

Shui On Land Limited

(stock code: 272 HK)

Proposed Acquisition of Shui On Plaza and Langham Xintiandi Hotel

September 9, 2011

Member of the Shui On Group

www.shuionland.com

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Transaction Summary



Transaction

- On September 9, 2011, Shui On Land Limited (272.HK, “SOL” or the “Company”) announced the proposed acquisition of the equity interests in Rimmer Investments Limited and Magic Garden Investments Limited

Seller

- Indirect wholly-owned subsidiaries of Shui On Company Limited, the controlling shareholder of the Company

Underlying Assets

- 80% indirect interest in Shui On Plaza, a Grade-A commercial property in Shanghai
- 66.7% indirect interest in Langham Xintiandi Hotel, a luxury hotel in Shanghai

Valuation of Underlying Assets

- Total Valuation of Underlying Assets: RMB 5,095m [HKD6,165 equivalent¹]
- Shui On Plaza: RMB 3,098m [HKD 3,748m equivalent¹]
- Langham Xintiandi Hotel: RMB 1,997m [HKD 2,416m equivalent¹]

Initial Consideration

- HK\$2,086m, to be satisfied by the issuance of 613.53 million new shares in SOL, subject to adjustments upon Completion

Issue Price of Consideration Shares

- Indicative issue price of HKD \$3.40, at a 12.5% premium over the Benchmark Share Price
- The Benchmark Share Price is determined as the higher of:
 - Closing Price on the date of the Sale and Purchase Agreement (“SPA”);
 - Average of Volume Weighted Average Price (“VWAP”) for consecutive 30 trading days immediately preceding and including the date of the SPA; and
 - Average of VWAP from date immediately following the date of the SPA to the latest practicable date of the circular

Key Dates

- Announcement: September 9 (Fri)
- Dispatch of EGM notice and circular: on or before October 3 (Mon)

Financial Advisor

- Standard Chartered

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- 1. Reasons for the Transaction**
- 2. Overview of Assets to be Acquired**
- 3. Commercial Property Market in Shanghai**
- 4. Financial Impact to SOL**
- 5. Connected Transactions Arising from the Acquisition**



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Reasons for the Transaction



We consider the acquisition of Shui On Plaza and Langham Xintiandi Hotel beneficial to SOL for the following reasons:



Strengthening SOL's Portfolio of Investment Properties

- Shui On Plaza and Langham Xintiandi Hotel are trophy assets in the heart of Shanghai adjacent to SOL's existing Xintiandi portfolio
- Shui On Plaza provides an additional stream of stable rental income to SOL
- The purchase of Langham Xintiandi Hotel can also allow SOL to further diversify its income stream into the hotel industry. SOL has formed a strategic partnership with Langham Hospitality Group in August 2011 to have Langham Hospitality Group to manage its 88 Xintiandi Brand Boutique hotel as part of the element of Xintiandi in Wuhan, Chongqing, Foshan and Dalian



Demonstrating Controlling Shareholder's Support to SOL

- Consolidate assets located in Shanghai Xintiandi area owned by the Controlling Shareholder into SOL thereby avoiding overlaps and conflict of interest (e.g. competing for tenants)
- Shares are preferred mode of consideration as SOL needs to conserve cash for its development
- Premium of 12.5% adopted in determining the issue price of consideration shares mitigates dilution to minority shareholders and also indicates Controlling Shareholder's support to SOL



Improving Financial Position of SOL¹

- Equity base of SOL will be enlarged by 6.8% from RMB25,308m to RMB27,032m
- Total asset increases by 8.4% from RMB65,215m to RMB70,681m
- Total debt to total asset ratio of SOL reduces from 37.5% to 36.6%
- Rental and related income to total interest cost ratio improve from 80.0% to 94.0%

Note 1: Please refer to section 4 for details

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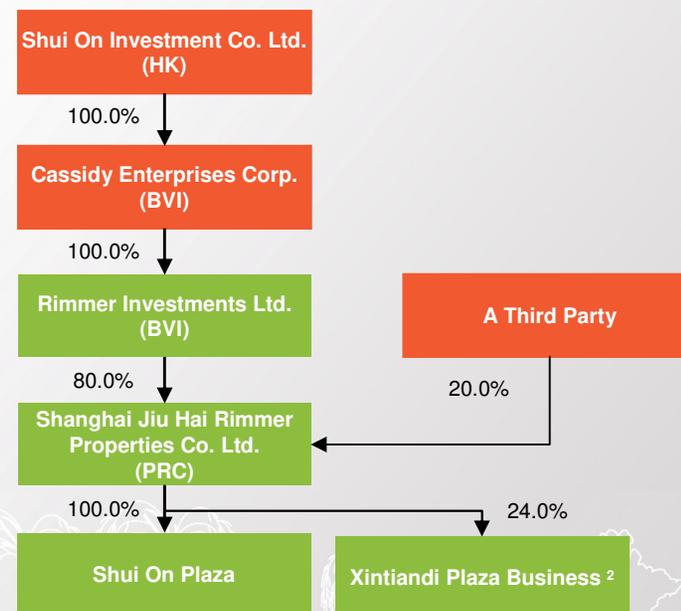


