Press Release

Shui On Land Announces 2017 Interim Results
Solid Results with
Steady Progress in Asset-Light Strategy

[23 August 2017, 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 2017 ("1H 2017").

Strong revenue growth: Turnover increased by 185% to RMB10,166 million in 1H 2017. The strong growth was driven by robust residential sales contracted in 2016, and from disposing the majority equity interests in the portfolio of 11 parcels in the Chongqing project. In addition to the property sales recognised as turnover, the Company also completed RMB1,021 million of asset disposals recognised under disposal of investment properties. Rental and related income increased by 19% to RMB946 million.

Improved margins: Gross profit margin increased by 20 percentage points to 43% due to more Shanghai residential sales being recognised. Gross profit increased by 449% to RMB4,418 million, while operating profit increased by 611%.

Increase in attributable net profit: Profit for the period was RMB1,168 million in 1H 2017, compared to RMB1,128 million in 1H 2016. Profit attributable to shareholders was RMB898 million in 1H 2017, representing a 17% increase compared to RMB768 million in 1H 2016.

Strengthened balance sheet: Net gearing ratio was 57% as at 30 June 2017, representing a decrease of 11 percentage points from 68% as at 31 December 2016 and a decrease of 30 percentage points from the peak of 87% as at 30 June 2015. Cash and bank deposits was RMB17,704 million at the end of the period.

Basic earnings per share increased to RMB0.112 or HKD0.127, compared to RMB0.096 or HKD0.114 in 1H 2016. The Board declared an interim dividend of HKD0.03 per share, representing a 173% increase compared to the interim dividend per share in 2016.

RMB10,194 Million Locked-In Sales Scheduled for Delivery from 2H 2017

During the six month period, the Chinese government has launched a series of local and national measures designed to stabilise the property market. These are unprecedented measures and include the imposition of controls in granting pre-sale permits, price control, restrictions on home purchases and residential mortgages. These measures have not curbed actual demand for properties, which remains very strong. However, they have affected the timing of sales and the conversion of subscribed sales into contracted sales. Against this development, we recorded contracted sales of RMB2,833 million in residential properties and car parks (including those from Dalian associates), a decrease of 73% from 1H 2016.

In contrast, subscribed property sales grew by 37% to RMB4,035 million on the back of robust market demand. These sales was primarily contributed by the project in Shanghai, namely The Gallery at Rui Hong Xin Cheng (RHXC), which accounted for RMB3,536 million of subscribed sales. The second batch of properties for sale at The Gallery comprising 232 units with a total gross floor area (GFA) of 44,495 square metres (sq.m.) was launched in April. Sales performance was outstanding with a 92% sale through rate on the first day of launch.

Total locked-in sales slated for delivery in 2H 2017 and beyond amounted to RMB10,194 million, including disposal of commercial properties and contributions from Dalian associates.

The Company has approximately 410,100 sq.m. of residential GFA from five projects for sale and pre-sale during 2H 2017, of which a total GFA of approximately 99,800 sq.m. is expected from Lakeville Luxe and The Gallery in Shanghai.

Higher Rental Income with Contribution from New Projects

Rental and related income from investment properties increased by 19% to RMB946 million in 1H 2017. The increase was a result of the additional contribution from three newly opened retail properties, NOVA at Foshan Lingnan Tiandi, HORIZON at Wuhan Tiandi and Hall of the Moon at Shanghai RHXC, as well as higher occupancy and rental growth from the existing investment property portfolio.

Occupancy levels of the office property portfolio remained stable. Our office developments mainly located at THE HUB and Shanghai KIC, both achieved over 90% of occupancy in 1H 2017. Occupancy levels of the completed retail portfolio were led by robust leasing activities at NOVA, HORIZON and Hall of the Moon, the three newly opened commercial properties, which achieved occupancies at 89%, 85% and 82%, respectively. The Company expects more rental and related income to be contributed by these newly operated commercial properties in 2H 2017 and beyond.

Steady Progress in Asset-light Strategy

The Company continues to carry out the asset-light strategy. In January, we made the first significant step in forming new partnerships, a major element of our asset-light strategy, by joining hands with the CITIC group to invest in the Wuhan Optics Valley Central City project. In May, we formed another partnership with China Vanke Co., Ltd by them taking up 79.2% interest of the partnership portfolio in the Chongqing Tiandi project. After the close of 1H 2017, in August, we formed a new joint-venture with a trust manager and Hong Fang, a subsidiary of the Shanghai Hongkou District government to acquire the Company’s project vehicle for a city core land parcel at Shanghai RHXC to jointly develop a city centre renewal project. These partnerships enable the Company to accelerate its asset turnover and to seize new opportunities while maintaining a healthy balance sheet.

Strengthened Foundation to Drive Stronger Growth

Mr. Vincent H. S. Lo, Chairman of Shui On Land said, "In the first half of 2017, we reaped the harvest of the strong contracted sales in 2016, and I am pleased to report that we delivered solid revenue growth, improved margins and a stronger balance sheet. Whilst the challenging market developments resulting from Chinese government policies aimed at stabilising the property market have affected our contracted sales during the period, the Company has made good progress and laid the foundation for improved shareholder returns to be achieved.

"Despite the uncertainties looming over the global political and economic landscape, as well as the Chinese property market, we are pleased with the progress of our execution of the asset-light strategy and are confident about our growth prospect as a result of the strategy. Year-to-date, we have announced three ventures with different partners. Such development illustrates how our asset-light strategy is making better use of our brand and management expertise to actualise wider potentials resulting therefrom to grow our business. We will continue to implement this strategy to reinvigorate our landbank and better capture new business opportunities. Supported by the new generation of executives who are embracing bigger roles in the Management, the Company is well-positioned for the next stage of accelerated growth and enhanced returns to shareholders."

Mr. Douglas H. H. Sung, Executive Director and Chief Financial Officer of Shui On Land said, "With a sharp focus on strengthening our financial position, the Company is pleased to see the continued progress in deleveraging, with net gearing ratio down to 57% as at 30 June 2017, a material reduction of 30 percentage points from the peak of 87% as at 30 June 2015. We expect to see further progress in the next 6 to 12 months. As of July, the Company has already repaid or refinanced RMB7,259 million equivalent of US dollar and China Offshore Spot Renminbi senior notes, which in turn will help substantially lower our overall financing cost in 2018 and beyond. As the Company's deleveraging efforts has yielded good result, going forward we will balance between maintaining a strong balance sheet, and investing in attractive opportunities (as reflected by our Wuhan Optics Valley project) to ensure our future growth momentum."

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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 2017, the Company has nine projects in various stages of development in prime locations of major cities, with a landbank of 11.7 million sq.m. (9.8 million sq.m. of leasable and saleable GFA, and 1.9 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 Hong Kong Index.

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