



Press Release

Shui On Land Announces 2018 Annual Results ***Profit Attributable to Shareholders up 14%*** ***Asset Light Strategy Facilitates Strategic Transformation and Drives Growth***

[20 March 2019, Hong Kong] – Shui On Land Limited (“Shui On Land” or the “Company”, Stock Code: 272) today announced its audited consolidated results for the twelve months ended 31 December 2018.

14% increase in profit attributable to shareholders

As a result of the strong revenue growth, profit for the year increased to RMB2,686 million. Profit attributable to shareholders grew to RMB1,906 million or HKD2,230 million, a 14% increase compared to RMB1,669 million or HKD1,953 million in 2017.¹

Basic earnings per share increased to RMB0.237 or HKD0.28, compared to RMB0.208 or HKD0.241 in 2017. The Board recommended a final dividend of HKD0.084 per share a 20% increase.

35% revenue growth with rental growth driven by active asset management

The 2018 revenue increased by 35% from RMB18,451 million to RMB24,841 million, including RMB7,093 million and RMB15,038 million accrued respectively from general property sales and other asset disposal. Rental and related income rose to RMB2,016 million. Including the income generated from the Rui Hong Xin Cheng (“RHXC”) commercial partnership portfolio which is now accounted as joint venture income, total rental income increased by 18% to RMB2,200 million. The growth was underpinned by active asset management and proactive leasing efforts.

Solid balance sheet to weather market volatility

Net gearing ratio was 40% as of December 2018, a further reduction of 11 percentage points from 51% as of 31 December 2017. Cash and bank deposits remained healthy at RMB15,392 million. This solid balance sheet should help the Company weather any normal market volatility which may arise.

Asset Light Strategy Facilitating Transformation into Leading Commercial Focused Property Developer, Owner and Asset Manager

Since 2016, the Company has adopted the Asset Light Strategy to enhance our financial strength, and also to diversify our capital base, with the ultimate goal to transform and position Shui On Land as a leading commercial focused property developer, owner and asset manager in China.

¹ The HKD figures presented in this paragraph are based on the exchange rate of RMB1.000 to HKD0.8548, the exchange rate of 20 March 2019 issued by the PBOC.

In 2018, our Asset Light Strategy continued to make solid progress. The Company achieved several milestones in our strategic transformation. The Company acquired Lot 123/124/132, a prime office and retail mixed-use site in the Taipingqiao (“TPQ”) Area in Shanghai, together with China Pacific Insurance Group and Shanghai YongYe Enterprise (Group) Company Limited. The joint acquisition allowed us to invest in one of the largest and most centrally located commercial sites available for sale in Shanghai in recent years.

The Company acquired 21.894% interest in CXTD Holding (“CXTD”) from Brookfield, rendering it a wholly-owned subsidiary. This transaction consolidates the Company’s control of the asset portfolio held by CXTD Holding and provides greater flexibility in the strategic direction and day-to-day management of the portfolio. CXTD will be positioned as the Company’s asset management arm, and will continue to focus on enhancing the value of our investment properties through active asset management and development of new products and services.

We successfully formed a Core-Plus Office Investment Platform to pursue office investment in Shanghai and other first tier cities, with the acquisition of 5 Corporate Avenue in Shanghai being its first investment. Manulife Investors, China Life Trustees and Shui On Land are the founding partners. And the platform has a targeted total capital commitment of USD1.0 billion. It will provide us long term capital to invest and expand our commercial property portfolio, in addition to stable recurrent management and rental income.

A Market Leader in Shanghai Commercial Property Portfolio and Organic Rental Growth

The Company currently holds and manages a total of 1.67 million sq.m. of leasable and saleable GFA in Shanghai. This comprises (i) 763,000 sq.m. of completed GFA held for long-term investment, (ii) 45,000 sq.m. of GFA under renovation, (iii) 787,000 sq.m. of GFA under development or held for future development, and (iv) 79,000 sq.m. under management. Our existing office/commercial portfolio is amongst one of the largest in Shanghai. As of 31 December 2018, the total asset value of the Company’s investment properties (including properties under development) owned and under management amounted to RMB72.2 billion, while the Company’s overall effective interest in this portfolio is approximately 47%.

Rental and related income increased by 8% to RMB2,016 million in 2018 compared to 2017. Including the RMB184 million rental and related income generated from the RHXC commercial partnership portfolio which is now accounted as joint venture income, total rental and related income increase was 18% year on year to RMB2,200 million.