Asset Overview – Shui On Plaza



Location	333 Huai Hai Middle Road, Huangpu District, Shanghai
Total GFA	Retail: 27,728 sqm Office: 29,860 sqm Car parking space: 8,227 sqm
Land Use Rights	Commencing in 1994 and expiring in 2044
Valuation	RMB3,098m (approx. HKD3,748m) ¹ on a 100% basis (Savills: 31 July 2011) Equivalent to RMB47,071 per sqm (HKD56,948 per spm) ¹
SOI Stake	80.0%
Rental income (unaudited)	2009: HK\$152 m/ 2010: HK\$178 m
Occupancy rate	Retail: 2009: 100.0%/ 2010: 100.0% Office: 2009: 93.2%/ 2010: 99.6%

Shareholding Structure



Profit before tax (unaudited)	2009: HK\$182 million 2010: HK\$418 million
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Profit attributable to Cassidy (unaudited)	2009: HK\$143 million 2010: HK\$254 million
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Note 1: Converted to HKD using 1RMB:1.21HKD

Note 2: Xintiandi Plaza Business is a company incorporated in the PRC whose primary business is sales of, inter alias, general merchandise, art work, clothing, electronic products, construction materials, chemical raw materials, computer and accessories, machinery and furniture, and exhibition

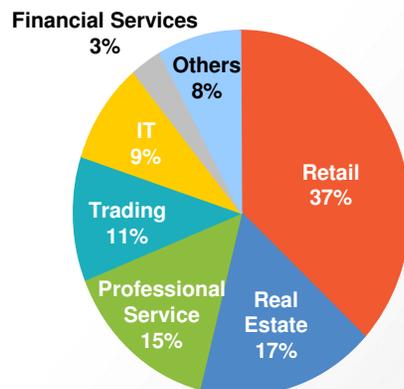
Diversified and Quality Tenant Base



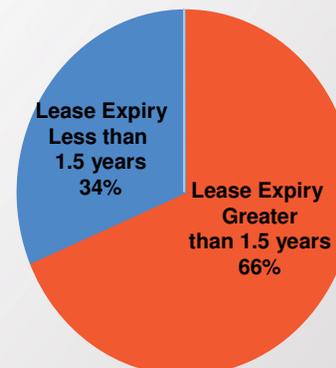
Key Comments

- Shui On Plaza has a well diversified tenant mix consisting of large, established MNC's and well known local corporates
- Top 5 tenants make up ~65% of total rental income and have been leasing space in Shui On Plaza for many years
- Weighted average lease expiry is 1.5 years, allowing for the potential of rental price increases in the short term which will increase capital value

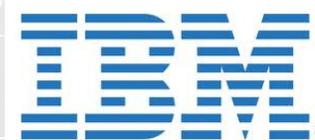
Tenant Mix by Total Rental Income by Industry



Weighted Average Lease Expiry by Rental Income



Major Tenants



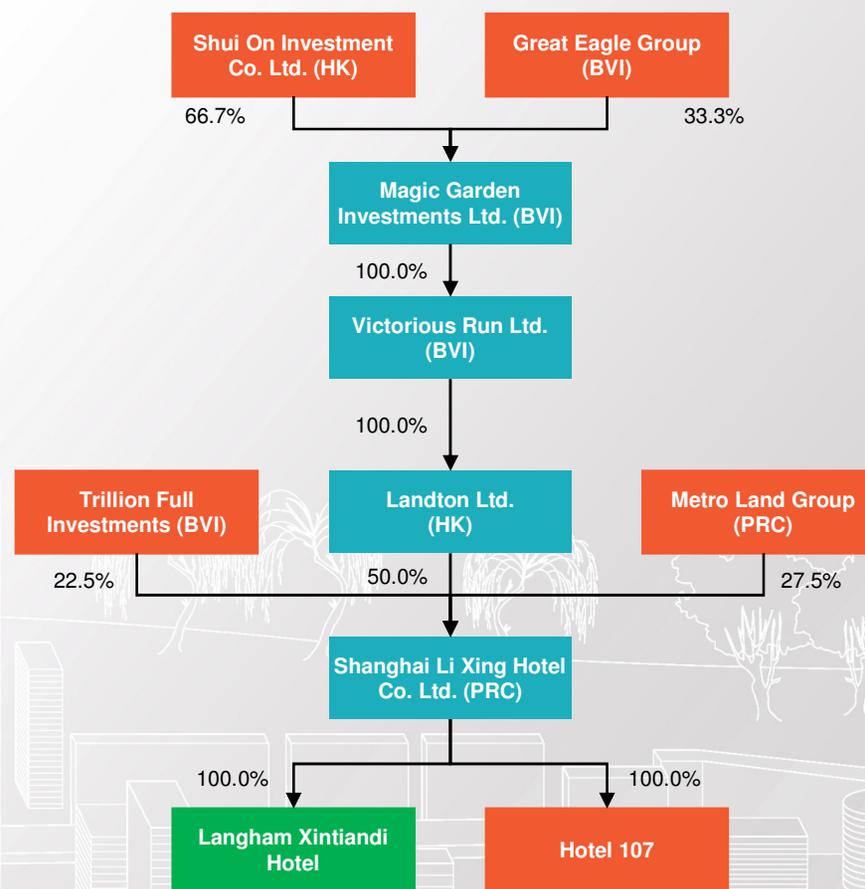
Asset Overview – Langham Xintiandi Hotel



