

Guangdong Land Holdings Limited
HKSE: 0124

Maintaining Rating & Target
BUY, HK\$4.50

January 25, 2018

MARKET DATA

Share Price:	HK\$	1.83
Market Cap:	HK\$	3,132.12 M
52wk Range:	HK\$	1.54 - 1.99
Ave. Volume:		470,000
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 (12/31)

Cash:	HK\$	1,855.99 M
ST Debt:	HK\$	0.00 M
LT Debt:	HK\$	0.00 M
Net Asset Value:	HK\$	4,462.93 M
EBITDA (ttm):	HK\$	143.63 M
CFFO (ttm):	HK\$	(226.96) M

Auditor: Ernst & Young

HKD	2015A	2016A	2017e	2018e
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Revenue (in Millions)

Jun	0.24	654.99	27.80A	111.18
Dec	857.69	436.94	56.23	148.36
REV	857.94	1,091.94	84.03	259.53
<i>P/S</i>	<i>3.65</i>	<i>2.87</i>	<i>37.27</i>	<i>12.07</i>

Diluted EPS (in cents per share)

Jun	19.59	(0.56)	(0.01)A	1.61
Dec	(10.34)	1.59	2.76	1.42
EPS	10.21	1.04	2.74	3.03
<i>P/E</i>	<i>17.92</i>	<i>176.62</i>	<i>66.75</i>	<i>60.37</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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Profit Expected In 2017 After Legacy Property Sale

Property Sale Improves 2017 Results. GDL announced it expects to report Net Profit of at least HK\$46.0 million for fiscal 2017, due in large part to the profit booked on the sale of old staff quarters in Shenzhen. Through the first nine months of 2017, GDL had reported a Net Loss of roughly HK\$3.0 million, which had been attributable to the sharp decline in sales and deliveries of the remaining units of the Ruyingju project.

Model Update. Other than adding in the profit tied to the property sale in H2:17, we left the remainder of our model in tact as we believe the Buxin Project is continuing to move along on schedule.

Maintaining Rating & Target. The gain on property sale in Q4:17 had little impact on the remainder of our model. With Buxin continuing to move on schedule we are reiterating our Buy rating and HK\$4.50 target price on Guangdong Land. Our target price is based on our DCF model covering the duration of the Buxin project, which is nearly the same as the reassessed NAV of GDL as calculated by Vigers in the GDI Circular.

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.

Permitting Approval

The Company is still seeking final permitting approvals for its development plans for the Buxin Project. Until received, GDL cannot begin construction on the Buxin Project.

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 in the pre-construction stage of developing its first property, the Buxin Project, a mixed-use commercial and residential project in the gold and jewelry district of Shenzhen. GDL also owns three investment properties in Shenzhen, a recently acquired residential project in Guangzhou (Ruyingju Project), and is actively seeking additional investment properties and land development projects in Guangdong or other Tier 1 cities. 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)	H1:16A	H2:16A	2016A	H1:17A	H2:17e	2017e	H1:18e	H2:18e	2018e	2019e	2020e	2021e	2022e	2023e
Revenue	654,997	436,944	1,091,941	27,798	56,231	84,029	111,176	148,356	259,532	68,806	3,606,406	5,038,046	2,713,766	1,811,019
Cost of Sales	(606,123)	(294,926)	(901,049)	(17,476)	(23,348)	(40,824)	(51,397)	(68,538)	(119,934)	(781)	(537,769)	(926,913)	(498,192)	(388,329)
Gross Profit	48,874	142,018	190,892	10,322	32,883	43,205	59,780	79,818	139,598	68,024	3,068,637	4,111,133	2,215,574	1,422,690
Other Income & Gains, Net	44,053	39,930	83,983	36,578	104,513	141,091	26,150	18,544	44,694	35,220	42,604	30,353	72,545	110,777
Gain on Bargain Purchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Selling & Distribution	(8,083)	(5,469)	(13,552)	(3,194)	(3,394)	(6,588)	(3,778)	(4,038)	(7,817)	(6,482)	(31,245)	(41,266)	(24,996)	(18,677)
Administration Expenses	(40,641)	(32,088)	(72,729)	(34,885)	(35,583)	(70,468)	(36,294)	(37,020)	(73,315)	(76,277)	(79,358)	(82,564)	(85,900)	(89,370)
Other Expenses	(21,876)	(10,702)	(32,578)	(177)	-	(177)	-	-	-	-	-	-	-	-
Finance Costs	-	-	-	-	-	-	-	(12,500)	(12,500)	(85,938)	(103,125)	(29,688)	-	-
Profit Before Tax	22,327	133,689	156,016	8,644	98,420	107,064	45,857	44,803	90,660	(65,451)	2,897,513	3,987,969	2,177,222	1,425,420
Income Tax Expense	(29,300)	(96,390)	(125,690)	(7,162)	(46,899)	(54,061)	(6,748)	(4,846)	(11,594)	(47,817)	(1,309,791)	(1,446,773)	(571,509)	(382,841)
Net Income	(6,973)	37,299	30,326	1,482	51,521	53,003	39,109	39,957	79,066	(113,268)	1,587,722	2,541,196	1,605,714	1,042,579
Minority Interests	(2,592)	(10,000)	(12,592)	(1,731)	(4,347)	(6,078)	(11,588)	(15,595)	(27,183)	(10,291)	(10,291)	-	-	-
Net Income	(9,565)	27,299	17,734	(249)	47,174	46,925	27,521	24,362	51,884	(123,559)	1,577,431	2,541,196	1,605,714	1,042,579
Basic EPS (HK Cents)	(0.56)	1.59	1.04	(0.01)	2.76	2.74	1.61	1.42	3.03	(7.22)	92.16	148.47	93.82	60.91
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	1,711,537
Diluted EPS (HK Cents)	(0.56)	1.59	1.04	(0.01)	2.76	2.74	1.61	1.42	3.03	(7.22)	92.16	148.47	93.82	60.91
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	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	88%	0	0%
HOLD	0	0%	0	0%
SELL	1	12%	0	0%
NO RATING	0	0%	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

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