

SHIMAO 世茂房地產

SHIMAO PROPERTY HOLDINGS LIMITED

Shimao Announces 2017 Interim Results Revenue and Core Profit Attributable to Shareholders Reached RMB35.82 Billion and RMB3.66 Billion Respectively

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Key Financial Metrics Improved Significantly Quality Growth Realized

Financial Highlights

	For the 6 months ended 30 June	
RMB (Million)	2017	2016
Revenue	35,822	30,016
Gross profit	10,591	8,467
Gross profit margin	29.6%	28.2%
Profit from core business attributable to equity holders	3,661	3,502
Profit from core business attributable to equity holders (Excluding net disposal gain from Beijing Fortune Times)	3,661	2,868
Interim dividend (HK cents)	40	32

(29 August 2017, Hong Kong) – Shimao Property Holdings Limited (“Shimao Property” or “the Group”; Stock Code: 813.HK) is pleased to announce its interim results for the 6 months ended 30 June 2017.

In the first half of 2017, the Group achieved recognized revenue of RMB35.822 billion, representing a year-on-year increase of 19.3%. Gross profit and gross profit margin were RMB10.591 billion and 29.6% respectively. Core profit attributable to shareholders was RMB3.661 billion, up by 4.5% year-on-year. Excluding the after-tax profit attributable to shareholders from the disposal of Beijing Fortune Times of approximately RMB630 million in 2016, core profit attributable to shareholders increased by 27.6% year-on-year. To demonstrate its appreciation for the Group’s shareholders’ unstinting support, the board declared the payment of an interim dividend of HK40 cents per share (1H2016: interim dividend of HK26 cents and special dividend of HK6 cents, totaling HK32 cents).

Commenting on the Group’s interim results, Mr. Hui Wing Mau, Chairman of Shimao Property, said, “In the first half of 2017, property curbs tightened in the first- and second-tier popular cities, and the Group determined that opportunities should lie in third- and fourth-tier cities this year. Previously, the supply in third- and fourth-tier cities was decided based on their sales amount. This year, Shimao launched more projects in third- and fourth-tier cities, and the results proved that such strategy was correct. Evidently, the property demand in first- and second-tier cities spilled over to the lower-tier cities. As part of its corporate strategies, Shimao slowed down in scale expansion for quality growth in 2015 and 2016, while attaching equal weight to scale and profit for 2017.”

Business Review

Property Development

1) Recognized Sales Revenue

The Group generates its revenue primarily from property development, property investment and hotel operations. As at 30 June 2017, revenue of the Group reached RMB35.822 billion, an increase of 19.3% when compared to RMB30.016 billion for the corresponding period in 2016. During the period, revenue from property sales amounted to RMB34.167 billion, accounting for 95.4% of the total revenue and representing an increase of 19.5% over the corresponding period in 2016. The average recognized selling price increased by 12.3% to RMB13,601 per sq.m. in the first half of 2017, from RMB12,108 per sq.m. for the first half of 2016. The number of projects recognized by the Group in the first half of 2017 totalled 70, higher than the 66 projects recognized in the corresponding period in 2016, of which Beijing Tongzhou World Chamber of Commerce Centre achieved great results with recognized sales revenue of RMB3.497 billion; Chongqing Shimao Luxury Mansion, the first runner-up, with recognized sales revenue of RMB1.825 billion; and Hefei Shimao Jade Mansion, the second runner-up, with recognized sales revenue of RMB1.514 billion.

2) Steady Sales Growth

At the beginning of 2017, the Group set its annual contracted sales target at RMB80 billion. With record-high monthly contracted sales achieved in June thanks to the high-quality saleable resources and product structure and the number of available projects nationwide, the Group realized contracted sales of RMB45.12 billion in the first half of the year, representing approximately 56.4% of the annual target. The total contracted sales area amounted to 2,709,000 sq.m., with an average selling price of RMB16,656 per sq.m. during the first half of 2017, up from RMB14,192 per sq.m. in the first half of 2016. This has laid a good foundation for the Group's stable growth in profit margin in future..

In terms of cities, the average sales of the Group in each city amounted to approximately RMB1.46 billion, and the average sales per project amounted to approximately RMB850 million. The sales in Nanjing and Beijing were nearly RMB6.0 billion and over RMB4.0 billion, respectively, while the sales in Quanzhou were more than RMB3.5 billion and the sales in Ningbo, Hefei and Wuhan were more than RMB2.0 billion. These demonstrated that the Group had strong competitiveness in the industry.

3) Completion of Development Projects and Plans as Scheduled

During the first half of 2017, the Group's floor area under construction (attributable interests) reached 14.21 million sq.m.. The aggregate GFA completed by the Group was approximately 3.39 million sq.m., 9.0% higher than the 3.11 million sq.m. completed in the corresponding period of last year. Looking forward to the second half of 2017, the Group's planned GFA under construction (attributable interests) and the GFA completed will be approximately 15.00 million sq.m. and 8.00 million sq.m., respectively.