Location	4/1 Qiu, Jiefeng 108, Huaihai Middle Road, Huangpu District, Shanghai
Total GFA	53,795 sqm with 357 guest rooms
Grand Opening	Mar 2012 (soft opened in Oct 2010)
Land Use Rights	Expiring in 2042
Valuation	RMB1,997m (approx. HKD2,416m) ¹ on a 100% basis at completion state (Savills: 31 July 2011) Equivalent to RMB37,122 per sqm (HKD44,911 per sqm) ¹
SOI Stake	66.7% (effective indirect interest in Langham Xintiandi Hotel)
(Loss)/ Profit before tax (unaudited)	2009: HK\$(113) million 2010: HK\$11 million
(Loss)/ Profit attributable to SOI (unaudited)	2009: HK\$(85) million 2010: HK\$20 million

Note 1: Converted to HKD using 1RMB:1.21HKD

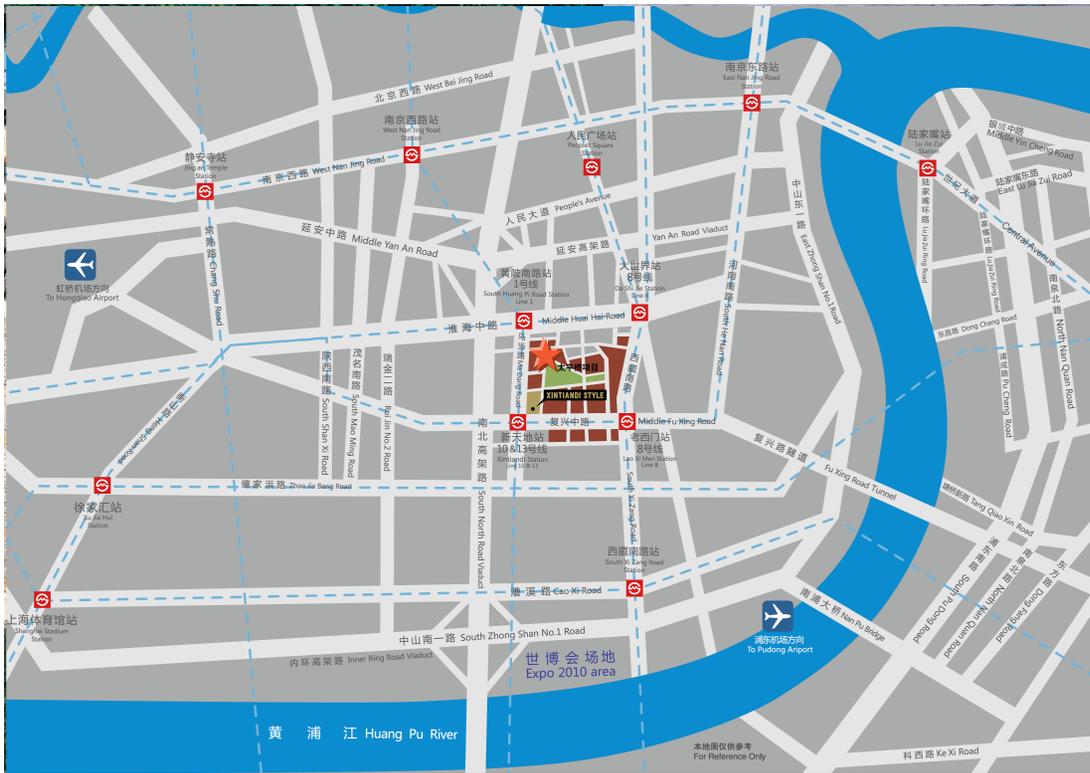
Shareholding Structure



Langham Xintiandi Hotel – World Class Facilities



Both assets are located in Huangpu District, a prime commercial center of Shanghai



