

**Guangdong Land Holdings Limited**  
**HKSE: 0124**
**Maintaining Rating & Target**  
**BUY, HK\$4.75**
**June 6, 2019**
**MARKET DATA**

Share Price:	HK\$	1.47
Market Cap:	HK\$	2,515.96 M
52wk Range:	HK\$	1.45 - 2.21
Ave. Volume:		275,000
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\$	1,013.03 M
ST Debt:	HK\$	470.22 M
LT Debt:	HK\$	2,041.79 M
Net Asset Value:	HK\$	4,660.02 M
EBITDA (ttm):	HK\$	305.14 M
CFFO (ttm):	HK\$	83.30 M

Auditor: PricewaterhouseCoopers

<b>HKD</b>	<b>2017A</b>	<b>2018A</b>	<b>2019e</b>	<b>2020e</b>
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**Revenue (in Millions)**

Jun	27.80	10.42	2,049.10	486.92
Dec	158.90	301.99	1,491.80	3,649.17
<b>REV</b>	<b>186.69</b>	<b>312.42</b>	<b>3,540.90</b>	<b>4,136.10</b>
<i>P/S</i>	<i>13.48</i>	<i>8.05</i>	<i>0.71</i>	<i>0.61</i>

**Diluted EPS (in cents per share)**

Jun	(0.01)	3.65	13.38	0.49
Dec	2.89	9.46	13.31	98.78
<b>EPS</b>	<b>2.88</b>	<b>13.10</b>	<b>26.69</b>	<b>99.26</b>
<i>P/E</i>	<i>51.04</i>	<i>11.22</i>	<i>5.51</i>	<i>1.48</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>

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**Hou Wailin Joins GDL As Chairman Of The Board**

**Hou Wailin Joins GDL as Chairman of the Board.** Effective yesterday, June 5, Chairman Huang Xiaofeng tendered his resignation as Non-Executive Director and Chairman of the Board after reaching his retirement age. Chairman Huang served in these positions for roughly ten years and oversaw the transition from Kingway Brewery to a real estate development firm. Concurrent with this announcement, Mr. Hou Wailin was appointed Non-Executive Director and Chairman of the Board. Mr. Hou was appointed Chairman of Guangdong Holdings and GDH Limited, the ultimate parent companies of GDL, in May 2019. Previous experience includes serving as Chairman of Guangdong Technology Financial Group and as Director-General of Guangdong Regulatory Bureau of the China Securities Regulatory Commission ("CSRC") and Chief Inspector of the General Inspection Taskforce of CSRC. Similar to Chairman Huang, Chairman Hou will not receive any compensation for this position. We do not expect any significant shifts in the direction of GDL with this change.

**AGM Today.** The AGM will be held later today (June 6, 2019) at 3pm in the Concord Room of the Renaissance Hotel in Wan Chai.

**Model Update.** We have made no changes to our model as we expect a continuation of the current business model.

**Maintaining Rating & Target.** With no changes to our model we are reiterating our Buy rating and HK\$4.75 target price on Guangdong Land. We continue to believe the current share price does not accurately reflect the underlying value of the Company's real estate portfolio or the GDH City project. Our target price is based on our DCF model that covers GDL's entire project portfolio, discounted at 6.5%.

## 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 GDH City 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 GDH City 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 GDH City 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 GDH City 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, Laurel House. 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)	H1:18A	H2:18A	2018A	H1:19e	H2:19e	2019e	H1:20e	H2:20e	2020e	2021e	2022e	2023e
Revenue	10,423	301,998	312,421	2,049,100	1,491,796	3,540,895	486,923	3,649,172	4,136,095	5,323,079	2,803,122	1,898,191
Cost of Sales	(241)	(216,814)	(217,055)	(1,036,695)	(654,226)	(1,690,922)	(196,851)	(538,542)	(735,393)	(904,222)	(489,736)	(378,897)
<b>Gross Profit</b>	<b>10,182</b>	<b>85,184</b>	<b>95,366</b>	<b>1,012,405</b>	<b>837,569</b>	<b>1,849,974</b>	<b>290,072</b>	<b>3,110,630</b>	<b>3,400,702</b>	<b>4,418,857</b>	<b>2,313,386</b>	<b>1,519,294</b>
Other Income & Gains, Net	28,902	(5,238)	23,664	14,623	32,642	47,265	49,997	64,079	114,076	78,650	141,500	196,067
Gain on Bargain Purchase	-	296,737	296,737	-	-	-	-	-	-	-	-	-
Selling & Distribution	(7,767)	(21,742)	(29,509)	(19,844)	(15,943)	(35,786)	(8,908)	(31,044)	(39,953)	(48,262)	(25,622)	(19,287)
Administration Expenses	(40,941)	(54,746)	(95,687)	(64,654)	(60,658)	(125,312)	(62,050)	(49,082)	(111,133)	(96,830)	(96,356)	(100,249)
Other Expenses	(673)	8,856	8,183	-	-	-	-	-	-	-	-	-
Finance Costs	-	(25,271)	(25,271)	(74,159)	(92,066)	(166,225)	(111,351)	(70,026)	(181,377)	(116,635)	-	-
<b>Profit Before Tax</b>	<b>(10,297)</b>	<b>283,780</b>	<b>273,483</b>	<b>868,371</b>	<b>701,545</b>	<b>1,569,915</b>	<b>157,759</b>	<b>3,024,556</b>	<b>3,182,315</b>	<b>4,235,781</b>	<b>2,332,908</b>	<b>1,595,825</b>
Income Tax Expense	74,571	(117,576)	(43,005)	(631,128)	(451,017)	(1,082,145)	(148,780)	(1,333,977)	(1,482,757)	(1,419,076)	(603,397)	(418,115)
<b>Net Income</b>	<b>64,274</b>	<b>166,204</b>	<b>230,478</b>	<b>237,243</b>	<b>250,528</b>	<b>487,770</b>	<b>8,978</b>	<b>1,690,580</b>	<b>1,699,558</b>	<b>2,816,705</b>	<b>1,729,511</b>	<b>1,177,710</b>
Minority Interests	(1,870)	(4,345)	(6,215)	(8,296)	(22,685)	(30,982)	(641)	-	(641)	-	-	-
<b>Net Income</b>	<b>62,404</b>	<b>161,859</b>	<b>224,263</b>	<b>228,946</b>	<b>227,843</b>	<b>456,789</b>	<b>8,337</b>	<b>1,690,580</b>	<b>1,698,917</b>	<b>2,816,705</b>	<b>1,729,511</b>	<b>1,177,710</b>
<b>Basic EPS (Cents/Share)</b>	<b>3.65</b>	<b>9.46</b>	<b>13.10</b>	<b>13.38</b>	<b>13.31</b>	<b>26.69</b>	<b>0.49</b>	<b>98.78</b>	<b>99.26</b>	<b>164.57</b>	<b>101.05</b>	<b>68.81</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
<b>Diluted EPS (Cents/Share)</b>	<b>3.65</b>	<b>9.46</b>	<b>13.10</b>	<b>13.38</b>	<b>13.31</b>	<b>26.69</b>	<b>0.49</b>	<b>98.78</b>	<b>99.26</b>	<b>164.57</b>	<b>101.05</b>	<b>68.81</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

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	8	89%	0	0%
HOLD	0	0%	0	0%
SELL	0	0%	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.

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### Other Disclosures

<u>Company</u>	<u>Disclosures</u>
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