

Newsletter

August 2019

POWERLONG REAL ESTATE HOLDINGS LIMITED

Stock Code : 1238.HK



Stock (5 Sept, 2019):

Closing Price :	HK\$ 5.15
52-week High/Low :	HK\$ 2.32-5.11
Market Cap :	20.59 billion HK\$
No. of Issued Shares :	3,997 million

Recent IR Activities:

Date	Activities	Venue
Sep 6	Non-deal Roadshow Bank of America Merrill	Shanghai
Sep 10	Lynch 2019 Global Real Estate Conference	New York

Contracted Sales

In August, the Company recorded contracted sales (including contracted sales value by joint ventures and associated companies) of approximately RMB4,880 million for the GFA of approximately 298,100 sq.m. The Company achieved approximately RMB39,940 million cumulative contracted sales (including contracted sales value by joint ventures and associated companies), representing a YoY increase of 58.5%, and with the GFA of approximately 2,439,400 sq.m., representing a YoY increase of 45.1%.

No.	Type of Business	Contracted Sales (RMB: million)	Ratio
1	Commercial	8,804	22.0%
2	Residential	31,136	78.0%

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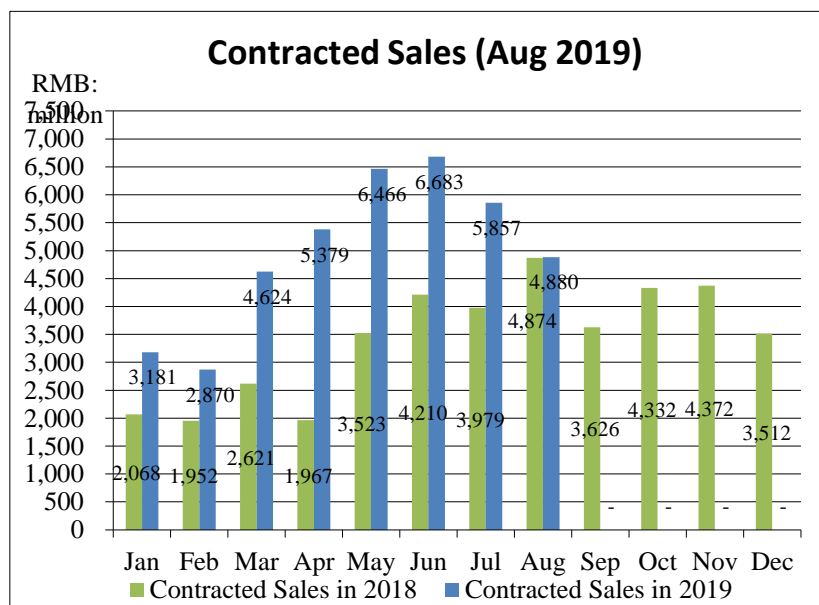
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Contracted Sales (Aug 2019)



Company News

Powerlong Real Estate announces interim results, with drastic increase of 49% of core earnings attributable to the owners

On 23 August 2019, Powerlong Real Estate (HK.1238) convened the 2019 interim results announcement in Hong Kong, publishing the interim results for the half year ended 30 June 2019.

For the first half of 2019, the contracted sales of Powerlong Real Estate amounted to RMB29,203 million, representing an increase of 78.7% over the corresponding period last year; total revenue amounted to RMB12,251 million, representing an increase of 32% over the corresponding period last year; gross profit margin was 38.8%, continuing to be a leader in the industry; net profit amounted to RMB2,448 million, representing an increase of 37.2% over the corresponding period last year; core earnings amounted to RMB1,852 million, representing an increase of 50.9% over the corresponding period last year; core earnings attributable to the owners amounted to RMB1,245 million, representing an increase of 48.9% over the corresponding period last year.



Company News

Robust sales growth, bringing upward adjustment to annual targets

Being an extraordinary representative of real estate enterprise with steady improvement, the sales results of Powerlong have often reached new highs in recent years. As of 30 June 2019, the contracted sales of Powerlong Real Estate amounted to RMB29,203 million, representing a year-on-year increase of 78.7%. The growth was far higher than the average growth level of TOP100 real estate enterprise of 46.2%. The contracted sales area reached 1,783,500 square meters, representing a year-on-year increase of 53.8%.