Huangpu District

- The Huangpu District is one of the city's leading business and commercial districts covering an area of 24 sq km and encompasses the sub-districts of Nanshi, Huangpu, and Luwan
- Several landmarks in the Huangpu District include the People's Park, People's Square, Xintiandi, and the Shanghai French Concession. This area has long been regarded as the premier residential and high-end commercial area of Shanghai
- For both Shui On Plaza and Langham Xintiandi Hotel, public transportation is readily accessible, including the popular Line 1 and Line 10 of the Shanghai Subway line. In addition, Hongqiao airport is only a short 25 min away

★ Langham Xintiandi Hotel



Key Information

Location	4/1 Qiu, Jiefeng 108, Huaihai Middle Road, Huangpu District, Shanghai
Total GFA	53,795 sqm with 357 guest rooms
Grand Opening	Mar 2012

★ Shui On Plaza



Key Information

Location	333 Huai Hai Middle Road, Huangpu District, Shanghai
Total GFA	Retail: 27,728 sqm Office: 29,860 sqm Car parking space: 8,227 sqm

Master Plan of Shanghai Taipingqiao



- 1 Shui On Plaza
- 2 Langham Xintiandi Hotel
- 3 Other hotel
- 4 Xintiandi
- 5 Xintaindi Style Shopping Centre]
- 6 Corporate Avenue Phase 1
- 7 Corporate Avenue Phase 2
- 8 Office Tower
- 9 Opera House
- 10 Office Tower
- 11 Manmade Lake
- 12 Lakeville Ph. 1
- 13 Lakeville Regency Ph.2
- 14 Casa Lakeville Ph. 3
- 15 Schools
- 16 Lakeville Phase 4
- 17 Lakeville Phase 5
- 18 Lakeville Phase 6
- 19 Dongtai Road Antique Street



- Completed
- Under development
- Future development

Metro Line No. 1

Metro Line No.10

Well Established World Class Luxury Brands Adjacent to the Assets



- 1 Shui On Plaza 2 Hong Kong Plaza 3 K11 4 Lippo Centre 5 Infinite Square 6 Times Square



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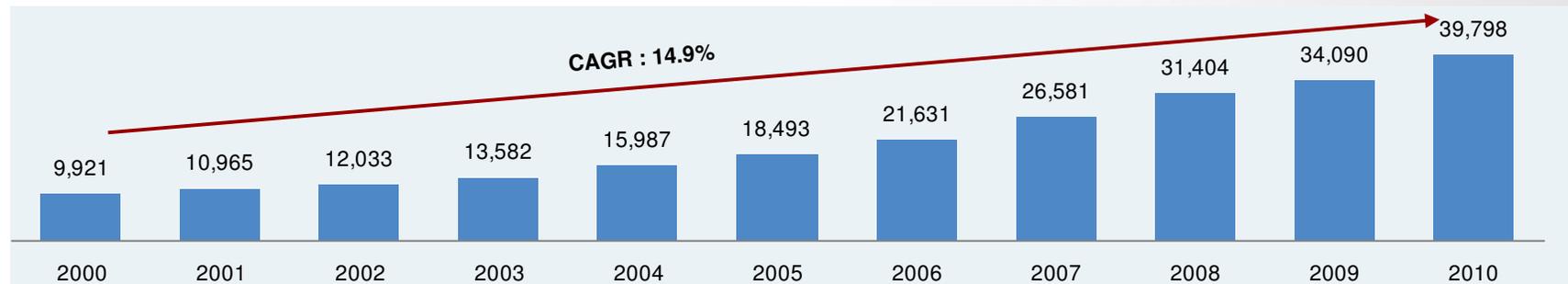
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China's strong GDP growth, particularly in Shanghai makes it a prime location for continued investment



China GDP Growth (RMB Bn)



Shanghai GDP Growth (RMB Bn)



- In 2010, Shanghai's total GDP of RMB 1,687bn and GDP per capita of RMB 73,287 continues to rank first amongst all the provinces and municipalities in China
- A large number of foreign companies and investors have entered the Shanghai market because of its economic growth and position as the leading financial center in China. Between 2000 and 2009, foreign direct investment in Shanghai grew from USD 3.2bn to USD 10.5bn, representing a CAGR of 14.2%

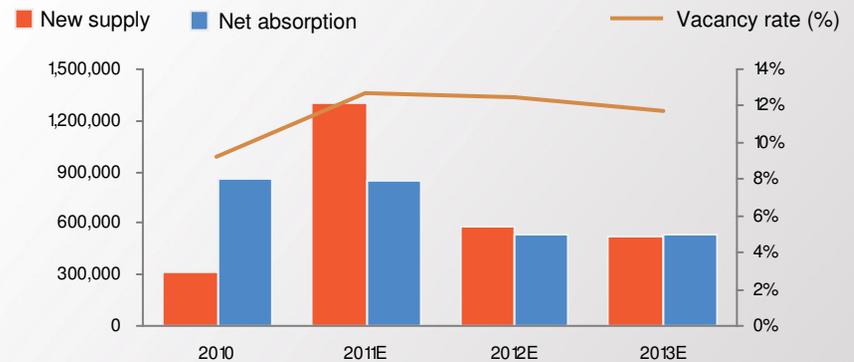
Projected lack of commercial space will continue to drive rental and capital values upwards



