

# Company Newsletter ( August 2017 )

## Stock ( September 8th, 2017):

Closing Price : 3.95 HK\$

52-week High/Low : 2.11-4.19 HK\$

Market Cap : 15,789 million HK\$

No. of Issued Shares : 3,997 million

## Recent IR Activities:

Date	Activities	Venue
Sep7-8	Everbright Securities Listed Companies Meeting	Nanjing

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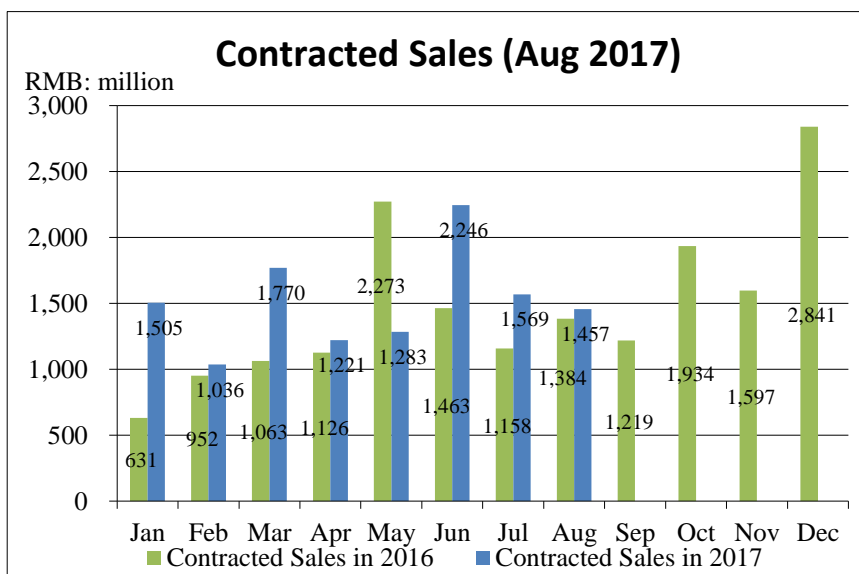
### Company Website

www.powerlong.com

## > Contracted Sales

In August, the Company recorded contracted sales (including contracted sales value by joint ventures and associated companies) of approximately RMB1,457 million for the GFA of approximately 100,604 sq.m. The Company achieved approximately RMB12,087 million cumulative contracted sales (including contracted sales value by joint ventures and associated companies), representing a YoY increase of 20.3%, and with the GFA of approximately 872,959 sq.m., representing a YoY increase of 1.9%.

No.	Type of Business	Contracted Sales (RMB: million)	Ratio
1	Commercial	5,255.3	43%
2	Residential	6,831.9	57%



## > Company News

### Powerlong Real Estate Announces 2017 Interim Results Maintains High Growth, Develops New Retail to Guide Industrial Upgrade

On 24 August 2017, the Interim Results Announcement of Powerlong Real Estate Holdings Limited (HK.1238) took place in Hong Kong, announcing the comprehensive results for the six months ended 30 June 2017. Contracted sales amounted to approximately RMB9.061 billion, representing a year-on-year increase of 20.7%. Total revenue amounted to approximately RMB7.631 billion, representing a year-on-year increase of 22.6%. Rental income amounted to approximately RMB851 million, representing a year-on-year increase of 38.1%. Gross margin was 36.2%, a leading level in the industry. Profit attributable to shareholders was RMB1.5 billion, representing a year-on-year increase of 35%. Core profit was approximately RMB1.1 billion, representing a year-on-year increase of 37%. New borrowing costs fell to 5.17%.



## > Company News

### **Rental Income Increases by Nearly 40% with Improving Business Efficiency**

In the first half of 2017, rental income and property management services revenue generated from Powerlong Real Estate's investment properties amounted to RMB851 million, representing a year-on-year increase of about 38.1%, higher than the industrial average. As of 30 June 2017, the number of Powerlong shopping malls in operation was 32. Rental income and property management fees of these shopping malls showed significant growth. Both the number of project opened and opening area ranked at the forefront of the industry.