Benefitting from accurate deployment in the Yangtze River Delta in advance, among the contracted sales in the first half of the year, the sales amount of the Yangtze River Delta accounted for 86%. In particular, the sales amount in Zhejiang area reached RMB10 billion, while the sales contribution in single cities such as Hangzhou and Ningbo also continued to improve. Moreover, continuous tremendous investment in projects as well as the growth of newly-commenced construction area also promoted the increase of sales. In 2019, the available-for-sale projects of Powerlong reached 86, laying a foundation of increase in scale in 2019. The total available-for-sale area with an amount of 4.34 million square meters provides adequate sales amount for the second half of the year. On the basis that over 50% of the target was accomplished for January to June, and due to the adequate sales amount for the second half of the year, Mr. Hoi Wa Fong, president of Powerlong Real Estate, announced on the results announcement that the contracted sales target throughout the year would be adjusted to RMB55,000 million, expecting a year-on-year increase of 34%, and showing confidence to accomplish such target.

Business income and profit create new high, various institutions recommend to invest in Powerlong

In the first half of 2019, total revenue achieved by Powerlong amounted to RMB12,251 million, representing an increase of 32% over the corresponding period last years, representing an increase of 32% over the corresponding period last year; meanwhile, remarkable results were seen in terms of the profit of the Company, with gross profit margin amounting to 38.8%, being a leader in the industry; core earnings amounted to RMB1,852 million, representing an increase of 50.9% over the corresponding period last year; core earnings attributable to the owners amounted to RMB1,245 million, representing an increase of 48.9% over the corresponding period last year. These indicators have remained at outstanding level in the industry for a long term, showing that the years of persistence of quality growth and steady development mode upheld by Powerlong has been effective.

Company News

Along with the steady growth of results, the Company obtained investment in the shares of Company from various investment institutions, such as Deutsche Bank, Citibank, UOB Kay Hian, Guotai Junan International, Huatai Hong Kong, Southwest Securities, ABC International and Industrial Securities to recommend to “Buy”, among which Deutsche Bank, UOB Kay Hian, Huatai Hong Kong, ABC International and Industrial Securities were the institutions with initial coverage.

In the results announcement, Powerlong mentioned the three-year strategic targets, expecting that the growth rate of contracted sales in the coming three years would be over 30%, with an annual average growth rate of lease revenue of over 25% and an annual average growth rate of operating revenue of hotels of 15%, presenting diversified and accurate development layout with property development and business operation, remaining rapid and steady development trend.

Abundant quality land reserves, with in-depth focus on Yangtze River Delta

In the first half of 2019, Powerlong seized the opportunities in the land market, adding 23 land parcels in Zhejiang, Jiangsu and other area at a low premium rate through tender, auction, listing, cooperation and other methods. The total floor area was approximately 3.11 million square meters, and the amount of available-for-sale goods was approximately RMB46,700 million, of which the land investment in the Yangtze River Delta area accounted for 93.5%, continuing to deepen the layout of Yangtze River Delta. These quality land reserves will serve as the greatest resources for the steady growth in scale and profit growth of the enterprise in the future. As of the first half of 2019, the total land reserves of Powerlong reached 24.37 million square meters, and the average land costs amounted to RMB2,701/m². The average strike price of land accounted for 16.5% of the average sales in the first half of 2019, highlighting the advantages of costs with expected room for profit in the future.

Land plans with predictability and forward looking, aligning the industrial development cycle, and being a pioneer in the market, are the investment strategies which Powerlong has been adhering to. Currently, the total area of land reserves in Zhejiang province reached 10.73 million square meters, and the amount of available-for-sale goods was RMB120,500 million; the area of land reserves in Jiangsu province reached 5.57 million square meters, and the amount of available-for-sale goods was RMB69,400 million; the area of land reserves in Shanghai reached 1.43 million square meters, and the amount of available-for-sale goods was RMB15,400 million. Focusing on Jiangsu, Zhejiang and Shanghai will bring advantages to the Company from the integrated strategies of the Yangtze River Delta. While struggling in Jiangsu, Zhejiang and Shanghai, the Company continued to deepen the layout of single core cities, and jointly developed railway companies in Hangzhou, Nanjing, Ningbo, Wenzhou and other places to create quality property projects combining rail and properties.

