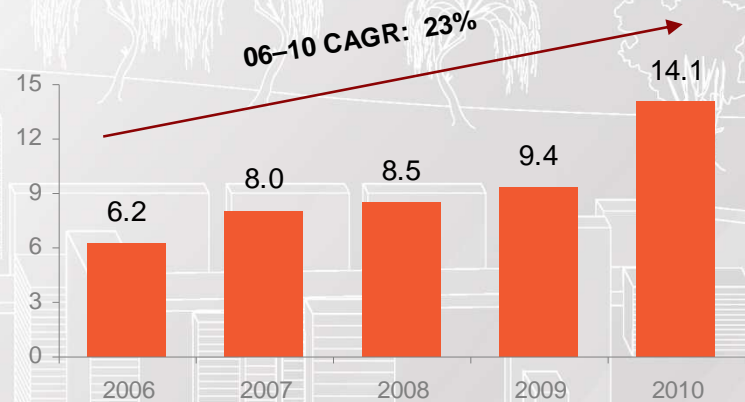
**Rental Income / Total Interest Costs**  
%



**Strong Rental Income Growth**  
RMB' million



**Consistent Asset Appreciation**  
RMB' billion



Note1: Compounded Annual Growth Rate

■ Market Value of Completed Investment Properties

# Strong Balance Sheet



RMB' million	31 December 2010	31 December 2009	Changes
<b>Total assets</b>	56,253	42,592	↑ 32%
<b>Total liabilities</b>	30,225	20,018	↑ 51%
<b>Total equity</b>	26,028	22,574	↑ 15%
<b>Total debts</b>	18,245	10,203	↑ 79%
- Total bank borrowings	13,183	10,203	↑ 29%
- Convertible bond	2,117	-	-
- Notes	2,945	-	-
<b>Cash and bank balances</b>	6,790	4,947	↑ 37%
<b>Net gearing ratio</b>	44%	23%	↑ 21% ppt

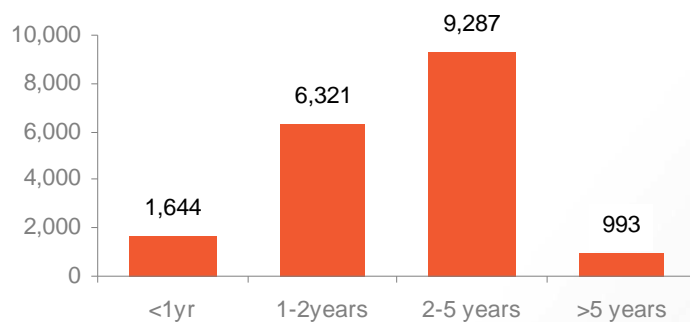
- In January 2011, we issued a RMB denominated USD settled notes for a total proceeds of RMB 3.5 billion

# Strong Financial Management – Balanced Debt Structure



## Smooth Debt Maturity Profile (Total Debts RMB18.2 billion)

RMB' million



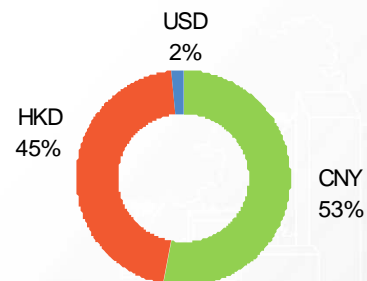
## Secured Loan vs. Unsecured Loan

%



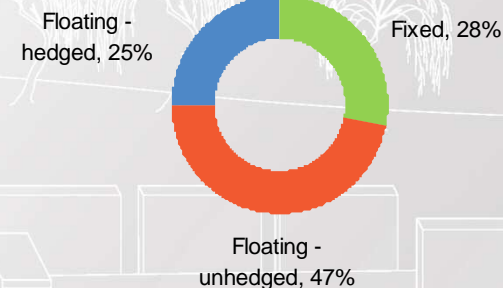
## Debt Profile – Currency Breakdown

Balanced Debt



## Debt Profile – Fixed vs. Floating

The Bond Issuance Further Balance the Debt Portfolio



- Weighted average cost of bank borrowing: 4.4% (2009: 4.1%, 2008: 6.0%)
- Coupon rate: Convertible bond 4.5%, 3-year Notes 6.875%, 4-year Notes 7.625%