### **Core Profit Rises Significantly; Stable Financial Position with Higher Ratings**

In the first half of 2017, total revenue of Powerlong Real Estate amounted to RMB7.631 billion, representing a year-on-year increase of 22.6%. Core profit was RMB1.070 billion, representing a year-on-year increase of 37.2%, a record high. On the other hand, new borrowing costs decreased to 5.17%. Through the flexible use of different financing channels, Powerlong Real Estate issued new debts with low interest rates to settle old debts with higher interest rates and extend debt maturities. In this way, the debt structure and liquidity was optimized, and average financing cost reduced.

### **Sets Up the Ideas Lab to Develop New Retail**

For the innovation business, Powerlong Real Estate integrated resources from various sources applying its leading internet research and accumulated technology to set up the Ideas Lab. The lab works closely with internet and technology services enterprises to practice and verify new business activities and models, laying a new commercial cornerstone for Powerlong Real Estate.

### **Acquires Quality Projects in the Yangtze River Delta to Gain a Strategic Position**

As of 30 June 2017, Powerlong Real Estate acquired a total of 6 quality land parcels, 3 in Ningbo, Zhejiang, 1 in Yangpu, Shanghai and 1 in Hangzhou, Zhejiang. Total GFA amounted to approximately 11.24 million square meters. 3 or more of the land parcels are located in the Yangtze River Delta, enough to support the development of Powerlong Real Estate in the next 3-5 years.



## > Company News

### 9th Project in Hangzhou, Dedicated to the Yangtze River Delta

On 25 August, Powerlong Real Estate won the bidding of a large commercial and residential land parcel in Lin'an, Hangzhou with a land area of 120,783 square meters and a GFA of 333,361 square meters. Floor price was RMB5,325 per square meter with a premium rate of 7.61%. This was Powerlong Real Estate's second project in Lin'an 2 months after acquiring the first, as well as its ninth project in Hangzhou.

The land parcel, a superstructure of Hangzhou Metro, is adjacent to the light rail station in the Qingshan Lake Science and Technology City. At the end of 2019, it will be connected with Hangzhou Metro Line 5 and become an artery to connect Ling'an with other parts of China and the metro network of Hangzhou.

The Qingshan Lake Science and Technology City core zone, where the parcel is located, is an important part of the West Hangzhou Kechuang Corridor. In the long term, the Corridor, as one of the most crucial projects in Zhejiang Province, is a critical site for the development of Hangzhou and Lin'an.

### Obtains Powerlong's Large Integrated Project in Wuxi

On 18 August, Powerlong Real Estate won the bidding of a large integrated (residential, commercial and business) project in Xinwu, Wuxi. The project is located in the southwest of the intersection of Changjiang South Road and Zhaijibin. The project covers an area of 248,782 square meters, with a construction area of 342,000 square meters and a floor price of RMB4,240 per square meter. It will be built into a large community integrating residential, commercial and business function.

Xinwu District, where the project is located, has been transformed into a three-dimensional transport network with regional airlines, intercity high-speed rails, high-speed road networks, international ports and urban rail transit. It is one of the most important transport hub in East China, with obvious integration effects with Shanghai, Nanjing, Suzhou, Changzhou and other major cities. It is also the only development zone with an international airport in China.

The project is surrounded by a convenient transport network. It is only one road away from the Wuxi New Area Railway Station of the Shanghai-Nanjing Intercity Railway. Metro Line 3 and Metro 4 are also included in the future planning of this area. With a three-dimensional metro & high-speed rail transport network, the project has promising prospects.



## > Company News

### Obtains Powerlong's Large Integrated Project in Wuxi (Cont'd)

According to the project planning, the project will be equipped with public service facilities such as schools for 12-year compulsory education and specialist hospitals. Ancillary facilities including community service facilities, cultural and sports facilities, pension facilities, property management facilities and business facilities will also be included. In the future, this area, which is badly in need of business ancillary facilities, will become more well-developed with the arrival of Powerlong Real Estate.

## > Research Report

### Citi: Target Price Raised to HKD4.7 for Powerlong Real Estate (HK.1238) on Visible Growth Path

On 24 August, Citi said in a research report that with its dual-focus business model, Powerlong Real Estate's growth path is visible backed by outstanding operation of investment properties, stable property sales and lower finance costs. Citi said the attractive valuation of Powerlong Real Estate equals 4.8 times of the estimated PE ratio in 2018. With the 35% payout ratio and 7.2% dividend yield, Citi raised the target price from HKD4.2 to HKD4.7 and maintained the "buy" rating.

