

## Guangdong Land Holdings Limited HKSE: 0124

Maintaining Rating & Target  
**BUY, HK\$4.75**

November 2, 2018

### MARKET DATA

Share Price:	HK\$	1.61
Market Cap:	HK\$	2,755.58 M
52wk Range:	HK\$	1.54 - 2.21
Ave. Volume:		215,000
Basic S/O:		1,711.54 M
Fully Diluted S/O:		1,711.54 M
Float:		308.08 M
Board Lot:		2,000
Institutional (SDI) %:		8%
Insider %:		74%

### FINANCIAL DATA (06/30)

Cash:	HK\$	1,917.19 M
ST Debt:	HK\$	0.00 M
LT Debt:	HK\$	0.00 M
Net Asset Value:	HK\$	4,699.85 M
EBITDA (ttm):	HK\$	129.73 M
CFFO (ttm):	HK\$	N/A

Auditor: PricewaterhouseCoopers

HKD	2016A	2017A	2018e	2019e
-----	-------	-------	-------	-------

### Revenue (in Millions)

Jun	654.99	27.80	10.42A	1,479.83
Dec	436.94	158.90	667.38	1,520.79
<b>REV</b>	<b>1,091.94</b>	<b>186.69</b>	<b>677.80</b>	<b>3,000.62</b>
<i>P/S</i>	<i>2.99</i>	<i>17.51</i>	<i>4.82</i>	<i>1.09</i>

### Diluted EPS (in cents per share)

Jun	(0.56)	(0.01)	3.65A	7.17
Dec	1.59	2.89	9.89	13.65
<b>EPS</b>	<b>1.04</b>	<b>2.88</b>	<b>13.54</b>	<b>20.82</b>
<i>P/E</i>	<i>184.34</i>	<i>66.33</i>	<i>14.11</i>	<i>9.17</i>

### Dividend

Dec	0.00	0.00	0.00	0.00
<i>Yield</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

William Gregozeski, CFA  
wgregozeski@greenridgeglobal.com  
+1 414 435 1110

## Portfolio Projects Continue Developing On Schedule

**Q3:18 Results Moved By Impact of Acquisitions.** GDL reported third quarter Revenue of HK\$ 20.7 million from sales at the Baohuaxuan Project. Other notable items were the recognition of HK\$ 297 million as Gain on Bargain Purchase from the July 2018 acquisitions, which was higher than the figure we had estimated. GDL also recorded a HK\$ 111 million income tax expense related to income previously received as demolition compensation. Net Profit for the third quarter was roughly HK\$ 130.4 million.

**Project Portfolio Updates.** The Buxin Project continues to move on track, with the four NW Land buildings constructed up to between 25 and 35 floors. Pre-sale activities are still expected before year-end, as is the start of construction of the Southern and Northern Land buildings. Construction has been completed on the Zhuguanglu Project and sales are expected to start before the end of 2018. Sales have continued at the Baohuaxuan Project, which ended September with 79.2% of the GFA sold.

**Model Update.** Other than the items noted above in the third quarter results, the only change to our model was pushing out Revenue from Zhuguanglu from H2:18 to H1:19.

**Maintaining Rating & Target.** GDL's growing portfolio continues to see projects developing on schedule and units selling as originally expected. Having positive operational momentum we are reiterating our Buy rating and HK\$4.75 target price on Guangdong Land. Our target price is based on our DCF model that covers GDL's project portfolio.

## RISKS

### Lack of Real Estate Development Experience

GDL has no direct real estate development experience after spending years as a brewery. However, it received an influx of management personnel from its parent company, GDH, who has been successful in real estate in Guangdong.

### Foreign Currency Translation

The Company operates in China, but reports results Hong Kong Dollars. Movements between the currencies could impact its financials, specifically the value of its Buxin project.

### Capital Management

Delays in the Buxin Project and/or a lack of acquisition opportunities could make it difficult for management to achieve a fair rate of return on its cash position.

### Controlled by Guangdong Investment

Guangdong Investment Limited [HK: 270] owns 1,268,522,665 shares, or 74.1%, of Guangdong Land. As such, it maintains control over the future of the Group.

### Project Development Costs

The Company has not yet released its final projected budget of construction costs for the Buxin Project. This figure could vary from our projections.

### Low Float and Share Turnover

With less than 20% of the shares outstanding in the float and less than US\$1 million trading each day, any trading interest in either direction could cause the stock to move fast and/or make it difficult to trade large positions.