# Capital Expenditures (CAPEX) from 2010 to 2012



RMB' billion	2010A	2011E	2012E
Construction Costs	2.8	7.5	9.1
Land Costs <sup>1</sup>	6.2	8.5	7.8
Total CAPEX	9.0	16.0	16.9

Note 1: Land costs include land premium and relocation cost



# Land Acquisitions and Relocation Progress



## ■ Land acquisitions in Shanghai in 2010

	Land Status	Leasable and Saleable GFA (sq.m.)	Land Cost (RMB' million)
KIC (North Parcel)	Cleared site	159,000	1,264
Rui Hong Xin Cheng (Lot 167 A&B)	Need relocation	230,000	109+ Relocation cost
Hongqiao Tiandi	Cleared site	278,000	3,188

## ■ Relocation Progress in Shanghai

	GFA (sq.m.)	Relocation Progress	Usage	Relocation Scheme
Taipingqiao	157,000	Lot 126 99% Lot 127 90%	Office, retail	Old scheme
	90,000	Lot 116 Stage1 78% Lot 116 Stage 2 NA	Residential	New scheme
Rui Hong Xin Cheng	134,000	Lot 6 99%	Residential, retail	Old scheme
	569,000	Lot 3 & Lot 2 Stage1 77% Lot 2 Stage 2 59% Lot 9 64% Lot 10 60%	Mixed-use	New scheme

## ■ Disposal of Hangzhou Xihu Tiandi Phase 2 (GFA 42,000sq.m.) at cost in February 2011

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# Business Highlights



## 2010

- Total GFA handed over: 398,000 sq.m.
  - Property sales GFA - 220,000 sq.m.
  - Investment properties - 178,000 sq.m.
- Property sales: RMB6.5 billion
  - *Contracted Sales* - RMB5.0 billion
  - *Subscribed Sales* - RMB1.5 billion
- Strong contracted ASP growth across all the projects 10%-75%

## 2011

- Double GFA delivery: 812,000 sq.m.
- Contracted sales target: RMB10 billion
- Residential GFA available for sale: 506,000 sq.m.
- Commercial GFA for sale: 250,000 sq.m.

# Business Strategy - Tiandi Model



Large scale, mixed-use city center community developments in high growth cities

- A harmonious blend of premium retail areas, offices and luxurious residential with tranquil amenities
- Preservation of local heritage and architecture
- Icon of fashionable lifestyle
- Landmark of the city
- Live-Work-Play communities

Shanghai



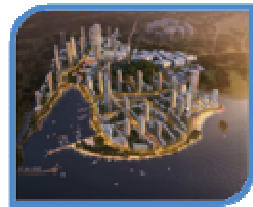
Chongqing

Wuhan



Foshan

# Quality Landbank in High Growth Cities – Established Footprint



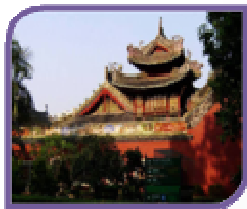
**Dalian**  
3.2m sq.m.



**Wuhan**  
1.3m sq.m.



**Chongqing**  
2.7m sq.m.



**Foshan**  
1.5m sq.m.

**Total Landbank:**  
11.6 million sq.m.  
(Exclude 1.7million sq.m.  
car parks, club houses and  
other facilities)



**Shanghai**  
Taipingqiao  
0.9m sq.m.



**Shanghai**  
Rui Hong Xin Cheng  
1.3m sq.m.



**Shanghai**  
KIC  
0.4m sq.m.



**Shanghai**  
Hongqiao Tiandi  
0.3m sq.m.

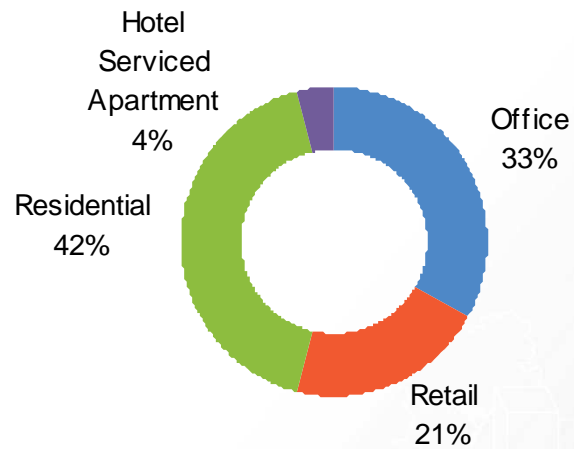
Note: The Company disposed Hangzhou Xihu Tiandi Phase 2 (leasable GFA 42,000) in February 2011.