Citi reported that the sales of Powerlong Real Estate increased by 23% in the first seven months of 2017. It is believed that the RMB20 billion sales target will be reached in this year. Sales growth is expected to rise to 30% in the next year. Citi expected that in 2017-2019, Powerlong Real Estate will maintain a high profit margin of 33%-35%. Powerlong Real Estate also strives to achieve the annual rental income target of RMB3 billion, i.e. to reach a compound annual growth rate of 21% in 2017-2020.

Citi also believed that Powerlong Real Estate will sustain the high profit margin, given its defensive land bank in Shanghai and further penetration in other Yangtze River Delta areas such as Ningbo and Hangzhou on the one hand, as well as the unrecognized sales gross margin of 33%-35% with upside to booking gross margin for anchor projects.



## > Research Report

### Citi: Target Price Raised to HKD4.7 for Powerlong Real Estate (HK.1238) on Visible Growth Path (Cont'd)



**Citi Research**  
**Equities**

24 Aug 2017 14:15:09 ET | 13 pages Real Estate/Property  
Asia | China

### Powerlong Real Estate Holdings (1238.HK)

#### Dual Engines to Back Promising 30% Growth Vision; Strong 1H17

- **Buy; new TP HK\$4.7; promising 30% growth vision in '17-20E:** With its dual-focus biz model, Powerlong's growth path is visible (target 30% earnings CAGR to '20E) backed by outstanding IP operations (38%/25% rental growth in 1H/'17), stable DP sales and lower finance costs (end-17E: 5.8%). With a superior portfolio at defensive cost (1.7m\$ in Shanghai; six malls), valuations look attractive (4.8x '18E PER; 45% NAV disc) with 35% payout (7.2% yield). Maintain Buy with a new TP of HK\$4.7 (from HK\$4.2) on higher NAV and EPS tweaks to factor in new lands.
- **Eyes 30% sales growth in '18E; 4% impact on commercial-title apartments:** With decent sales by 7M17 (Rmb10.6bn; +23%yoy), we believe Powerlong could achieve its Rmb20bn target (+13%), given new launches in SH and Haikou in 2H amid SH new policy on commercial-title apartments (est. 9% of FY17 resources; 4% of landbank). We expect growth to accelerate to 30% in '18E (c.Rmb25-26bn), with new sales from Hangzhou, Ningbo and Haikou. Coupled with strong ASP growth (1H17: 15%), we believe its high margin is sustainable at 33-35%+ in '17-19E.
- **Target Rmb3bn rental income by 2020E (20%+ CAGR); 25% rental growth in '17E:** Its IP portfolio extended its track record with 38%yoy rental income growth (15% from mature malls; 10% retail sales growth) after opening seven new malls in 2H16-1H17, with another three in 2H17E. With a visible pipeline (4/7 new malls in '18/'19E), Powerlong targets Rmb3bn rental income by 2020E (21% CAGR in '17-20E). Its B/S strength is also strengthened with lower finance costs (est. 5.8% by end-17; vs. 6.09% in 1H17; 6.18% in FY16 and 5.17% for new loans in 1H17).
- **Shanghai landbank (1.7m\$) to shine; deep penetration into YRD:** Powerlong could sustain its high margin level, in our view, given i) defensive land costs – 1.7m\$ Shanghai landbank at only Rmb5k/sqm with further penetration in NB, HZ; ii) 6 new projects (SH, NB, Jinjiang, Linan) were added at avg. Rmb7.3k; the majority almost at base price; iii) unrecognized sales (Rmb12bn) at 33-35% GPM with upside to booking GPM (1H17's 36.2%) for anchor projects (e.g., SH Qibao).

<b>Buy</b>	<b>1</b>
Price (24 Aug 17 16:10)	HK\$3.68
Target price	HK\$4.70
<i>from HK\$4.20</i>	
Expected share price return	27.7%
Expected dividend yield	4.9%
<b>Expected total return</b>	<b>32.6%</b>
Market Cap	HK\$14,710M US\$1,880M

**Price Performance**  
(RIC: 1238.HK, BB: 1238 HK)



## > Awards of the Month

Date	Awards	Issued by
9 Aug	China's Most Influential Commercial Real Estate Operator 2017	www.guandian.cn



## > Company Introduction

Powerlong Real Estate Holdings Limited (the “Company” and “Powerlong”) 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 City 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.