4) Steady Expansion of Land Bank for Long-term Sustainable Development

During the reporting period, the Group acquired 4.53 million sq.m. (before interests) of land bank in Shanghai, Xiamen, Guangzhou, Wuhan, Xi'an, Fuzhou, Quanzhou, Beijing, Nanchang, Foshan, Jiaying, Kunshan, Wuyishan, Chongqing, Jinjiang, Jinan and Suzhou, with base price auction, acquisitions and cooperation accounting for approximately 45%. Currently, the Group possesses 150 projects in 45 cities in the country, with a high-quality land bank of 34.13 million sq.m. (attributable interests). The premium land resources and relatively low land cost provide continued support to Shimao Property's results in the major markets nationwide in the next few years.

Geographically, in response to the city-specific control policies launched by the country and the possible continuance of such policies in future, the Group made minor adjustments to its strategies, i.e. keeping watch for third- and fourth-tier cities which can accommodate the spillover demand from the surrounding first- and second-tier cities while acquiring land in first- and second-tier cities. The

average floor price of the new land reserves was approximately RMB8,023 per sq.m. in terms of land cost. The Group holds sensible attitude, increases its land reserves by following its longstanding prudent policy and strives to strike a balance between development opportunity and risk control. As at 30 June 2017, the Group's average land cost was RMB4,268 per sq.m.. The relatively low land cost provides effective assurance for the Group to achieve a higher profit margin in the future.

Property Investment

With respect to commercial properties, Shimao Property develops commercial properties through Shanghai Shimao ("Shanghai Shimao"), which is owned as to 58.92% by Shimao Property and is primarily engaged in the development and operation of commercial properties. Besides actively grasping development opportunities in the domestic commercial property market, Shanghai Shimao provides diversified commercial properties along with high quality related services by carrying out strategies on professional exploitation and operation of commercial properties. It continues to work on achieving greater integration for increased competitiveness, and aims to become a highly successful professional developer and operator of commercial properties.

During the reporting period, the annual work plan of Shanghai Shimao was implemented accordingly. To further enhance the overall competitiveness of the projects, Shanghai Shimao began renovating its projects step by step. The renovation of the exterior walls, hall, lift lobby and carpark of the Beijing Shimao Tower started at the end of 2016. The tower will have a face-lift by the third quarter of this year, when the renovation is expected to be completed. Moreover, Shanghai Shimao International Plaza has also undergone an exterior, branding and internal renovation. On 10 May 2017, the Group announced the strategic cooperation with Sanrio and entered into a cooperation agreement in respect of the licensing of Sanrio's world-renowned cartoon character, Hello Kitty. By making use of the famous cartoon images including Hello Kitty and its partners, the Group will create an indoor Hello Kitty theme park in Shanghai Shimao International Plaza. During the second half of the year, Shanghai Shimao plans to launch the renovation planning and design of Shaoxing Shimao Plaza, whose comprehensive upgrading and renovation will begin in stages. Further, Shanghai Shimao's brand realignment initiatives targeted at its various commercial malls are aimed to uplift the overall brand attainments of the malls. The brand uplift for projects including Jinan Shimao International Plaza will continue to enrich the brands and attract a growing number of consumers.

Hotel Operations

In 2017, the Group cooperated with Starwood Capital Group to operate a company called Shanghai Shimao Star Hotel Management Co., Ltd. ("Shimao Star"), which adopts an asset-light operating model with an aim to become one of the most excellent hotel groups in China and even Asia-Pacific region. The Group owns 51% controlling interests in Shimao Star. The industry generally believes that the establishment of Shimao Star is a milestone in the development of the hotel industry in China because it reflects the keen interest of global capital in the hotel market in China and the tremendous growth potential of Shimao hotels in the domestic and overseas markets. Currently, Shimao Star owns four operating self-owned brand hotels in China, with nearly 775 guest rooms in total. Two more self-owned brand hotels will be opened in the second half of 2017, namely, MiniMax Premier Hotel Chengdu City Center and MiniMax Hotel Shishi.

As of 30 June 2017, other than the four self-owned brand hotels included in Shimao Star, the Group had 14 international brand hotels in operation, including Le Royal Meridien Shanghai, Hyatt on the Bund Shanghai, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, DoubleTree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-City, DoubleTree by Hilton Ningbo Chunxiao, Hilton Wuhan Riverside, Conrad Xiamen and DoubleTree by Hilton Ningbo Beilun, offering 5,193 hotel guest rooms. International brand hotels which will commence operations in the second half of 2017 include Hilton Yantai and Hilton Shenyang.

In 2017, the tourism market of China grew positively with a steadily increasing conferencing demand.

Moreover, Shimao's hotels continued to influence the flow of market demand by controlling the average room price to find the best equilibrium between the average room price and occupancy rate in order to maximize their earnings. In the first half of 2017, the Group's hotels achieved revenue of RMB811 million, representing a year-on-year increase of 21.6%. EBITDA amounted to RMB257 million, increased 35.3% year-on-year.