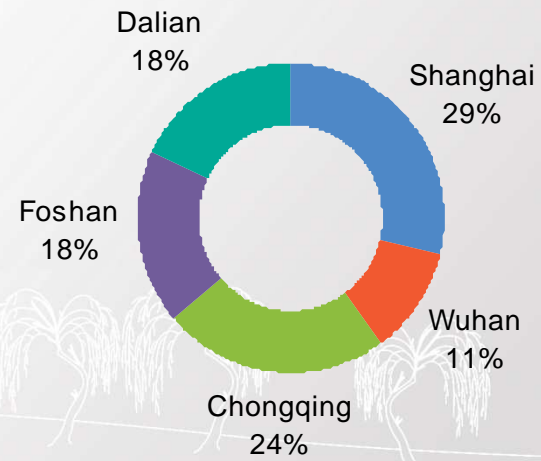
# Superior and Diversified Landbank



Attributable Landbank by Property Type  
%



Attributable Landbank by City  
%



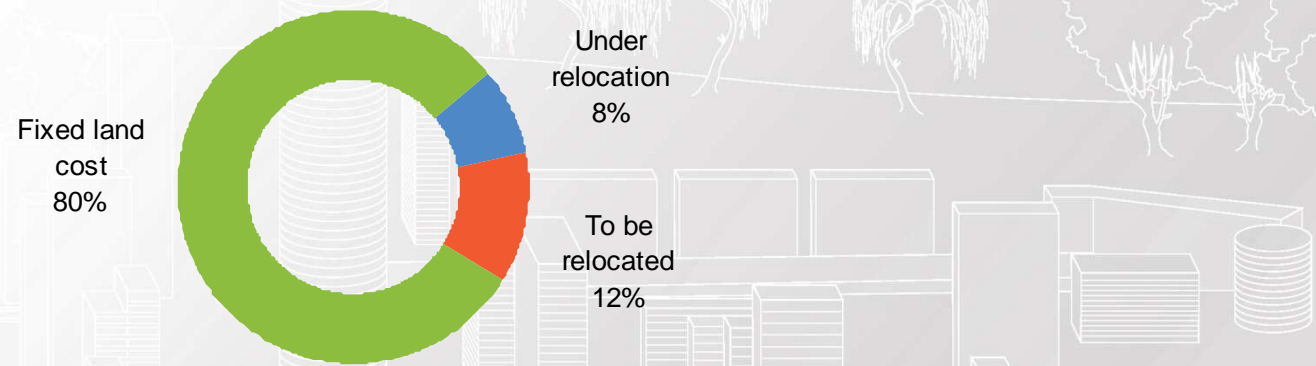
# 80% of Landbank at Fixed Cost



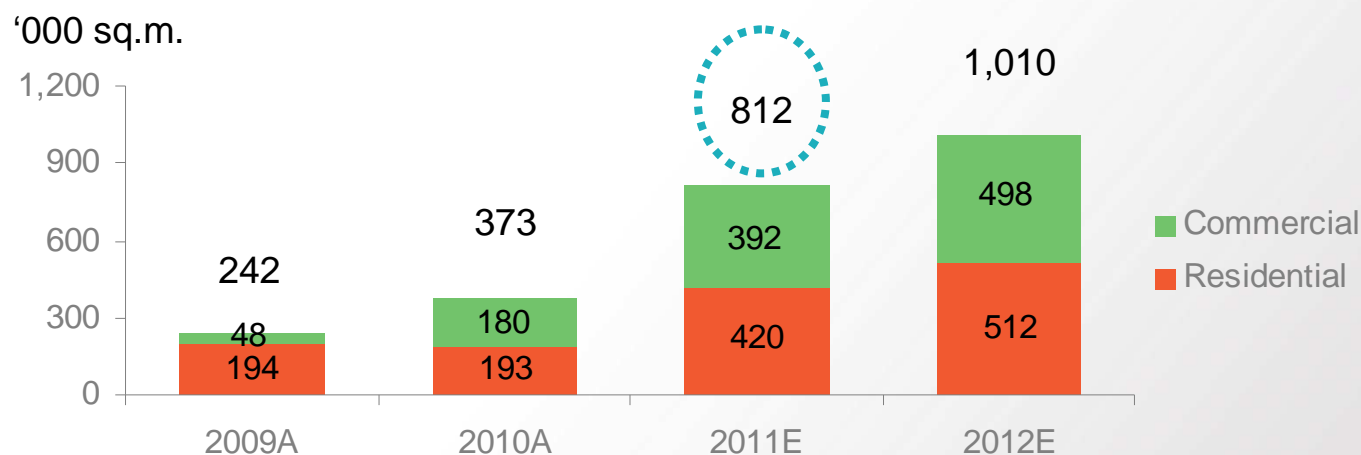
**Total leasable and saleable GFA: 11.6 million sq.m.**

