

INTERVIEW

# Shui On lays strong foundation

Property developer Shui On is about to embark on a new stage of its history.

A new company, Shui On Land (SOL), has just been set up to co-ordinate the group's projects on the mainland.

"It was time to group everything under one umbrella," explains Wilfred Y.W. Wong, vice-chairman of Shui On Group and vice-chairman and chief operating officer of its new mainland arm.

The company has been investing in real estate on the mainland since 1985. In 1996, it started to invest in Xin Tiandi and Taipingqiao in Shanghai, and later in Rainbow City - a high-end residential development for the middle class.

Xin Tiandi is the new retail and entertainment area of Shanghai that has won widespread acclaim for its "yesterday-meets-tomorrow" concept.

"Because of the success of Xin Tiandi," Wong continues, "we were invited by many local governments to invest in their cities and, therefore, we extended our operations to Hangzhou and Chongqing.

"We feel that we should have one single vehicle that people recognize as our mainland flagship and that is primarily focused on real estate development."

Previously there was some confusion, with Rainbow City, started by the private Shui On company, being later injected into its Hong Kong-focused listed unit, Shui On Construction and Materials (SOCAM).

There will be a special general meeting of SOCAM tomorrow to see if the minority shareholders agree to injecting the company's stake in Rainbow City into SOL, along with US\$50 million in cash.

Shareholders will get up to US\$138.8 million worth of ordinary shares in SOL in return and the whole company will benefit by gaining a bigger and more diversified portfolio, Wong says.

"The shareholders' agreement has been signed - we are waiting for a vote. We are looking to incorporate SOL in early May."

The company will inject its Hangzhou and Chongqing projects into SOL later on. As for other projects, SOL will have the first right of refusal.

Regarding the timeframe for listing, Wong says they are looking to build up the profits of the new company first.

"Right now we are thinking of early 2006 as a possibility. It has not been decided where the listing will be."

SOL is being launched at a time when the mainland's property market has been roaring at full throttle. But although he acknowledges that there has been overheating in some segments of the market, Wong dismisses fears about a property bubble.

"The government is tightening lending criteria for mortgage loans for properties below a million dollars so that only 70 per cent of the price is covered by the mortgage. This is to cool down speculation at the lower end of the market."



Wilfred Y.W. Wong, vice-chairman of Shui On Group, suggests Hong Kong companies look beyond the Pearl River Delta.

EDMOND TANG

**“**We don't just grab a piece of land. We're there for the long haul and look at things from a long-term investment angle.**”**

**WILFRED Y.W. WONG**  
Vice-Chairman of Shui On Group

For example, in Shanghai, the government is treating the housing market as two separate segments. Right now, it will control the prices at the lower and middle ends of the market so as to look after the needs of local residents. But for luxury apartments it is leaving things to the market.

Economic growth and housing prices go hand in hand. The mainland economy is enjoying double-digit growth and Wong expects the property market to grow at between 10 and 15 per cent a year.

Demand for housing is very strong, particularly in Shanghai, where there are a lot of foreigners and people from other provinces. "Last year what was built was sold. And this is not just in Shanghai - it is true of Beijing, too," he says.

"The Lakeville, phase one of the luxury residential complex we are building in the Taipingqiao area of Shanghai, is almost completely sold," Wong says by way of example.

"We sold 270 units even without advertising! Some of the units have even been resold for a handsome profit."

The same is true of the demand for office space: Leasing is proving very strong at Towers 1 & 2 of Shui On's Corporate Avenue in Taipingqiao. They were handed over on January 1 and 50 per cent of the offices have already been let out, mostly to multinational corporations.

Wong confirms that Shui On hopes to get another 83 hectares of land from the Shanghai city authorities.

It is close to finalizing another deal with the Shanghai government whereby it would develop part of Yangpu district, an area with a lot of old buildings and factories. A master plan for the development is being worked out.

"We, as a developer, would like to distinguish ourselves from the pack," the vice-chairman says, explaining the firm's approach of combining conservation with development.

"We don't just grab a piece of land. We're there for the long haul and look at things from a long-term investment angle."

"We seek to acquire the whole chunk of land where the development will be so that we can control the environment. We respect the heritage of a city."

