



Press Release

Shui On Land Announces 2017 Annual Results *Profit Attributable to Shareholders up 53%* *Asset Light Strategy Continues to Drive Growth Amidst Market Headwinds*

[21 March 2018, Hong Kong] – Shui On Land Limited (“Shui On Land” or the “Company”, Stock Code: 272) today announced its audited consolidated results for the year ended 31 December 2017.

Overall solid & balanced growth: Driven by improved sales margin and positive contribution from various asset divestments, the Company achieved solid growth in many of its key financial aspects in 2017, including:

Increased property sales: Total property sales, including recognised property sales, disposal of investment properties and equity in subsidiaries, as well as turnover of associates, was RMB30,296 million, an increase of 38% compared to 2016. Property sales recognised as turnover increased by 4% to RMB16,169 million, while rental and related income increased by 14% to RMB1,961 million.

Improved margins: Gross profit increased by 33% to RMB7,858 million, with gross profit margin increasing by 9 percentage points to 43% due to improved margins in both property sales and rental income. Operating profit jumped by 36% to RMB7,190 million.

Achieved gearing target: The Company attained its target of lowering the net gearing ratio to 51% as at 31 December 2017, representing a decrease of 17 percentage points from 68% as at 31 December 2016 and a significant decrease of 36 percentage points from the peak of 87% as at 30 June 2015. Cash and bank deposits was RMB16,760 million at the end of the year.

53% increase in attributable net profit: Profit for 2017 was RMB2,324 million or HKD2,875 million while profit attributable to shareholders was RMB1,669 million or HKD2,065 million, a 53% increase compared to RMB1,088 million or HKD1,346 million in 2016. Core earnings after taking into account the profit from disposal of investment properties and disposal of equity interests in commercial properties significantly increased by 75% to RMB3,147 million or HKD3,893 million (the HKD figures presented in this paragraph are based on the exchange rate of RMB1.000 to HKD1.237, exchange rate of 21 March 2018 issued by the PBOC).

Basic earnings per share increased to RMB0.208 or HKD0.241, compared to RMB0.136 or HKD0.159 in 2016. The Board recommended a final dividend of HKD0.07 per share, representing a 79% increase compared to the final dividend per share in 2016. Accordingly full year dividend is to be HKD0.1 per share, representing a 100% increase.

Achieved full year sales target in the midst of severe government control measures
2017 was a very challenging year in the property market in China. Primarily in 1st tier cities,

a range of severe control measures remained in place and further tightened in 2H 2017. These unprecedented measures, while aiming to curb speculation and support a healthy sustainable development of the residential market, unavoidably dampened sales activity.

Against this background, the Company achieved its annual sales target with a total sales of RMB21,366 million for 2017. Contracted property sales and other asset disposal were RMB10,415 million and RMB10,951 million, respectively. During the year, the timing of the pre-sale of two important Shanghai projects, the Gallery at Rui Hong Xin Cheng (“RHXC”) and Lakeville Luxe, were affected. Nevertheless, the sales of the second batch of the Gallery was outstanding with a 92% sell-through rate on the first day of launch. The sales at the Chongqing, Dalian and Foshan projects were also encouraging.

Rental income driven by new projects

Rental and related income from investment properties increased by 14% to RMB1,961 million in 2017. Excluding income from hotel operations, rental and related income grew by 14%. The increase was mainly due to higher rental income from the existing Shanghai portfolio, bolstered by continued increase in occupancy rates and higher renewal rental rates, and higher contribution from the three newly opened retail properties, NOVA at Foshan Lingnan Tiandi, HORIZON at Wuhan Tiandi and Hall of the Moon at Shanghai RHXC, which saw significant improvement in occupancy.

A number of asset enhancement initiatives (AEIs) are underway at our investment property portfolio. Shui On Plaza, with a total retail space of 28,000 sq.m., is expected to re-open at the end of 2018 and should provide additional growth to the Company’s rental income.

New chapter in Asset Light Strategy: new investments for future growth

The pursuit of the Asset Light Strategy has enabled the Company to improve return on equity (“ROE”), better recycle capital for new investment, strengthen financial position, and form strategic partnerships which allowed us to participate in new ventures with reduced capex and financial risks. In the new phase of the implementation of this strategy which started in 2017, the Company will continue to leverage its brand and expertise in commercial asset management and invest in new opportunities.

The Company invested in two new development sites with joint venture partners, namely Wuhan Optics Valley and RHXC Lot 167, together with a total GFA of 1,511,000 sq.m.. We also acquired a newly completed office project in Yangpu District, Shanghai. The acquisition augments the KIC brand and expands our presence in the Shanghai office market. In addition, in accordance with the Asset Light approach, two commercial property projects in Nanjing have been signed, with the possibility of acquiring a residential development related to the projects. The Company will be responsible for overall planning, management and operations of the two projects with a total GFA of approximately 57,000 sq.m..

Balanced sustainable growth

Mr. Vincent H. S. Lo, Chairman of Shui On Land, said, “Despite the fact that 2017 being a very challenging year, I am pleased to report that we delivered solid revenue growth and a stronger balance sheet. The commendable results are mainly due to strong contracted sales in the previous year (2016) and the contribution from a number of value-realising transactions, resulting from the solid and steadfast execution of our Asset Light Strategy, our strong brand,

high quality portfolio of commercial assets, as well as our solid foundation in the residential property sector.”

“Looking forward, the uncertainties looming over the global political and economic landscape, and the unprecedented challenges in the Chinese property market are expected to remain, prudence would be advisable. With the strong backing of our management capabilities, brand recognition, and strengthened balance sheet, we shall continue to pursue the Asset Light Strategy to drive sustainable growth. Our balanced approach should position us well for the next stage of growth and enhance returns to shareholders.”

Mr. Douglas H. H. Sung, Managing Director and Chief Financial Officer of Shui On Land, said, “With our sustained focus and resolve to strengthen our financial position, I am pleased to report that the Company has achieved its gearing target set in 2015, with the net gearing ratio down to 51% as at 31 December 2017. During the year, we refinanced or retired USD1,896 million worth of high yield bonds issued during 2012 to 2014. This will help lower our overall financing cost substantially in 2018 and beyond. All these efforts have provided a solid foundation for the Company in the face of rising interest rates and increased volatility in the global financial markets. We believe Shui On Land is in a strong position to successfully navigate the current structural changes in the Chinese property market.”

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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 31 December 2017, the Company has nine projects in various stages of development in prime locations of major cities, with a landbank of 11.5 million sq.m. (9.5 million sq.m. of leasable and saleable GFA, and 2.0 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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