- 80% GFA at fixed land cost
- 8% GFA under relocation
- 12% GFA to be relocated

Land Cost- Fixed vs. Variable  
%



# Accelerate Construction Completion and Delivery in Three-Year Plan



Project ('000 sq.m.)	2010A		2011E		2012E	
	Residential	Commercial	Residential	Commercial	Residential	Commercial
Shanghai Taipingqiao	7	27	-	-	-	-
Shanghai Rui Hong Xin Cheng	32	2	31	-	32	12
Shanghai KIC	22	58	-	53	-	-
Wuhan	85	2	51	59	72	-
Chongqing	47	49	121	2	171	263
Foshan	-	-	73	78	49	38
Dalian	-	42	144	200	188	185
<b>Subtotal</b>	<b>193</b>	<b>180</b>	<b>420</b>	<b>392</b>	<b>512</b>	<b>498</b>
<b>Total</b>	<b>373</b>		<b>812</b>		<b>1,010</b>	
<b>Target in 2010 Interim Report</b>	<b>381</b>		<b>606</b>		<b>1,143</b>	

# Management Strategies for the Three-Year Plan



- Decentralisation and project-based organisation
- Standardisation of project management – Shorten construction cycle and better cost & quality control
  - Design
  - Construction
  - Procurement
  - E-tendering system
- Customisation for premium product
- Betterment on property management

# Strategies to Expedite Asset Churn



- Residential properties for sale
- Commercial properties
  - Hold core commercial properties for recurring rental income and asset appreciation
  - Dispose portions of commercial properties to increase asset churn (en-bloc sales)
- Strategic partnerships
  - Tap into the expertise of our strategic partners
  - Accelerate returns and diversify risks



## Launch Schedule in 2011



- A total residential GFA of **506,000** sq.m. from 7 projects is expected to be launched for sale and pre-sale in 2011

Project	Contracted GFA sold in 2010 (sq.m.)	GFA Available for Sale in 2011(sq.m.)	Group's Interest
Shanghai Taipingqiao	3,600	6,900	99.0%
Shanghai Rui Hong Xin Cheng	26,800	36,600	74.3%
Shanghai KIC	8,100	-	86.8%
Wuhan	30,300	53,500	75.0%
Chongqing	143,600	199,500	79.4%
Foshan	38,900	73,500	100.0%
<b>Subtotal</b>	<b>251,300</b>	<b>370,000</b>	
Dalian	21,000	136,000	48.0%
<b>Total</b>	<b>272,300</b>	<b>506,000</b>	
<b>2010 Contracted ASP (RMB/sq.m.)</b>	<b>17,400</b>		

- A total commercial GFA of approximately **250,000** sq.m. of office and retail spaces at Shanghai KIC, Wuhan, Chongqing and Foshan are designated for en-bloc sale, so as to increase the asset churn and enhance cash flow

# Strong Pricing Power



Premium development in each city. Both ASP and ASP growth rate outperform over city average due to:

- Superior locations in high-growth cities
- Xintiandi brand premium
- Good master-plan communities
- Maturing communities in Wuhan, Chongqing and Foshan

