

LVGEM (China) Real Estate Investment Company Limited

Crown Jewel acquired at a minimal cost, a Positive Surprise

We are positively surprised by the attractive consideration announced by the company in the acquisition of Baishizhou Project. The announced acquisition will add valuable land bank to underpin the company's earnings growth outlook. We upgrade our Target Price by 7.5% to HK\$3.0/sh.

Acquiring a 25% stake in Baishizhou Project at US\$10,000

The company has announced the acquisition of ~25% stake in Baishizhou Urban Renewal Project on 28 Oct 2019 through a share subscription agreement in a target company wholly-owned by controlling shareholder Mr. Wong Hong King, with a consideration of only US\$10,000. Considering the prime location of the project in Nan Shan District of Shenzhen, we are positively surprised by the Consideration announced. While actual contracted sales and earnings contribution from the project may still be at least ~2-3 years away, it will underpin the company's long term earnings growth outlook.

Encouraging progress made in the relocation work

We visited the Baishizhou Project back in September 2019 and we have seen encouraging progress in the relocation of existing homeowners. They started signing relocation agreements with existing homeowners since June 2019, but we have already noticed that many people have already moved out. Based on the current progress, we believe the developer should be able to start demolishing and redevelop the first phase of the project in 2020 and contracted sales to kick in by end-2021E or 2022E. The entire Baishizhou Urban Renewal Project is a 3.58m sqm project in a prime location of Shenzhen, of which ~1.3m sqm will be compensated to the existing homeowners as part of the redevelopment plan. This acquisition adds to the existing 4.4m sqm land bank of the company.

Adding valuable land bank to underpin long term earnings growth

We believe Baishizhou Project is a crucial addition to the developers' land bank, as it will take over the baton from Mangrove Bay No. 1 and Meijing Plaza as the developers' key earnings growth driver from 2022E onwards. Mangrove Bay No. 1 still has ~RMB4bn of sellable resources, which we expect to be launched in 2020E and contribute to the developers' 2020E revenue and net profit. Meanwhile Meijing Plaza was recently launched in Sep 2019 with an ASP of ~RMB76,000/sqm, we expect the sales from this project to also be a key earnings driver for 2020E and 2021E.

Balance Sheet Leverage remains stable, 1H19 Net Gearing at 121%

Since the consideration in the latest acquisition of the Baishizhou project was only US\$10,000, there is minimal impact to the developers' balance sheet leverage, until construction capex kicks in. The developer's 1H19 Net Debt to Equity stood at 121%, slightly down from the 138% of 2018.

We upgrade our TP by 7.5% to HK\$3.0/sh based on a 7.0x 2020E P/E

We are upgrading our TP by 7.5% to HK\$3.0/sh as we raise our 2020E Target P/E multiple to 7.0x (from 6.5x) to reflect the improved earnings growth outlook. Key risks to the stock includes (1) Revaluation loss to HK NEO may put further pressure on balance sheet; (2) Acquisition cost of the remaining portion of Baishizhou project higher than expected.

Stock code:0095.HK

Rating: Hold

Price target (HK\$)	3.00
Previous price target (HK\$)	2.79
Current price (HK\$, 28th Oct 2019)	2.93
Upside/downside %	3%
Market cap (HK\$ m)	14,637
Market cap (US\$ m)	1,867
Avg daily turnover (US\$m)	2.07

Source: Bloomberg, AMTD Equity Research

Key forecasts

(RMB m)	2018	2019e	2020e	2021e
Revenue	4,516	4,525	8,116	9,682
yoy %	52.2%	0.2%	79.4%	19.3%
Core Attr NP	863	984	1,902	2,135
yoy %	27.7%	13.9%	93.4%	12.2%
Gross margin	59.5%	69.7%	70.8%	62.1%
Net gearing	137.6%	124.1%	118.8%	112.5%
EPS	0.18	0.20	0.39	0.44
Diluted EPS	0.14	0.11	0.21	0.24
DPS	0.06	0.05	0.10	0.11
Diluted DPS	0.03	0.03	0.05	0.06
BPS	2.31	2.46	2.75	3.08

Source: Company data, AMTD Equity Research

Valuation

	2018	2019e	2020e	2021e
P/E	15.0	13.2	6.8	6.1
P/BV	1.1	1.07	0.96	0.9
Div. yield	2.3%	1.9%	3.6%	4.0%
ROE	7.6%	8.1%	14.1%	14.1%
ROA	2.0%	2.1%	3.8%	3.8%

