



Press Release

Shui On Land Announces 2019 Interim Results ***Profit Attributable to Shareholders up 8%*** ***Rental and Related Income up 17% as Company transitions into a leading commercial focused property company***

[28 August 2019, 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 2019.

- **Strong increase in recurrent income:** Rental and related income grew by 17% year-on-year (“Y/Y”), as the Company continues its transition into a leading commercial focused property company.
- **8% increase in profit attributable to shareholders:** Gross profit margin increased by 18 percentage points to 45% in 1H 2019 compared to 27% in 1H 2018. With the higher gross profit margin, profit for the period increased by 8% Y/Y to RMB1,598 million, while profit attributable to shareholders also rose 8% Y/Y to RMB1,326 million or HKD1,469 million¹.
- **Maintaining prudent capital management and strong financials:** Net gearing ratio increased slightly by four percentage points to 44% as of 30 June 2019, compared to end of 2018, while cash and bank deposits also increased by 4% to RMB15,992 million. The strong financials shall help the Company to better withstand the volatile macroeconomic conditions in the near future.
- Basic earnings per share increased to RMB0.164 or HKD0.19, compared to RMB0.152 or HKD0.187 in 1H 2018. The Board declared an interim dividend of HKD0.036 per share.
- **World class property developments received top awards:** The Knowledge and Innovation Community (KIC) in Shanghai and Foshan Lingnan Tiandi were named by the Urban Land Institute Asia (ULI) as two, among ten, winners of the 2019 ULI Asia Pacific Awards for Excellence Competition, which recognises and celebrates a diverse group of projects that showcase best land use practice from across the region.

Asset Light Strategy – our Continuing Driver of Strategic Transformation into a Leading Commercial Focused Property Company

The Company’s Asset Light Strategy continued to bolster its financial strengths, to diversify its capital base and to invest in new opportunities, all of which facilitated the Company’s

¹ The HKD figures presented in this paragraph are based on the exchange rate of RMB1.000 to HKD1.1077, the exchange rate of 28 August 2019 issued by the PBOC.

steady transformation into a leading commercial focused property developer, owner and asset manager in China.

During the period, Shui On Land managed Shui On Land Core-Plus Office Investment Venture (“SCOV”), which was established in December 2018, completed its first acquisition of 5 Corporate Avenue, a premier Grade-A office complex situated at Shanghai's upmarket Xintiandi development area. Shui On Land as the investment manager of SCOV will refine the tenant mix and undertake asset enhancement initiatives (“AEIs”) to enhance 5 Corporate Avenue’s returns. SCOV is a real estate investment platform with Shui On Land, Manulife Investors and China Life Trustees Limited as founding partners to invest in core and core-plus office asset properties in Shanghai and other first-tier cities on the Mainland. SCOV targets to invest USD1 billion in total and will continue to explore and identify new opportunities in order to grow and expand its portfolio.

A Leading Shanghai Commercial Property Owner and Operator

Shui On Land's strategic transformation into a leading commercial focused property developer, owner and asset manager in China is anchored by the Company's strong asset base in Shanghai. The acquisition of 5 Corporate Avenue and increased equity interest in China Xintiandi enabled the Company to enhance its holistic and effective management, as well as ownership, of commercial properties in Shanghai, China's premier commercial hub. The Company currently owns and manages a total gross floor area (“GFA”) of 1.65 million square meters (“sq.m.”) of retail and office premises in Shanghai (“Shanghai Portfolio”). Of the total GFA, 53% was completed to generate rental income while the rest is under development. Our existing office and retail portfolio is one of the largest in Shanghai. As of 30 June, 2019, the asset value of the Shanghai Portfolio stood at approximately RMB73 billion. The total asset value attributable to the Company amounted to approximately RMB42 billion, representing a 24% increase compared to RMB34 billion as of 31 December 2018.

The expansion of our portfolio and the grand opening of Shanghai XINTIANDI PLAZA after AEI, as well as rental growth in various prime properties, drove up the Company’s consolidated rental and related income to record a healthy 17% increase to RMB1,107 million in 1H 2019.

Following the grand opening of XINTIANDI PLAZA, the Company will continue to upgrade its Shanghai Xintiandi portfolio with Xintiandi South Block being the next AEI project. The project, which started in March this year, is scheduled to complete in the fourth quarter of 2020. With a “Neo Luxury” positioning, Xintiandi South Block will be renamed Xintiandi Style I after upgrade. The renovation will serve to upgrade our retail offering at Xintiandi, bringing new culinary and entertainment experiences to our customers through the launch of new “SOCIAL” concepts. The South Block will better connect with the North Block and the existing Xintiandi Style to expand the footprint of Xintiandi.

