



Press Release

Shui On Land Announces 2018 Interim Results *Profit Attributable to Shareholders up 36%* *Asset Light Strategy Delivers Growth and Stability Despite Market Volatility*

[27 August 2018, Hong Kong] – Shui On Land Limited (“Shui On Land” or the “Company”, Stock Code: 272) today announced its unaudited consolidated results for the six months ended 30 June 2018.

Significant revenue growth: Revenue for the first half of 2018 (“1H 2018”) increased significantly by 87% from RMB10,166 million to RMB19,032 million, including RMB2,907 million and RMB14,981 million generated respectively from general property sales and other asset disposal. Rental and related income (including hotel income) rose to RMB996 million.

36% growth in profit attributable to shareholders: As a result of the strong revenue growth, profit for the period increased to RMB1,479 million or HKD1,695 million while profit attributable to shareholders grew to RMB1,225 million or HKD1,404 million, a 36% increase compared to RMB898 million or HKD1,029 million in 1H 2017 (The HKD figures presented in this paragraph are based on the exchange rate of RMB1.000 to HKD1.146, the exchange rate of 27 August 2018 issued by the PBOC).

Basic earnings per share increased to RMB0.152 or HKD0.187, compared to RMB0.112 or HKD0.127 in 1H 2017. The Board declared an interim dividend of HKD0.036 per share, representing a 20% increase.

Solid balance sheet to weather market volatility: Net gearing ratio was 43% as of 30 June 2018, a further decrease of 8 percentage points from 51% as of 31 December 2017. Cash and bank deposits remained healthy at RMB11,300 million at the end of the period. This solid balance sheet should be able to help the Company weather any market volatility that may arise.

Unlock asset value to enhance return: In June 2018, the Company divested 49.5% effective interest of residential inventory in Shanghai Rui Hong Xin Cheng (“RHXC”) Lots 1 and 7, enabling the Company to unlock value in the asset at a substantial profit and to enhance shareholders’ return.

A growing prime Shanghai commercial portfolio: In July 2018, the Company, along with its strategic partners, won in a bid for a major commercial site in the Taipingqiao Area, Huangpu District. This is one of the largest and most centrally located commercial sites available for sale in Shanghai in recent years, and a continuation of our contribution to this development spanning more than 20 years. Including this site, the Company owned and held under management a total gross floor area (“GFA”) of 1.67 million square metres (“sq.m.”) for retail and office use. Total current asset value of the portfolio was approximately RMB59.4 billion, of which RMB31.6 billion was attributable to the Company.

Encouraging sales performance driving towards full-year sales target

This year thus far, the property market in China remained challenging especially in first tier cities, where a wide range of stringent control measures continued to be in place. Notwithstanding this background, our sales performance was very encouraging. Accumulated contracted residential property sales for the six months amounted to RMB5,908 million, representing about 50% of our annual sales target for residential property, while other asset disposals amounted to RMB7,749 million.

In addition to the contracted property sales, as of 30 June 2018, a total GFA of 39,000 sq.m., generating a total value of RMB4,529 million, was subscribed subject to formal sales and purchase agreements. These sales were mainly contributed by the launch of sales of Shanghai TPQ Lakeville Luxe in April. All 117 units were sold on the first day of launch, showing strong demand.

Subject to required government approvals, the Company has approximately 203,800 sq.m. of residential GFA spanning six projects, available for sale and pre-sale during 2H 2018.

Steady rental income growth

Rental and related income (excluding income from hotel operations) increased by 5% to RMB948 million in 1H 2018. The moderate growth of rental income was mainly due to the deconsolidation of rental and related income generated from the RHXC commercial partnership portfolio. Total rental and related income including RHXC, which is now classified as joint venture income, reached RMB1,029 million, representing a 14% growth driven by rental growth across all of our commercial properties.

Rental and related income of the commercial portfolio in Shanghai (including RHXC joint venture income) grew by 9% during the period. Outside Shanghai, Wuhan Xintiandi and HORIZON shopping mall recorded a robust growth of 25%, while Chongqing Tiandi and NOVA at Foshan Lingnan Tiandi also grew significantly by 26% and 37% respectively.