Source: Bloomberg, AMTD Equity Research

Share price performance



Source: Bloomberg

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Figure 1: Financial Forecasts and key ratios

PnL, RMB mn	2017	2018	2019e	2020e	2021e	Balance Sheet, RMB mn	2017	2018	2019e	2020e	2021e
Revenue	2,968	4,516	4,525	8,116	9,682	Investment Properties	19,651	22,117	22,117	22,117	22,117
COGS	(1,030)	(1,830)	(1,369)	(2,367)	(3,673)	Interest in JV/Asso	522	522	522	522	522
Gross Profit	1,938	2,686	3,156	5,749	6,008	PP&E and Others	2,481	1,532	1,532	1,532	1,532
Selling and marketing exp	(68)	(133)	(133)	(239)	(285)	Non-current assets	22,654	24,171	24,171	24,171	24,171
General and admin exp	(362)	(390)	(391)	(702)	(837)	PUD & Held for Sale	6,351	10,710	13,016	15,217	18,967
Share of results of JV & Asso	(0)	(0)	(0)	(0)	(0)	Deposits and prepayments	1,138	890	890	890	890
Reval Gains from Inv Prop	478	323	-	-	-	Cash & Cash Equivalents	3,975	3,674	5,290	6,207	8,246
Others	124	327	155	279	333	Others	2,679	3,967	3,967	3,967	3,967
Net Finance costs	(614)	(658)	(739)	(812)	(922)	Current assets	14,143	19,241	23,163	26,281	32,070
Profit before tax	1,497	2,156	2,048	4,275	4,297	Total Assets	36,797	43,412	47,334	50,452	56,242
Income tax expense	(459)	(925)	(1,059)	(2,363)	(2,150)	Contract Liabilities	-	2,268	4,443	4,115	5,282
Net profit	1,039	1,230	989	1,912	2,147	Bank and Other Borrowings	4,316	5,824	5,824	5,824	5,824
Shareholders' Profit	1,035	1,237	984	1,902	2,135	Trade and Other Payables	600	1,384	1,384	1,384	1,384
Minority Interest	3	(7)	5	11	12	Others	4,735	2,214	2,214	2,214	2,214
Shareholders' Core Net Profit	676	863	984	1,902	2,135	Current liabilities	9,651	11,690	13,864	13,537	14,703
Dividends	-	304	241	467	524	Bank and Other Borrowings	14,594	17,500	18,500	20,500	23,500
EPS - Basic (RMB)	0.22	0.25	0.20	0.39	0.44	Others	2,483	2,783	2,783	2,783	2,783
Core EPS - Basic (RMB)	0.14	0.18	0.20	0.39	0.44	Non-current liabilities	17,077	20,283	21,283	23,283	26,283
Core EPS - Diluted (RMB)	0.12	0.14	0.11	0.21	0.24	Capital and reserves	9,836	11,331	12,074	13,509	15,120
DPS - basic (RMB)	-	0.06	0.05	0.10	0.11	Shareholders' equity	9,836	11,331	12,074	13,509	15,120
DPS - Diluted (RMB)	-	0.03	0.03	0.05	0.06	Non-controlling interests & Perp	233	107	113	123	135
BV per share (RMB)	2.10	2.31	2.46	2.75	3.08	Total equity	10,069	11,439	12,187	13,632	15,255
Cash Flow Statement, RMB mn	2017	2018	2019e	2020e	2021e	Total Liabilities and Equity	36,797	43,412	47,334	50,452	56,242
Profit Before Tax	1,497	2,156	2,048	4,275	4,297	Key Ratios, RMB mn	2017	2018	2019e	2020e	2021e
Operating CF before Working Cap	1,609	2,308	2,787	5,087	5,219	GP Margins	65%	59%	70%	71%	62%
PUD	(686)	(1,381)	(2,307)	(2,201)	(3,750)	Net Margins	35%	27%	22%	24%	22%
Deposits & Prepayments	1,160	(1,194)	-	-	-	Core Attri Net Margins	23%	19%	22%	23%	22%
Trade & Other Payables	(321)	783	-	-	-	ROE	7%	8%	8%	14%	14%
Increase in contract liabilities	-	2,268	2,175	(328)	1,167	ROA	2%	2%	2%	4%	4%
Others	(534)	(29)	(1,059)	(2,363)	(2,150)	Net Debt / Total Equity	126%	138%	124%	119%	113%
Net Operating Cashflows	1,228	2,756	1,596	196	485	Net Debt / Shareholders' Equity	129%	139%	125%	120%	114%
Net Investing Cashflows	(6,335)	(6,419)	-	-	-	Total Assets / Total Equity	365%	380%	388%	370%	369%
Bank & Other Borrowings	(2,941)	(4,995)	1,000	2,000	3,000	Total Assets / Shareholders' Equity	374%	383%	392%	373%	372%
Others	8,799	8,534	(980)	(1,279)	(1,446)	Asset Turnover (Contracted Sales)	14%	5%	12%	13%	17%
Net Financing Cashflows	5,859	3,539	20	721	1,554						
Net Cash Flows	751	(124)	1,616	917	2,039						