Key Investment Highlights

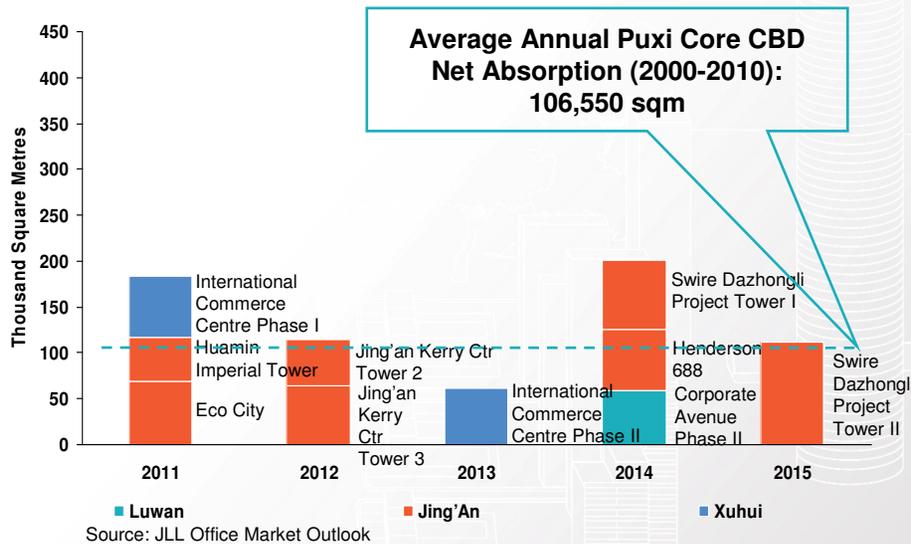
- Commercial space in Shanghai will continue to be scarce as new Grade A supply that is due to come online will quickly be absorbed
- Vacancies in the premium Puxi buildings will also continue to be low given the increased demand of Grade A space in the immediate area
- As a result, Puxi prime office space has strong growth potential in both rental rates and capital values over the next few years

Projected Grade A Office Supply, Absorption and Vacancy Rates in Shanghai (sqm)



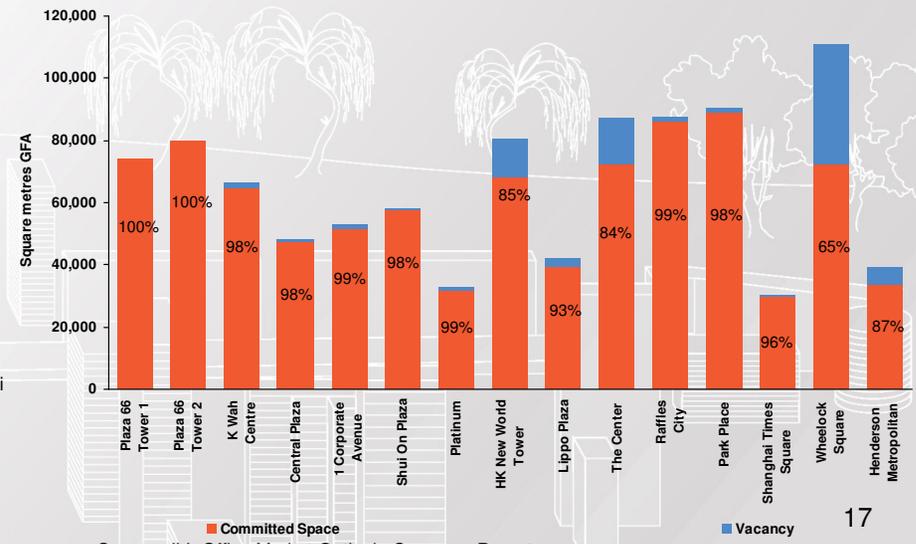
Source: Savills

Projected Puxi Core CBD Grade A Supply and Absorption



Source: JLL Office Market Outlook

Limited Vacancy in Existing Premium Puxi Buildings



Source: JLL Office Market Outlook, Company Reports

Demand for Shanghai retail space will continue to be driven by the increased consumer consumption