### Jewelry District Development

The Buxin Project is dependent in part on the local government to continue to push towards the development of the jewelry market in Luohu and Shuibei, and thus have local and international brands to seek retail and office space in the area.

### Land and Real Estate Prices

Land and property values have risen in recent years before tailing off a bit in 2014 on tighter credit availability, which has negatively impacted not only buyers but also developers in a cash crunch. Should the government move back to tighter credit the Company may not be able to obtain the resale prices it currently projects.

## BUSINESS SUMMARY

Guangdong Land (GDL) recently transitioned from a brewery to a Guangdong-focused real estate investment and development company. The Company is currently constructing its flagship property, the Buxin Project, a mixed-use commercial and residential project in the gold and jewelry district of Shenzhen. GDL also owns three projects in Guangzhou, including the Ruyingju and Baohuaxuan residential projects and a mixed use project (Zhuguanglu). GDL is a publicly listed subsidiary of Guangdong Investment (GDI [HK: 270]), which is a subsidiary of Guangdong Holdings (GDH), a provincial level State Owned Enterprise.

## ESTIMATED INCOME STATEMENT

(in 000s of HKD)	H1:17A	H2:17A	2017A	H1:18A	H2:18e	2018e	H1:19e	H2:19e	2019e	2020e	2021e	2022e	2023e
Revenue	27,798	158,896	186,694	10,423	98,188	108,611	2,051,863	1,520,789	3,572,653	4,370,668	5,100,839	2,720,832	1,818,298
Cost of Sales	(17,476)	(3,597)	(21,073)	(241)	(55,381)	(55,622)	(1,037,592)	(654,578)	(1,692,170)	(820,025)	(927,802)	(498,292)	(388,329)
<b>Gross Profit</b>	<b>10,322</b>	<b>155,299</b>	<b>165,621</b>	<b>10,182</b>	<b>42,808</b>	<b>52,990</b>	<b>1,014,271</b>	<b>866,212</b>	<b>1,880,483</b>	<b>3,550,643</b>	<b>4,173,037</b>	<b>2,222,540</b>	<b>1,429,968</b>
Other Income & Gains, Net	36,402	28,985	65,387	28,902	28,870	57,772	26,816	25,926	52,741	103,361	95,062	136,882	176,482
Gain on Bargain Purchase	-	-	-	-	297,272	297,272	-	-	-	-	-	-	-
Selling & Distribution	(3,194)	(4,376)	(7,570)	(7,767)	(6,187)	(13,954)	(19,863)	(16,146)	(36,009)	(41,595)	(46,706)	(25,046)	(18,728)
Administration Expenses	(34,885)	(39,487)	(74,372)	(40,941)	(63,833)	(104,774)	(64,654)	(60,658)	(125,312)	(111,133)	(101,129)	(105,215)	(109,466)
Other Expenses	(1)	(2,779)	(2,780)	(673)	-	(673)	-	-	-	-	-	-	-
Finance Costs	-	-	-	-	(56,768)	(56,768)	(77,081)	(97,393)	(174,474)	(191,661)	(118,224)	-	-
<b>Profit Before Tax</b>	<b>8,644</b>	<b>137,642</b>	<b>146,286</b>	<b>(10,297)</b>	<b>242,163</b>	<b>231,866</b>	<b>879,489</b>	<b>717,941</b>	<b>1,597,430</b>	<b>3,309,615</b>	<b>4,002,040</b>	<b>2,229,161</b>	<b>1,478,257</b>
Income Tax Expense	(7,162)	(87,325)	(94,487)	74,571	(119,364)	(44,793)	(635,501)	(456,496)	(1,091,997)	(1,549,837)	(1,467,138)	(578,060)	(389,349)
<b>Net Income Before MI</b>	<b>1,482</b>	<b>50,317</b>	<b>51,799</b>	<b>64,274</b>	<b>122,798</b>	<b>187,072</b>	<b>243,987</b>	<b>261,445</b>	<b>505,432</b>	<b>1,759,779</b>	<b>2,534,903</b>	<b>1,651,101</b>	<b>1,088,908</b>
Minority Interests	(1,731)	(781)	(2,512)	(1,870)	(4,504)	(6,374)	(8,523)	(27,028)	(35,551)	(10,291)	-	-	-
<b>Net Income</b>	<b>(249)</b>	<b>49,536</b>	<b>49,287</b>	<b>62,404</b>	<b>118,294</b>	<b>180,698</b>	<b>235,464</b>	<b>234,417</b>	<b>469,882</b>	<b>1,749,488</b>	<b>2,534,903</b>	<b>1,651,101</b>	<b>1,088,908</b>
<b>Basic EPS (HK Cents)</b>	<b>(0.01)</b>	<b>2.89</b>	<b>2.88</b>	<b>3.65</b>	<b>6.91</b>	<b>10.56</b>	<b>13.76</b>	<b>13.70</b>	<b>27.45</b>	<b>102.22</b>	<b>148.11</b>	<b>96.47</b>	<b>63.62</b>
Basic S/O	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537
<b>Diluted EPS (HK Cents)</b>	<b>(0.01)</b>	<b>2.89</b>	<b>2.88</b>	<b>3.65</b>	<b>6.91</b>	<b>10.56</b>	<b>13.76</b>	<b>13.70</b>	<b>27.45</b>	<b>102.22</b>	<b>148.11</b>	<b>96.47</b>	<b>63.62</b>
Diluted S/O	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537	1,711,537