Source: Company Data, AMTD Research

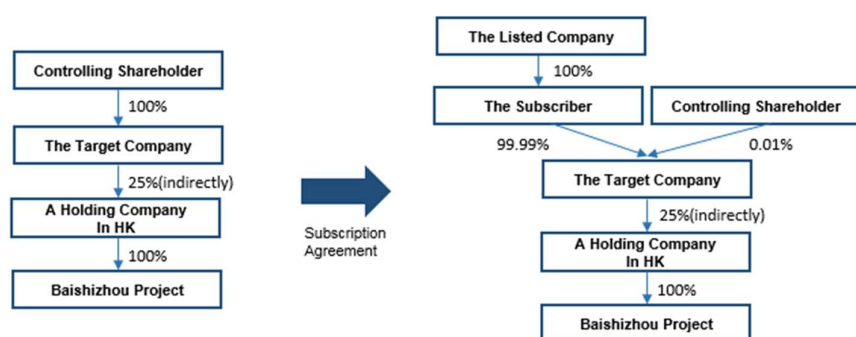
New Earnings Growth Driver Added

Baishizhou Project – Prime located Long Term Growth Driver

The company has announced the acquisition of ~25% stake in Baishizhou Urban Renewal Project on 28 Oct 2019 through a share subscription agreement in a target company wholly-owned by controlling shareholder Mr. Wong Hong King, with a consideration of only US\$10,000. Considering the prime location of the project in Nam Shan District of Shenzhen, we are positively surprised by the Consideration announced.

While the actual contracted sales and earnings contribution from the project may still be at least ~2-3 years away, it will underpin the company’s long term earnings growth outlook. We expect the project’s contracted sales to kick-in by end-2021E or 2022E and earnings contribution from around 2023E onwards.

Figure 2: The subscription agreement announced on 28 Oct 2019

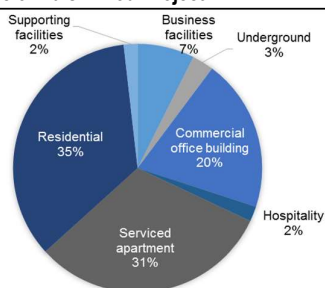


Source: Company Data

3.58m sqm Mixed Use Redevelopment Project

The project has a total GFA of 3.58m sqm, of which 35% is residential, 31% are serviced apartments and 34% are commercial office building, hospitality and other facilities.

Figure 3: Baishizhou Project



Source: Company Data

Figure 4: Baishizhou Project Area

Facilities	Total Area (sq.m.)	%
Business facilities	265,000	7.4%
Underground	100,450	2.8%
Commercial office building	710,000	19.8%
Hospitality	70,000	2.0%
Serviced apartment	1,120,000	31.3%
Residential	1,250,000	34.9%
Supporting facilities	64,550	1.8%
Total	3,580,000	100.0%

Source: Company Data

A primely located project with 6 subway stations and 4 subway lines

Prior to the relocation and redevelopment, there are approximately 1,500-1,600 blocks of building with a total GFA of ~1-1.3mn sqm, and will be redeveloped into a residential and commercial district spanning across 3.58m sqm in GFA. The district would have an expansive transportation system with 6 stations in 4 subway lines.

The negotiation and signing of agreements with original residents just started from 30 June 2019 and the project is executed based on a standardised unify redevelopment process. 1.3m sqm GFA would be compensated back to villagers, while each original villagers get 1:1.03 compensation and non-original villagers get 1:1 compensation. Moreover, villagers can also choose to cash out with the price at RMB28,000/sqm instead of properties.