Property Sales to Accelerate in 2H 2019

The bulk of residential properties will be offered for sale as scheduled in the second half of the year. Excluding the contributions from asset divestments, a total amount of RMB5,106 million property sales was recognised as revenue in 1H 2019, an increase of 76% Y/Y.

Accumulated contracted residential property sales amounted to RMB3,277 million for 1H 2019. Wuhan Optics Valley Innovation Tiandi Lot R1, the first phase of this project, was launched in April 2019 and elicited a warm welcome and response from the market. On the

first day alone, 97% of the properties, or 198 units, were purchased. The Company has approximately 296,800 sq.m. of residential GFA across five projects which will be available for sale and pre-sale in the second half of this year.

Consolidating Leadership to Seize Opportunities for Growth

Ms. Stephanie B. Y. Lo, Executive Director of Shui On Land, said: “We are pleased to report that the Company’s performance was steady in the first half of 2019. The strong gains in rental and related income was the result of our sharp focus on value creation and innovation.

It is encouraging and heart-warming to witness the success of the newly-upgraded XINTIANDI PLAZA, the first milestone in the expansion of the Xintiandi footprint. We will continue to rebrand our retail portfolio in the XINTIANDI brand to fully maximise the value of our brand. In the office sector, the INNO concept is warmly received by the market. We shall continue to innovate to stay ahead in this competitive market and further develop the Company’s reputation as a leader in the commercial property sector.

Looking ahead, we will maintain a prudent approach in view of the lingering trade tensions and other uncertainties in the global market. Our Asset Light Strategy has laid the foundation for us to take on the challenges and opportunities ahead. We will continue to enhance the value of our existing and newly acquired assets, and grow further our brand’s reputation and stature so as to create sustainable value for our shareholders.”

Mr. Douglas H. H. Sung, Managing Director, Chief Financial Officer and Chief Investment Officer of Shui On Land, said: “We have witnessed substantial financial market volatility in 1H 2019, and this underlines the importance of exercising prudence in deploying capital despite our strong balance sheet. We will continue to adopt our Asset Light Strategy, paired with prudent capital management. We will grow our rental and development portfolios through investment platforms such as SCOV. With our partnerships with global institutions such as China Life, China Pacific Insurance Company and Manulife, Shui On Land has already demonstrated itself as one of the preferred real estate operating partners of financial institutions. We expect to work closely with our existing and future capital partners to grow our businesses in the coming years.”

Ms. Jessica Y. Wang, Managing Director of Shui On Management Limited, said, “The Company won top accolades during the period – KIC and Foshan Lingnan Tiandi were named winners of the 2019 ULI Asia Pacific Awards for Excellence Competition, which recognises superior development efforts across the region. We are honoured to receive two awards, among a strong list of 10 winners. Our development philosophy is to build human-centric, sustainable communities with a long-term vision, and we will continue to innovate to help lead the industry forward while building communities that enrich the quality of life in a city.

In terms of property sales, whilst the residential sector remains subject to controls, we believe our sales will see a strong pick-up as we are targeting to launch the remaining towers in Wuhan La Riva (Lot B10) and Rui Hong Xin Cheng Parkview (Lot 1). We are confident our target of RMB 10 billion in residential property sales is achievable within this year.”

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About Shui On Land

Headquartered in Shanghai, Shui On Land (Stock Code: 272), is a leading commercial focused property developer, owner and asset manager in China. The Company engages principally in the development, sales, leasing, management and long-term ownership of high-quality residential and mixed-use properties. It is also one of the largest private commercial property owners and managers in Shanghai, with a total portfolio of 1.65 million sq.m. of office and retail premises, including its flagship Shanghai Xintiandi, which is currently under its management. The Company listed on the Hong Kong Stock Exchange on October 4, 2006, the largest mainland Chinese real estate enterprise that went public that year. Shortly thereafter, Shui On Land was included in the benchmark Hang Seng Composite Index, as well as the HSCI Composite Industry Index – Properties & Construction, Hang Seng Composite LargeCap & MidCap Index and the Hang Seng Stock Connect HK Index. For further information please visit our website, www.shuionland.com

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