Project	2010 ASP		2010 ASP Growth Rate	
	Shui On Land (RMB/sq.m.)	City Centre (RMB/sq.m.)	Shui On Land (%)	City Centre (%)
Shanghai Taipingqiao	113,100	46,000	60%	31%
Shanghai Rui Hong Xin Cheng	38,600		39%	
Shanghai KIC	25,100		10%	
Wuhan	20,200	6,600	41%	16%
Chongqing	12,400	5,900	75%	37%
Foshan	18,000	9,900	NA	27%
Dalian	17,600	12,000	NA	35%

Source: City average data is from City Statistics Bureau

# Occupancy Rate of Investment Property

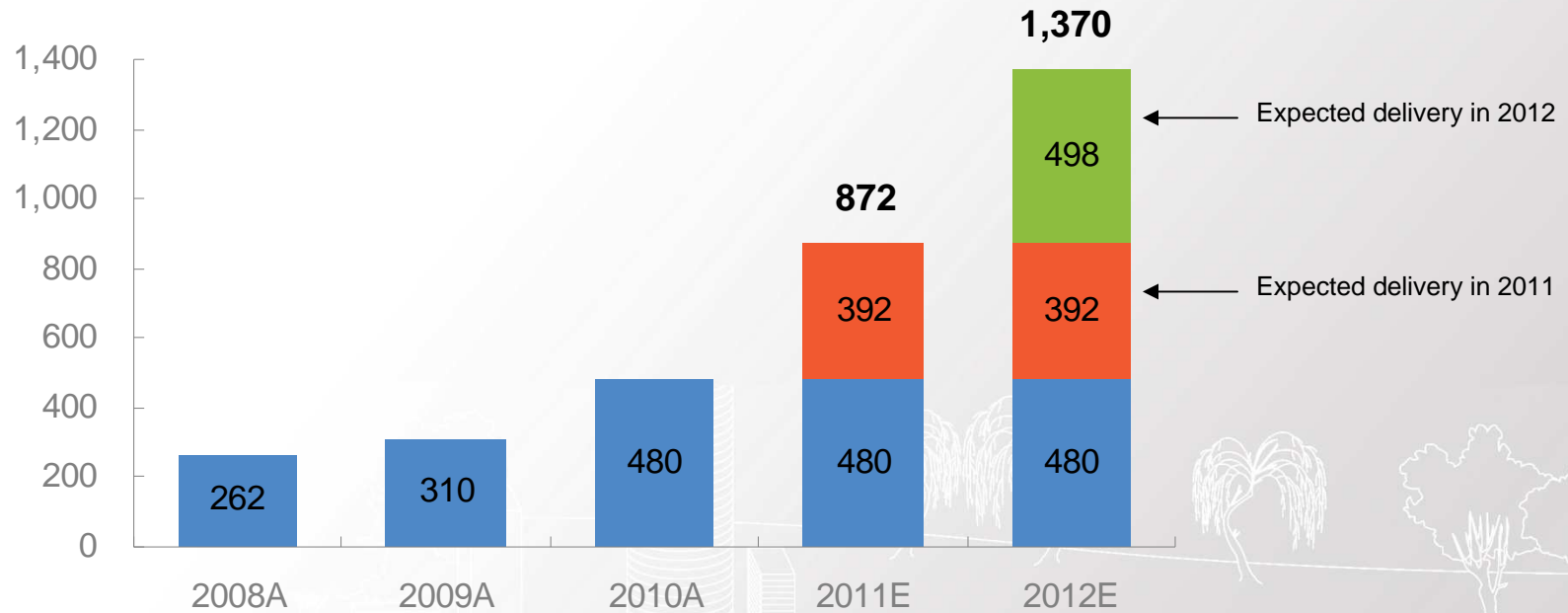


Project	Leasable GFA (sq.m.)	Occupancy rate		Group's Interest
		31 December 2010	31 December 2009	
<b>Shanghai Taipingqiao</b>				
Xintiandi	57,000	93%	100%	97.0%
Xintiandi Style	27,000	89%	NA	99.0%
Corporate Avenue	83,000	99%	96%	99.0%
<b>Shanghai Rui Hong Xin Cheng</b>				
Phase 1 commercial	5,000	100%	100%	75.0%
Phase 2 commercial	28,000	100%	100%	74.3%
Phase 3 commercial	2,000	0%	NA	74.3%
<b>Shanghai KIC</b>				
Village R1 and R2	34,000	39%	37%	86.8%
Plaza Phase 1	50,000	81%	83%	
Plaza Phase 2	49,000	17%	NA	
<b>Hangzhou</b>	6,000	100%	100%	100.0%
<b>Wuhan</b>				
Lot A4-1	16,000	94%	92%	75.0%
Lot A4-2	30,000	70%	60%	
<b>Chongqing</b>				
The Riviera Phase1	2,000	100%	16%	79.4%
LotB3 - Upper and Low Village	10,000	98%	NA	
LotB3 – Main Building	39,000	45%	NA	
<b>Leasable GFA</b>	<b>438,000</b>			