Company News

Launch of new business innovation, showing results with diversity and accuracy. According to the data from the interim report, the target of income from shopping mall operation of Powerlong in 2019 was RMB2,810 million, expecting a year-on-year increase of 25%; the target of income from hotel operation was RMB780 million, expecting a year-on-year increase 15%. As of the first half of 2019, Powerlong had 39 shopping malls under operation and 17 hotels under operation. In the second half of the year, 6 shopping malls will commence operation, among which Shaoxing Paojiang Powerlong Plaza is proposed to commence operation in advance in early September, expecting a total of 45 shopping malls in late 2019, and over 64 in 2021. Long-term stable business income could effectively improve the coverage of interests, and meanwhile, diversified development also provided Powerlong with more direction towards profitability, enhance the strength for risk-resistance. Mr. Hoi Kin Hong, chairman of the Board, emphasized, “working for commercial properties is the root of the Company. Since the real estate development has become increasingly mature, only enterprises with more long-term proprietary projects could sustain.”

Encountering rapid expansion of management scale, Powerlong promoted business development of platform by making use of technical upgrade towards the new business development. Strategic cooperation with Tencent has entered the stage of actual results. Both parties established a joint venture company to create an integrated plan for business digitalization and innovation application in the industry, and take the initiative to launch practical and advanced products in the industry, such as based on “Youyou” and “Business+”, the user end of small-size application, R&D of senseless products authorized based on improvement of images, as well as the R&D of games and information products.

2019 is the tenth anniversary of Powerlong listed in Hong Kong, with endeavours for a decade, Powerlong gradually cultivated an increasingly explicit, diversified and synergetic development business layout, expressing appreciation to the confidence of investors through results with steady growth and bonus. Looking forward to the next decade, Mr. Hoi Wa Fong, president of Powerlong Real Estate, said, “Powerlong will continue to insist on quality growth as well as accurate as sound development mode, develop the capabilities to pass through the cycle, continue to fulfill stable profitability, and achieve win-win situation with shareholders and investors.

Research Report

Citibank : Focusing on dual strategy, Powerlong Real Estate business maintains robust growth

Citibank issued a research report on 25 August, stating that Powerlong Real Estate (1238.HK) maintained “Buy” rating and revised up the target price to HK\$6.00 with its robust growth in business and focus on dual strategy model.

Research Report expresses full recognition to the sales growth of Powerlong in the first half of 2019, believing that dual strategy model provides strong momentum for the Company’s business growth. With adequate and qualified land reserves of the Company and focusing portfolio in the Yangtze River Delta Economic Zone, the report states that the Company will complete approximately RMB55 billion sales target and maintain contracted sales with a CAGR of 30% in the coming three years. Meanwhile, the recurring revenue in 2019 is expected to reach RMB3.6 billion with continuous growth in business operation and hotel business of the Company. The report also states that, commercial digitalization and new retails platform by Powerlong and Tencent will help realize upgrade in business operation, and benefit its future development.

Huatai Financial holdings (Hong Kong) : Continuous growth in dual strategies of Powerlong Real Estate, maintaining “Buy” rating

Huatai Financial holdings (Hong Kong) issued a research report on 25 August, maintaining Powerlong Real Estate (1238.HK) “Buy” rating with TP at HK\$6.01.

According to the report, the highlighted performance of Powerlong Real Estate in the first half of 2019 with revenue recorded a year-on-year increase by 32%, core net profit attributable to parent company recorded a year-on-year increase by 49% to RMB1,245 million. Meanwhile, gross profit margin with 38.8% also remained at the industry-leading level. The Company anticipated to maintain rapid growth in the coming three years with its adequate land reserves and portfolio in Yangtze River Delta Economic Zone. The research also states that the Company enjoys first mover advantage in commercial property section as the industry-leading commercial property developer. It is anticipated that the number of shopping malls in operation by the end of 2021 will reach 64, business operation revenue will continue to increase.

Research Report

UOB Kay Hian : Positive results shown by cultivation in Yangtze River Delta Economic Zone, better-than-expected increase in sales growth of Powerlong

UOB Kay Hian issued a research report on 26 August maintain Powerlong “Buy” rating and revised up the TP to HK\$6.01. This is the second time for UOB Kay Hian to revise up the target price after it covered Powerlong Real Estate for first time and assigned “Buy” rating on 25 March.

According to the report, the 2019 interim results of Powerlong Real Estate exceed revenue recorded a year-on-year increase by 32.0% to RMB12,251 million, net profit recorded a year-on-year increase by 37.2% to RMB2,448 million. Benefiting from strategy to cultivate in Yangtze River Delta Economic Zone and new development and operation system, the Company has developed rapidly in recent years. Contracted sales achieved considerable growth, and it is expected to maintain 30% or above annual growth rate in the coming three years. Meanwhile, the upcoming three years will be the business peak time for shopping malls of Powerlong, and it is expected that over 25 new shopping malls will commence operation and provide stable and long-term revenue to the Company.