Key Investment Highlights

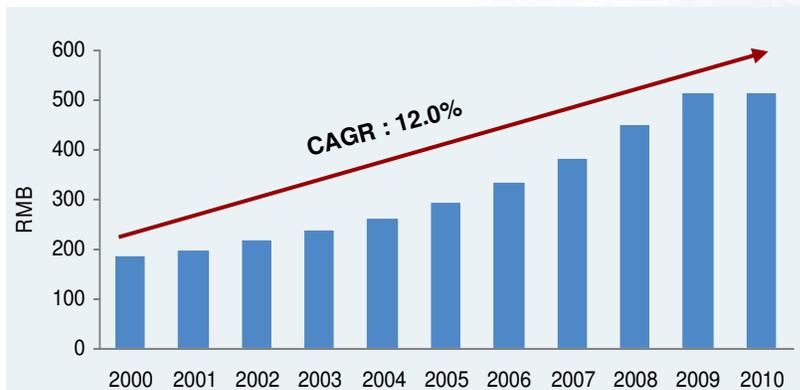
- The largest clusters of high-end retail accommodation in Shanghai are located in the retail districts of Nanjing West Road, The Bund, and Hua Hai Zhong Road
- With limited land supply in the central areas, mid-to high-end retail properties are expected to see strong demand in the long term driven by:
 - Increasing investment from foreign retailers as retail sales in Shanghai continue to increase. Retail sales in Shanghai grew at a CAGR of 12.0% from 2000 to 2010
 - Limited supply of high-end retail space will continue to drive rental rates and capital values upwards

High-End Retail Market Supply Statistics

Area	Total Stock (sqm)	New Supply (sqm)	Average Rental (RMB/sqm/day)	q-o-q (%)
Lujiazui	607,378	0	41.0	6.69
Nanjing E. Road	360,128	0	57.1	3.63
Huahai Middle Road	375,292	0	46.3	0.59
Nanjing W. Road	285,895	0	78.5	1.62
Xujiahui	245,000	0	66.0	0
Total	1,873,693	0	54.66	3.02

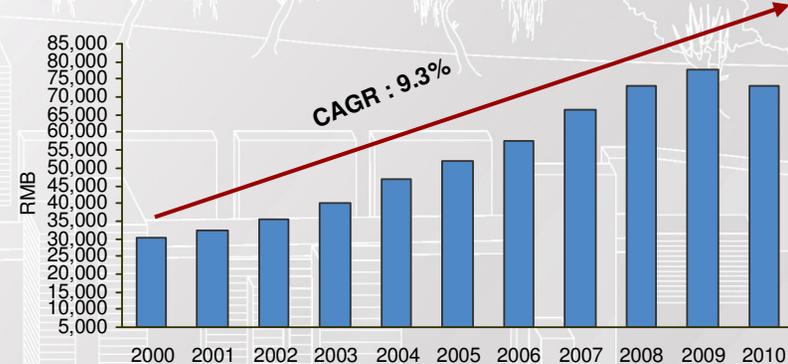
Source: DTZ Q1, 2011

Shanghai Retail Sales of Consumer Goods (RMB bn)



Source: Shanghai Statistical Yearbook

Shanghai Per Capita GDP (RMB)



Source: Shanghai Statistical Yearbook

Langham Xintiandi Hotel will capitalize on the increasing growth of business travelers



Key Investment Highlights

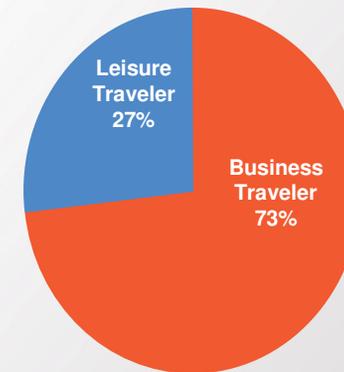
- Langham Xintiandi Hotel is a luxury quality hotel located near Xintiandi and in close proximity of major transportation for business travelers (Subway and Hongqiao Airport)
- As a result, business travelers account for ~73% of Langham Xintiandi Hotel's business. In a survey recently done by American Express, a large portion of Chinese corporates expect to increase travel budgets significantly (+17%) this year. American Express expects that high-end hotels in China can potentially raise room rates by 7-12%
- As Langham Xintiandi Hotel recently soft opened (Grand opening in Mar 2012), we expect to see strong gains in both occupancy and average daily room rate as it stabilizes and falls in line with the other competing properties in the area

Business Travel Survey

Country	Corporate Travel Budget Increase	Hotel Rate Increase (Upper Range Hotels)
China	+17%	+7-12%
India	+15%	+2-6%
Hong Kong	+6%	+5-10%
Singapore	+6%	+2-7%
Australia	+5%	+5-10%