# Growing Commercial Property Portfolio



**Commercial GFA Delivery**  
'000 sq.m.



## Notes

- 1) Commercial GFA delivery include 42,000 sq.m., 200,000 sq.m., 185,000 sq.m. of Dalian Tiandi in 2010, 2011 and 2012 respectively
- 2) 250,000 sq.m. commercial properties are planned for en-bloc sale in 2011



# Core Competencies



## Strong Corporate Governance



## Quality Landbank in High Growth Cities



## Tiandi – Unique Business Model



## Superb Property Sales Track Record



## Growing Investment Property Portfolio



## Strong Financial Management





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# Strong Economic Fundamentals in 2010



		Shanghai	Wuhan	Chongqing	Foshan	Dalian	China
Real GDP Growth	2010	9.9%	14.7%	17.1%	14.3%	15.2%	10.3%
Inflation Rate	2010	3.1%	3.0%	3.2%	3.1%	2.7%	3.3%
Housing Price Growth	2010	31.0%	16.0%	37.0%	27.0%	35.0%	NA
Transaction Area (m sq.m.)	2008	8.9	4.9	13.2	5.0	1.0	593
	2009	18.8	7.7	23.3	9.7	4.7	862
	2010	9.9	6.8	20.8	7.8	3.3	931

Source: City Statistics Bureau

- Despite two rounds of tightening measures in mid 2010, housing demand remained persistently strong owing to robust economic fundamentals, negative interests rate and inflationary expectations
- Price movements and transaction volumes in 2010 continued at high level
- Government became concerned that home prices rising too quickly

# Latest Government Austerity Measures



## Current Government Austerity Measures

### Set target

- Local governments set housing price growth targets

### Public housing

- Speed up the construction of social housing
- Ensure 70% of land supply goes to social housing and small/mid-sized flats

### Tax

- 5.5% business tax applied to property re-sale within 5 years
- Property tax in Shanghai and Chongqing

### Credit tightening

- Raise minimum down payment for second-homes from 50% to 60%
- Set home mortgage interest rate at no less than 110% of benchmark rate

### Purchase restriction

- Municipalities and provincial capitals to strictly implement purchase restriction

- Short term: Austerity measures will cool down the property market, but will lead to pent-up demand
- Long term: Strong housing demand persists, due to
  - Urbanisation
  - Robust economic and income growth
  - Inflationary expectation

## Competitive Edge of Shui On Land's Business Model

- Projects in prime locations
- Half of our landbank in commercial properties
- Stable, recurring and growing rental income
- Minimal policy impact on commercial properties
- Our commercial property portfolio stands to benefit from central government's drive to increase domestic consumption

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# Appointment of New CEO



- Chairman – Mr. Vincent Lo
  - CEO – Mr. Freddy Lee
  - CFO – Mr. Daniel Wan
  - Mr. Louis Wong will retire and take up the role as a part-time advisor
1. To cope with the business expansion needs
  2. To enhance corporate governance
  3. Chairman will lead strategic directions, corporate development and policies
  4. New CEO will focus on day-to-day management and overall business performance
  5. New CEO will lead the delivery of the Three-Year Plan

## Mr. Freddy Lee – New CEO of Shui On Land



- Joined the Shui On Group in 1986
- 16 years in construction management
- 10 years in property development in Mainland
- Incumbent CEO, Managing Director, Executive Director
- Former Project Director of Wuhan Tiandi since 2004 and Foshan Tiandi since 2007
- Person in-charge of the Company's Three-Year Plan
- Proven track record in improving the Company's organizational structure through decentralization
- Top notch interpersonal skills and management capability
- Sharing the same values and aspirations of the Company with drive to succeed
- To take up full responsibility of the operations and management of the Company

# Thank You

## Q&A

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