Source: 0124 documents filed with the HKEX and Greenridge Global estimates

**DISCLOSURES****Distribution of Ratings**

Rating	Count	Percent	<u>I.B. last 12 months</u>	
			Count	Percent
BUY	7	78%	0	0%
HOLD	0	0%	0	0%
SELL	1	11%	0	0%
NO RATING	1	11%	0	0%

**Explanation of Ratings**

- BUY:** Describes undervalued stocks we expect to provide a total return (capital appreciation + yield) of 15% or more in the next twelve month period.
- HOLD:** Describes fully valued stocks we expect to provide a total return (capital appreciation + yield) of plus or minus 15% in the next twelve month period.
- SELL:** Describes overvalued stocks we expect to provide a total negative return (capital depreciation + yield) of 15% or more in the next twelve month period.
- NO RATING:** Describes stocks that have their investment rating and/or target price temporarily removed for fundamental or compliance-based reasons.

**Analyst Certification**

I, William Gregozeski, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and subject company. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

**Other Disclosures**

<u>Company</u>	<u>Disclosures</u>
Guangdong Land Holdings Limited	8

- Greenridge Global makes a market in the security of the subject company.
- The analyst serves as an officer, director, or advisory board member of the subject company.
- The analyst or a member of the analyst's household has a financial interest in the securities of the subject company, including, but not limited to a long position, short position, rights, warrants, futures, or options.
- Greenridge Global or an affiliate of Greenridge Global has managed or co-managed a public offering of the security of the subject company in the last 12 months.
- Greenridge Global or an affiliate of Greenridge Global has received compensation for investment banking services from the subject company in the last 12 months.
- Greenridge Global expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.
- Greenridge Global or an affiliate of Greenridge Global beneficially own 1% or more of the common stock of the subject company as calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934.
- The subject company is, or during the past 12 months was, a client of Greenridge Global, which provided non-investment banking, securities-related services to, and received compensation from, the subject company for such services.
- An affiliate of Greenridge Global received compensation from the subject company for products or services other than investment banking services during the past 2 months.

## DISCLOSURES (continued)

### Other Disclosures

This report has been prepared by Greenridge Global LLC, an unregistered US-based financial services firm, employing appropriate expertise and in the belief that it is fair and not misleading. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified, therefore, we do not guarantee its accuracy. Any opinion or estimates expressed in this report constitute our best judgment as of the date of the report and are subject to change without notice. Greenridge Global seeks to update its research as appropriate, but various regulations may prevent Greenridge Global from doing so. This report was prepared solely for informational purposes for Greenridge's institutional clients and does not constitute a personal recommendation, solicitation or offer to buy or sell any security, or take into account the particular investment objectives, financial situations, or needs of individual clients. The securities described herein may not be qualified for purchase in all jurisdictions or be suitable for all investors. Each investor should consider whether any information regarding securities mentioned in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. Additional and supporting information is available upon request.

### Rating History



Greenridge Global's research reports are disseminated and available electronically, and in some cases, printed form. Electronic research is simultaneously available to all clients. This report or any portion herein may not be reprinted, sold or redistributed without the written consent of Greenridge Global LLC. For information on how to be added to Greenridge's research distribution list please contact:

William Gregozeski, CFA  
+1 414 435 1110  
wgregozeski@greenridgeglobal.com

Greenridge Global LLC  
10 S. Riverside Plaza  
Suite 875  
Chicago, IL 60606 USA  
www.greenridgeglobal.com