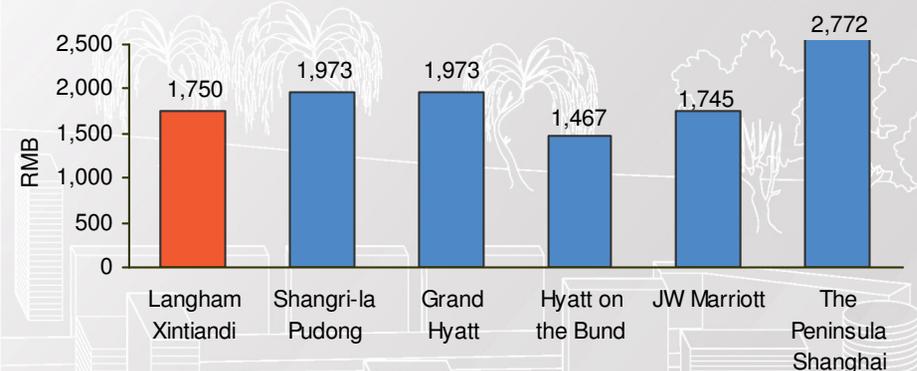
Source: American Express Business Travel

Langham Xintiandi Hotel Customer Analysis



Source: Company - Customer Analysis January 1, 2011 - June 30, 2011

Competing 5-Star Average Daily Rental Rates



Source: Savills

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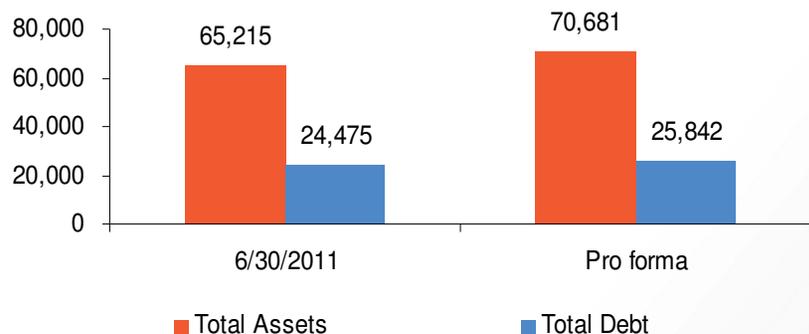
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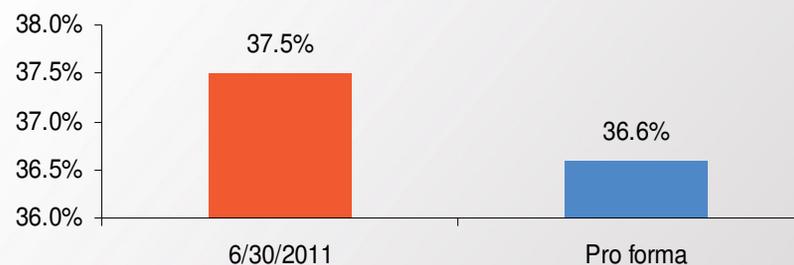
Improving Financial Position of SOL (note 1)



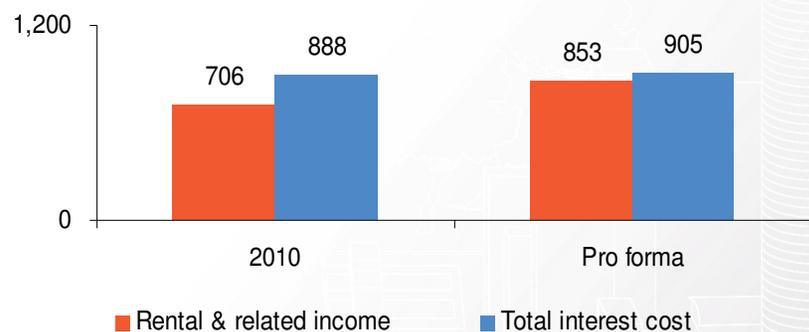
Total Assets and Total Debt (RMB m)



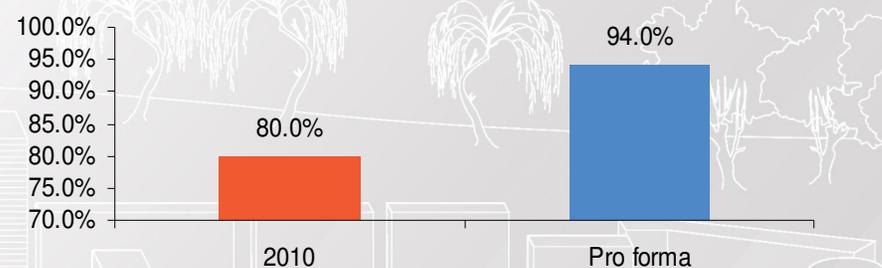
Total Debt/ Total Assets



Rental & Related Income and Total Interest Cost (RMB m) (note 2)



Rental & Related Income/ Total Interest Cost



Notes:

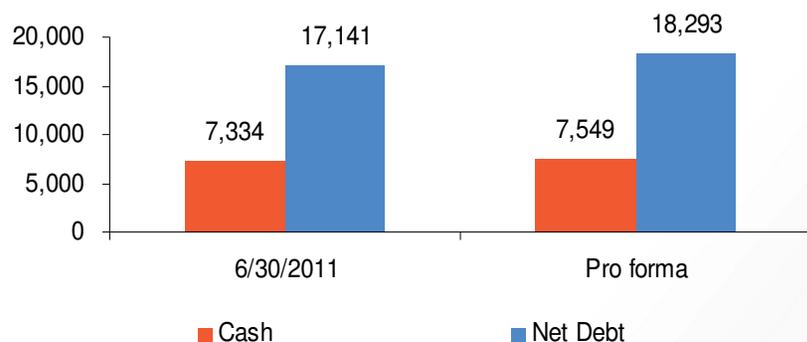
1. Pro forma analysis on this page, which is prepared on the basis of published financial information of SOL and management accounts of Rimmer and Magic Garden, is for reference only and has not been reviewed by the auditors
2. 2010 full year numbers have been used, as if the acquisition of Plaza and Hotel took place at the beginning of 2010

Improving Financial Position of SOL (Cont'd)

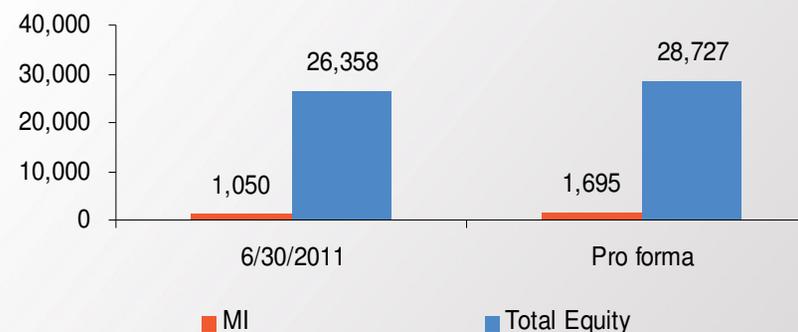
(note 1)



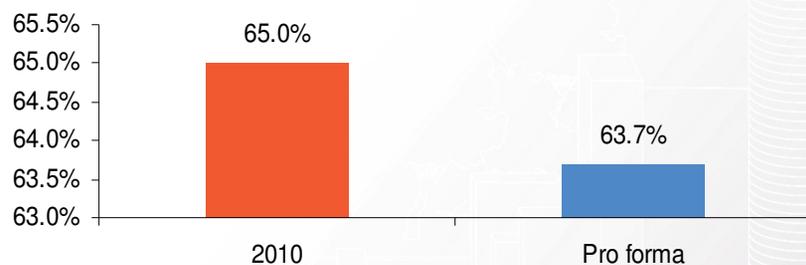
Cash and Net Debt (RMB m)



Minority Interests and Total Equity (RMB m) (note 2)



Net Debt/ Total Equity



Notes:

1. Pro forma analysis on this page, which is prepared on the basis of published financial information of SOL and management accounts of Rimmer and Magic Garden, is for reference only and has not been reviewed by the auditors
2. Increase in minority interests ("MI") is attributable to (a) MI on the balance sheet of Rimmer of approx. RMB539 m, and (b) 33.3% interests in Magic Garden held by G.E. Holdings (RMB106 = HK\$383 x 33.3% / 1.21)

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Connected Transactions Arising from the Acquisition



	Langham Xintiandi Hotel Related Transactions	Financial Assistance
Nature of Transactions	<ul style="list-style-type: none"> Hotel management agreement for 20 years from the opening of Langham Xintiandi Hotel Licence agreement for the use of “Langham” and other marks for the operation of Langham Xintiandi Hotel 	<ul style="list-style-type: none"> Entrustment loan and current account owed by PRC subsidiaries of the Seller Group to Shanghai Rimmer, PRC subsidiary of Rimmer Investment, as of the date of SPA
Reasons for Transactions	<ul style="list-style-type: none"> The relevant agreements are related to daily operations of the Langham Xintiandi Hotel and have been entered into prior to the proposed acquisition Continuance of such agreements is essential to the smooth integration of Langham Xintiandi Hotel into the Group after completion 	<ul style="list-style-type: none"> Such amount will not be settled prior to completion as time is required for the Seller Group to remit funding required into the PRC for settlement
Basis	<ul style="list-style-type: none"> Hotel management fees <ul style="list-style-type: none"> Base fee of 0.5% of total revenue Incentive fee of 6.75% of gross operating profit Global marketing and advertising fee of 2.0% over total room revenue Licence fees <ul style="list-style-type: none"> 1% of total revenue 	<ul style="list-style-type: none"> Amount owed by the Seller Group as shown in the consolidated balance sheet of Rimmer Investments as of June 30, 2011
Amount involved	<ul style="list-style-type: none"> Annual cap for 2011, 2012 and 2013: HK\$98.96 m 	<ul style="list-style-type: none"> Not more than HK\$108 m

- Thank You
- Q&A