For example, in Xin Tiandi, it preserved the stone gate (*shikumen*) buildings. Half the population of Shanghai once lived in such buildings, so "there is a lot of history".

It's the same in Hangzhou. The company is renovating the old Zhejiang-style houses with their grey roofs and white plaster walls to turn them into retail shops near West Lake.

"In Hangzhou, we are trying to design according to the principle of sustainable development, with natural ventilation, water recycling and so on. We are hoping that Xihu Tiandi, our project there, will be the first on the mainland to win the platinum LEED (Leadership in Energy and Environmental Design) certification awarded by US Green Building Council.

"There is an aesthetic element to the Chongqing project, too," he says. "It will have a cultural focal point situated right next to the Jialing River."

There has been some misunderstanding about the Hualongqiao development there, with some reports saying that it is intended as an industrial park.

"What we have in mind is rather a manufacturing service centre, a place for lawyers, accountants, designers to have their offices. In other words, everything to support manufacturing.

"It will be an extension of the Yuzhong commercial district - a bit like what Admiralty is to Central in Hong Kong. We are going to build a pier and piazza there. We will pay a lot of respect to the local architecture and won't just import styles from other cities."

The company's Hualongqiao development in Chongqing has been a focus of controversy in the last few days, with reports of demonstrations by displaced residents seeking better compensation.

"In Hualongqiao, we have done everything according to the law and government policy," Wong says, asked if he feels his company has a moral responsibility towards those being relocated.

"It is the local government which decides on the level of compensation to be paid to those who are relocated - we simply pay the local authority. We don't get involved in the relocation itself."

The formula for compensation paid by the government reflects the level of economic growth and the cost of living, and varies from city to city.

"I don't know the rate being paid in Hualongqiao. We just pay a lump sum," he said.

He admits that corruption is involved in relocation processes, but the situation is improving.

"The government is doing a lot to address this issue. Of course, it is not possible to straighten things out right away," he says, adding that his company has steered clear

of corruption. "With us, everything is above board. We are recognized as being honest people," says the Shui On vice-chairman.

He says the importance of *guanxi* (connections) is overemphasized. "Everywhere in the world, there is an element of *guanxi* - it is the same in Hong Kong and in the US."

Shui On Chairman Vincent Lo entered the mainland market in 1985, when he teamed up with the Communist Youth League in Shanghai to build a hotel there.

The first chairman of the board of the hotel joint venture was Han Zheng, the current mayor of Shanghai. "Naturally a high degree of trust in our company has evolved as a result of our work over the years.

"The playing field is quite level, however. Any developer who wants to invest in China has the opportunity. A lot of land goes for tendering and auction.

"For megaprojects, on the other hand, it is true that we have an edge over our competitors because of our track record. We have delivered what we promised. Also, we don't just look at our bottom line. We consider what we can bring to a city, how we can contribute something to the community."

Speaking of opportunities for Hong Kong companies, Wong, who is vice-president of the Shanghai-Hong Kong Council for the Promotion and Development of the Yangtze, points to the Yangtze River Basin that runs from Shanghai to Chongqing.

"There are definitely a lot of business opportunities for Hong Kong under the government's Go West Policy, especially for small- and medium-sized enterprises. Vast infrastructure must be built and there is a need not just for cutting-edge technologies but also all the support facilities."

A lot of Hong Kong businesses have experience working in the Pearl River Delta. Now it's time to look further.

"In the past Hong Kong companies were just testing the water in the interior. Now a lot are really going in. A lot of large companies have already set up branch offices in the western region.

"The opportunities are there under CEPA. If we move fast enough we'll get them."

There are many opportunities for Hong Kong businesses as the mainland opens up. But it will not do to cut corners or neglect the country's cultural heritage and environment, Shui On Vice-Chairman Wilfred Y.W. Wong tells Don Gasper

The Joint Holdings of Hong Kong Limited takes no responsibility for the contents of this announcement, neither its representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or on reliance upon the whole or any part of the contents of this announcement.



## JINHUI HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 117

### DISCLOSEABLE TRANSACTION

Following its approval by 20% per cent of the ordinary shareholders of the Company, the Buyer entered into the Agreement on 11 April 2004 to acquire the "Vessel" in consideration of US\$12,120,000 (approximately HK\$194,500,000).