Upon completion of the asset enhancement initiative of the retail podium at Shui On Plaza, the new retail space, to be named “Xintiandi Plaza”, is set to re-open in late 2018. With a total retail space of 28,000 sq.m., Xintiandi Plaza has adopted a “new retail” approach to create a shopping and social destination specifically designed for the young generation of women, with many first-in-China tenants.

Asset Light Strategy makes solid progress with new investments

The Asset Light Strategy adopted by the Company continued to make solid progress.

In June, we established co-operation with Joy City by disposing of 49.5% stake of residential inventory in RHXC Lots 1 and 7. This allowed the Company to enhance shareholders’ return by unleashing the relevant asset value at a significant profit.

We are forming more partnerships to capture promising investment opportunities. In July, together with partners, the Company successfully bid for three commercial land parcels adjacent to our Shanghai Xintiandi. With a total land area of 34,824.5 sq.m., the project will be developed into world class commercial and office spaces. The partnership model, with the

Company undertaking development and management of the project, enables us to benefit from the future contribution of the project while reducing our capital exposure.

We also continued to leverage our brand strengths and management expertise to seize opportunities to manage third party assets. Two commercial projects in Nanjing, in which the Company was granted rights last year to take on the overall project planning, renovation, management and operations, will soon start to generate recurrent management income.

Well positioned to weather uncertainties, and to seize attractive new opportunities

Mr. Vincent H. S. Lo, Chairman of Shui On Land, said, “Without a doubt, 2018 thus far presented a very challenging market environment. I am pleased to report, however, that we managed to deliver encouraging results with higher profit and a stronger balance sheet, thanks to our adoption of the Asset Light Strategy, our premium brand and quality assets.”

“Given the global political and economic uncertainties, as well as the unprecedented challenges in the Chinese property market, we shall continue to exercise utmost prudence in these challenging times. I am sure our Asset Light Strategy will continue to facilitate growth while keeping the Company’s financials healthy. I look forward to fostering more partnerships to continuously drive the sustainable growth of the Company. Supported by our young and professional team who are embracing bigger roles in the Management, the Company is well-positioned to progress further in the times to come.”

Ms. Stephanie B. Y. Lo, Executive Director of Shui On Land, said, “There are big changes in consumer behaviour: how they live, work, play and learn. We are continuously strengthening our retail and office products and evolving the Xintiandi brands to adapt to these changes. Xintiandi is a cultural and social district, one that is built upon the strong heritage of our existing Xintiandi projects. The opening of Shui On Plaza’s retail podium, where people can come to meet, grow and engage, will mark the beginning of this new evolution of the Xintiandi brand. In the office market, emergence of new industries and a new millennial generation have reshaped the nature of the workplace. Our new office product line “INNO” aims to provide a total solution for businesses of different scales. We shall evolve our commercial products to pave way for future growth and value creation. .”

Mr. Douglas H. H. Sung, Managing Director and Chief Financial Officer of Shui On Land, said, “Maintaining a solid financial position remains a top priority for the Company. Recent volatility in global financial markets shows that our focus on deleveraging in the past 2 years has been the right approach. Our net gearing ratio stood at 43% as of 30 June 2018, with total debt reduced by 21%. We expect to maintain a low leverage in the near future. Indeed, the execution of the Asset Light Strategy and strict financial discipline have greatly enhanced the Company’s balance sheet, which is of paramount importance in the current uncertain macro environment and challenging capital markets. We believe it will enable the Company to cope with any near term global economic uncertainties and to position us to take advantage of attractive opportunities arising from any potential market turmoil.”

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About Shui On Land

Headquartered in Shanghai, Shui On Land (Stock Code: 272) is the flagship property development company of the Shui On Group in the Chinese Mainland with a proven track record in developing mixed-use, sustainable development communities. As of 30 June 2018, the Company has nine projects in various stages of development in prime locations of major cities, with a landbank of 8.4 million sq.m. (6.8 million sq.m. of leasable and saleable GFA, and 1.6 million sq.m. of clubhouses, car parking spaces and other facilities). The Company was listed on the Hong Kong Stock Exchange on October 4, 2006, the largest Chinese real estate enterprise listed that year. Shui On Land was included in the Hang Seng Composite Index, HSCI Composite Industry Index - Properties & Construction, Hang Seng Composite LargeCap & MidCap Index and Hang Seng Stock Connect HK Index.

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