A number of asset enhancement initiatives (“AEI”) and marketing activities were initiated to continuously improve the performance of the commercial portfolio. The Company completed over 1,100 leasing deals, of which over 300 leases were new tenants. In 2018, the team organised over a thousand prominent events for the portfolio and more than 200 member-only events to drive footfall and increase retail sales. Total shoppers’ traffic and retail sales increased by 15% and 20% respectively, compared to 2017.

Shanghai Xintiandi’s rental and related income remained stable in 2018. After a series of tenant upgrades taken place since 2017, new tenants such as Tom Ford Cosmetics, LeTAO from Tokyo and Shake Shack, have launched their first China stores in Shanghai Xintiandi. With a “New Feminism” positioning, “Xintiandi Plaza”, is currently at soft-launch stage after

completion of AEI. The Grand Opening of Xintiandi Plaza is expected to be held in mid 2019.

Outside Shanghai, Wuhan Xintiandi and HORIZON shopping mall recorded a robust rental income growth of 20%, while Foshan Lingnan Tiandi grew by 37%.

The Company also launched a new office brand, INNO. INNO KIC in Shanghai is one of our projects under this new brand, and it introduces a new business platform that aims to provide a total solution for tenants of all sizes——integrates work, entrepreneurship, leaning and leisure. In addition, the Company seized opportunities to expand into third party asset management business. The Nanjing INNO Zhujiang Lu, with a total GFA of 16,000 sq.m., is the first asset light project in which the INNO office concept was applied.

Strong Sales Performance in Challenging Market

Notwithstanding the tightened pre-sale permit policy environment, the Company recorded robust sales performance in 2018. It accumulated contracted residential property sales that amounted to RMB14,120 million.

The strong performance reflected the properties' prime location, appropriate positioning, premium quality and high delivery standard. All the units at Shanghai TPQ Lakeville Luxe, RHXC The Gallery and La Riva II in Wuhan Tiandi launched for pre-sales in 2018 were sold on the first day of launch, showing solid end users' demand.

Subject to required government approvals, the Company has approximately 406,800 sq.m. of residential GFA spanning five projects available for sale and pre-sale in 2019.

As of 31 December 2018, total value of salable residential resources from current landbank was estimated to be approximately RMB79 billion, of which RMB48 billion was attributable to the Company.

Ready to Weather Market Volatility and Seize Opportunities for New Growth

Mr. Vincent H. S. Lo, Chairman of Shui On Land, said, "2018 was an exceptional year in terms of a very challenging market environment. We focused on continuously strengthening the Company's position. The implementation of the Asset Light Strategy over the past three years has positioned us to weather market volatility. I am pleased to report that we delivered commendable results. More than ever before, we see significant challenges globally, and we are going to maintain our prudent approach. With a sharp focus on expanding our commercial properties expertise, as well as leveraging on brand portfolio and management, our Company is well-positioned to seize opportunities for new growth in the times to come."

Ms. Stephanie B. Y. Lo, Executive Director of Shui On Land, said, "The Company is very focused on strengthening our retail and office brands. We aim to create a social and cultural destination for all the XTDs with the concept of "Social Renaissance". Through that captured greater value of brand, we have developed and realised part of this concept through renovation of Xintiandi Plaza. In the office market, the launch of "INNO" line products are taking shape and being well received. We have rolled out the new office concept in both our own newly acquired properties as well as third-party asset management project. We shall continue to innovate to optimise value for both our tenants and the Company."

Mr. Douglas H. H. Sung, Managing Director and Chief Financial Officer of Shui On Land,

said, “The three-year implementation of Asset Light Strategy has helped halve our net gearing ratio to 40% in 2018 from 87% in mid-2015. The deleveraged balance sheet has proven to be beneficial amidst the volatile capital market environment that we witnessed in late 2018. Moreover, the formation of the Core-Plus Office Investment Platform, and our acquisition of all the remaining interest held by Brookfield in CXTD, represent important first steps in the Company’s transformation into a leading commercial focused property developer, owner and asset manager.”

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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 2018, the Company has nine projects in various stages of development in prime locations of major cities, with a landbank of 8.5 million sq.m. (6.8 million sq.m. of leasable and saleable GFA, and 1.7 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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