The "Vessel" is expected to be delivered by the Seller during the period from 1 March 2005 to 30 April 2005.

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

#### INTRODUCTION

The Board of Directors ("Directors") of Jinhui Holdings Company Limited (the "Company") announces that it has entered into the Agreement (the "Agreement") with the Seller on 11 April 2004 to acquire the "Vessel" (the "Vessel") from the Seller. The "Vessel" is a 2000-tonne container ship. The "Vessel" is currently registered in the name of the Seller. The "Vessel" is a 2000-tonne container ship. The "Vessel" is currently registered in the name of the Seller. The "Vessel" is a 2000-tonne container ship. The "Vessel" is currently registered in the name of the Seller.

#### THE AGREEMENT

1. The Buyer, Jinhui Holdings Company Limited, has entered into the Agreement with the Seller to acquire the "Vessel" from the Seller. The "Vessel" is a 2000-tonne container ship. The "Vessel" is currently registered in the name of the Seller.

2. The Seller, Jinhui Holdings Company Limited, has entered into the Agreement with the Buyer to deliver the "Vessel" to the Buyer. The "Vessel" is a 2000-tonne container ship. The "Vessel" is currently registered in the name of the Seller.

3. The Acquisition, as defined in the Agreement, is expected to be completed by the Buyer during the period from 1 March 2005 to 30 April 2005. The "Vessel" is expected to be delivered by the Seller during the period from 1 March 2005 to 30 April 2005.

4. Consideration. The purchase price of the "Vessel" as defined in the Agreement is US\$12,120,000 (approximately HK\$194,500,000) payable by the Buyer.

The final settlement in the sum of US\$12,120,000 (approximately HK\$194,500,000) will be payable by the Buyer to the Seller in three instalments. The first instalment of US\$4,040,000 (approximately HK\$64,833,333) will be payable by the Buyer to the Seller on 30 September 2004. The second instalment of US\$4,040,000 (approximately HK\$64,833,333) will be payable by the Buyer to the Seller on 30 November 2004. The third instalment of US\$4,040,000 (approximately HK\$64,833,333) will be payable by the Buyer to the Seller on 30 January 2005.

The purchase price for the "Vessel" will be payable by the Buyer in United States Dollars. The first 50% instalment is expected to be funded by the Seller's account of Jinhui Holdings Company Limited. The balance of the purchase price will be funded by the Buyer. The Seller will be responsible for the delivery of the "Vessel" to the Buyer. The Seller will be responsible for the delivery of the "Vessel" to the Buyer.

5. Delivery. The Agreement provides that the expected date of delivery of the "Vessel" will be prior to the end of the period from 1 March 2005 to 30 April 2005. Subject to the terms of the Agreement, if there is any delay in the delivery of the "Vessel", the Seller will be liable to the Buyer for the delay. The Seller will be liable to the Buyer for the delay.

6. Covenants. Jinhui Holdings Company Limited, the Seller, has entered into the Agreement with the Buyer on 11 April 2004 to acquire the "Vessel" from the Seller. The "Vessel" is a 2000-tonne container ship. The "Vessel" is currently registered in the name of the Seller.

#### DISCLAIMER FOR THE ACQUISITION

The principal activities of the Company and its subsidiaries (the "Group") include investment holding, property development and construction. The Group is not a financial institution. The Group is not a financial institution. The Group is not a financial institution. The Group is not a financial institution.

#### GENERAL

This is a summary of the Agreement. It does not contain all the terms and conditions of the Agreement. For a full and complete understanding of the Agreement, please refer to the full text of the Agreement. The full text of the Agreement is available on the Company's website.

By Order of the Board  
of Jinhui Holdings Company Limited  
Wong Hong, 11 April 2004

#### NOTICE ON APPLICATION FOR A LIQUOR LICENSE

##### M1 Bar & Lounge

Notice is hereby given that the application for a liquor license for M1 Bar & Lounge, located at 23A Tsim Sha Tsui Road, Tsim Sha Tsui, Kowloon, Hong Kong, is being processed. The application is subject to the approval of the Liquor Licensing Authority. The application is subject to the approval of the Liquor Licensing Authority.