Given the rapid development of technologies, the traditional hotel industry is also developing and innovating. Cross-disciplinary integration has become a way out for the existing hotel enterprises to innovate their operations. The number and variety of cross-disciplinary cooperation between hotels and the other industries are growing. Further, people's desire for travelling is also getting stronger as a result of the rising consumption levels. The hotel industry is now at the peak of reforms and development. Benefiting from the relatively stable market supply and demand in Shanghai and the robust demand brought by important events including the opening of the Shanghai Hongqiao National Exhibition and Convention Center and Shanghai Disneyland, the market outlook of Shanghai has been optimistic in recent years. This will undoubtedly have positive impact on Shimao, which currently owns five hotels in operation in Shanghai.

Determination to Uphold Prudent Financial Policy

In the first half of 2017, the Group continued to adopt prudent financial strategies for its operation. The Group focused on the collection of sales proceeds, enhancement of financial management capability and optimization of capital structure while persisting in property financial innovation to secure the stable development of the Group. In the first half of 2017, the cash from sales proceeds was approximately RMB36 billion. As of 30 June 2017, the Group had sufficient capital funds, with book cash in the amount of RMB22 billion. Capitalizing on its good credit rating and business strategies, the Group became one of the first private property developers to receive the approval to issue the panda medium-term notes this April. Meanwhile, the Group's Shanghai International Plaza, which is a premium commercial and hotel complex, was also the first to get the approval from the National Association of Financial Market Institutional Investors to be used for issuing real estate asset backed notes (ABN). Further, the issue of commercial mortgage backed securities (CMBS) was also approved by China Securities Institution. Capital sufficiency and multi-channel financing have helped the Group to respond to the complicated changes in the economic and financial environment and secured its future stable development. As of 30 June 2017, net gearing ratio of the Group was 52.5%, down 0.9 percentage point from 53.4% as at the end of 2016. Net gearing ratio has been maintained below 60% for 5 consecutive years, reflecting the sound operation and financial management of the Group.

In the first half of 2017, tightening property curbs became more stringent, and the Group continued with financial innovation and successively received approval from National Association of Financial Market Institutional Investors, China Securities Institution and overseas markets to issue the first financial innovative product in the industry. This not only showed the recognition of the Group from the capital market, but also helped the Group to continuously reduce the finance costs. The Group's weighted average finance costs was 5.6% in the first half of 2017, a further drop from the annual figure of 5.8% in 2016. The reduction of interest rates and savings in finance costs will serve as the continuous financial management target of the Group.

Riding on its robust operating and financial performance, the Group received positive comments from domestic and international rating agencies. Standard & Poor's maintained the annual rating of Shimao at "BB+", and revised its outlook from negative to stable. Moody's and Fitch maintained their rating of the Group at "Ba2" and "BBB-" respectively. Besides, Shanghai Shimao Jianshe Co., Ltd. and Shanghai Shimao, the two subsidiaries of the Group, were upgraded to "AAA" rating, the highest corporate credit rating, by Dagong Global Credit Rating Co., Ltd. and United Ratings Co., Ltd., respectively.

Future Outlook

Looking forward to the second half of 2017, it is expected that the policies will continue to take root;

the monetary market will be tightening; a new round of industry reshuffle will commence due to fierce competition; the degree of industry concentration will further increase and the market dominance of large-scale property developers will be gradually consolidated as “the strong stay strong”. A number of projects of the Group will be launched for sale at the end of the third quarter and the fourth quarter, more than 60% of which will be launched in first-tier and strong second-tier cities. Our supply will address the needs of the markets where demand is robust. Products which meet the rigid demand for home upgrading will continue to prevail. It is expected that both the average selling price and profit will further improve. The Group expects that the saleable resources for the second half will reach 6.78 million sq.m.. With the continuous rise in average selling prices, the annual total saleable stock value will exceed RMB150 billion. The sell-through rate is estimated to be over 60%. We are confident in outperforming our sales target for the year.

Regarding financial policy, the Group will uphold its robust financial strategy and adopt a prudent financial management approach to further enhance cash collection, maintain sufficient capital flow, keep stable of the finance costs and stabilize the operating efficiency. Although more budgets will be allocated to the acquisition of quality land parcels, the annual overall gearing ratio will be controlled at not more than 60%. It will be much more difficult to obtain financing in the second half than in the first half owing to the tightening property policy and financial market. Nevertheless, with outstanding operational performance, multi-channel financing and consistent financial innovation, the Group is confident in maintaining low interest costs, effectively balancing the income and expense and securing a sound and healthy development.

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About Shimao Property Holdings Limited

Shimao Property is a leading developer of high quality real estate projects in China, with a broad-ranging portfolio of residential, commercial and hotel properties in prime locations. Currently, the Group has approximately 150 projects in 45 cities in China, with a high-quality attributable land bank of 34.13 million sq.m. The Group’s highly-acclaimed projects have been well received by property buyers and investors both within the PRC and internationally, and have been accredited numerous awards. Shimao Property has nearly 30 years of experience in China’s property development market and completed the corporate restructuring of injecting commercial assets to Shanghai Shimao Co. Ltd. (SSE stock code: 600823) in 2009. The success of entering into the A share market represents an important milestone for the development of the Group.

For more information about Shimao Property, please visit the Group’s website: www.shimaoproperty.com.

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