Zhongtai International: covering Powerlong Real Estate for first time, assigning the Company “Buy” rating

Zhongtai International issued a research report on 23 August cover Powerlong Real Estate for the first time , assigning Powerlong Real Estate (1238.HK) “Buy” rating with TP at HK\$5.85 with adequate land reserves in Yangtze River Delta Metropolitan Area and capability in business operation.

The research report fully recognizes the Company’s “deep-rooted in Yangtze River Delta Economic Zone” development strategy, points out that its anticipated portfolio of Yangtze River Delta and strong executive capability will strengthen fast growth of the sales model of the Company. Taking into account the saleable property value accounting for RMB63,100 million in the second half of 2019 , the Company might realize RMB55,000 million adjusted sales target. Meanwhile, as the pioneer in the commercial property industry, commercial operating business of the Company increased steadily, and it is expected the recurring revenue in the coming three years will maintain a CAGR of 22.8%.

Research Report

Industrial Securities : Slightly exceeding the expectation of Interim Results of Powerlong Real Estate, revising up the TP to HK\$6.30

Industrial Securities issued a research report on 24 August maintain Powerlong Real Estate (1238.HK) “Buy” rating and revised up the TP to HK\$6.30. The Company is expected to maintain 35% dividend yield rate with positive attitude to future development and recognition to the Company’s stable share distribution. The current dividend yield is over 6%, recommending investors to pay close attention.

According to the report, the contracted sales of Powerlong Real Estate in the first half of 2019 recorded a considerable increase and revised annual target to RMB55,000 million. Meanwhile, the Company showed clear strategy in land acquisition, continued to cultivate Yangtze River Delta Economic Zone, land acquisition with low premium rate through residential-commercial cooperation models. Total premium rate was only 12.7%, and percentage of cost of land to average selling price rate was less than 20%, while the gross profit rate remained at industry-leading level.

Southwest Securities : Trend-bucking growth in sales of Powerlong Real Estate, revising up the target price to HK\$6.38

On 24 August, Southwest Securities maintained Powerlong Real Estate “Buy” rating, revised up the TP to HK\$6.38 with trend-bucking growth in sales of Powerlong Real Estate, and benefitted potential development in district cultivation and gradual presentation of business valuation.

The report states that, the contracted sales volume of the Company in the first half of 2019 recorded a year-on-year increase 78.7%, and the growth surpassed the industry, ranking first in TOP50 property enterprises. Meanwhile, synergetic advantages were obtained in residential projects, becoming prominent with the Company’s accumulated experience in business development and operation for 15 years. The Company started focusing on “commercial +railway” new land acquisition model and prominent advantages in cost of land reserves. Meanwhile, commercial properties of Powerlong, with extensive categories and coverage, established a joint venture with Tencent, and put effort on offering commercial digitalization and innovative application targeting the industry, gradually presenting business valuation.

Honours of the Month

Date	Award	Awarding Party
6 August	2019 Influential Property Brand in China	Guandian Property
27 August	2019 Commercial Property Outstanding Project in China	Media of Economic Observer, Economic Observer
	2019 Commercial Property Outstanding Enterprise in China	

Company Introduction

Powerlong Real Estate Holdings Limited (the “Company” , “Powerlong” and “Powerlong Real Estate”) is a real estate enterprise listed on the main board of The Stock Exchange of Hong Kong Ltd., specializing in the development and operation of high-quality, large-scale, multi-functional commercial complexes. Powerlong has developed a series of urban complexes named “Powerlong Plaza” integrating large-scale shopping centers, supermarkets, department stores, retail stores, cinemas, food plazas, quality residential properties and other leisure facilities, which have become large-scale commercial landmarks in cities where such complexes locate. Property projects are generally located in prime positions close to the city center of fast-growing, emerging cities in Shanghai Municipality, Jiangsu Province, Zhejiang Province, Fujian Province, Shandong Province, Tianjin Municipality, Henan Province, Chongqing Municipality, Anhui Province. Powerlong has been awarded for many years China Real Estate Top50 Enterprises, China Commercial Real Estate Top5 Enterprises, China Top10 Listed Real Estate Enterprises, China Top5 Commercial Project Brand Value, China Top5 Commercial Real Estate Corporate Brand Value, etc.