From our recent field trip, the urban renewal is orderly in progress. Due to the contribution and commencement of development of Baishizhou Project, the scale and long term profitability of Lvgem will improve. Baishizhou Project will be developed in three phases with a term approximately 8-12 years and the project provide multi-functional support services for surrounding quarters.

Figure 5: Baishizhou Project



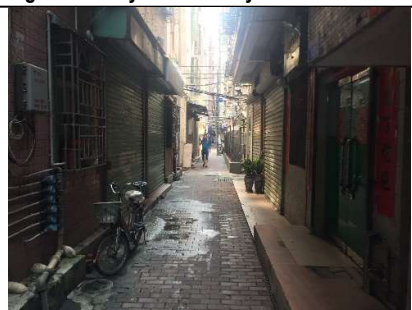
Source: AMTD Research

Figure 6: Baishizhou Project



Source: AMTD Research

Figure 7: Many have already moved out



Source: AMTD Research

Figure 8: Closing Down Sale amid relocation



Source: AMTD Research

Mangrove Bay No. 1 and Meijing Plaza – 2020-2021E Earnings Driver

Mangrove Bay No. 1 comprises three quality residential buildings and a high-quality complex of Grade A offices, hotels and apartments with a total GFA of 305,450 sqm and the saleable resources RMB10bn. The project launched for sale on Oct 2018 and the accumulated contract sales and recognized revenue were RMB5.7bn and RMB4.3bn respectively as of 30 Jun 2019.

Over 90% of the property developers' 1H19 revenues were contributed by Mangrove Bay No. 1 project in Shenzhen, as this project boasts a GP Margin of ~73%. The project still has ~RMB4.3bn of sellable resources, which we expect to be launched in 2020E and contribute to the developers' 2020E revenue and net profit.

Figure 9: Mangrove Bay No. 1

Source: AMTD Research

Figure 10: Mangrove Bay No. 1

Source: AMTD Research

Moreover, the developer has recently launched the Meijing Plaza project in Sep 2019 with an ASP of ~RMB76,000/sqm, positioned to serve the high-income group in Shenzhen with rich scenic resources (can see Shenzhen Bay) located in sub-district of Overseas Chinese Town.

The total land cost of the project is approximately RMB400mn with a total GFA of 97,214sqm. After repayment of 2-13/F for government, there would be ~700 sellable units and 3,000sqm area for retail. We expect the sales from this project to also be a key earnings driver for 2020E and 2021E.

Figure 11: Meijing Plaza

Source: AMTD Research

Figure 12: Meijing Plaza

Source: AMTD Research

Focusing on the Greater Bay, Benefiting from Redevelopment

Lvgem has established its presence in the core cities of Guangdong-Hongkong-Macao Greater Bay Area such as Shenzhen and Zhuhai. Lvegm completed over 20 projects, among which those located in Greater Bay Area accounted for 90%. Meanwhile, 8 projects under construction and development are located in Greater Bay Area.

Figure 13: Major Projects in Greater Bay Area

LVGEM Project	City	Completion Year	Site Area (sqm)	GFA (sqm)
LVGEM Mangrove Bay no.1	Shenzhen	2018	24,424	305,450
LVGEM Meijing Project	Shenzhen	2019	10,862	97,214
LVGEM Liguang Project	Shenzhen	Acquisition contract signed, to be developed	271,202	949,200
Meilin Project	Shenzhen	Acquisition contract signed, to be developed	5,000	48,000
LVGEM Dongqiao Project	Zhuhai	Under Construction	207,196	794,353
Kaiwei Project	Zhuhai	2021	62,457	439,756
Lau Fau Shan Project	HongKong	2022	82,400	23,880
Hong Kong LVGEM NEO	HongKong	2019	4,500	55,390

Source: Company Data

As of 30 June 2019, the land reserves available for development were ~4.4m sqm, mainly located in the Greater Bay Area such as Shenzhen, Zhuhai, Dongguan, Guangzhou and Hongkong. Meanwhile, the controlling shareholders' land reserves were 12.1m sqm, all of which located in the core locations in the Greater Bay Area.

Figure 14: Land Reserve of Controlling Shareholder as of June 30 2019

City	Site area ('000 sqm)	Approximate gross floor area ¹ (m sqm)
Shenzhen	46	4.4
Zhuhai	44.6	1.3
Dongguan	205	5.5
Other	2.5	0.9
Total		12.1

Source: Company Data

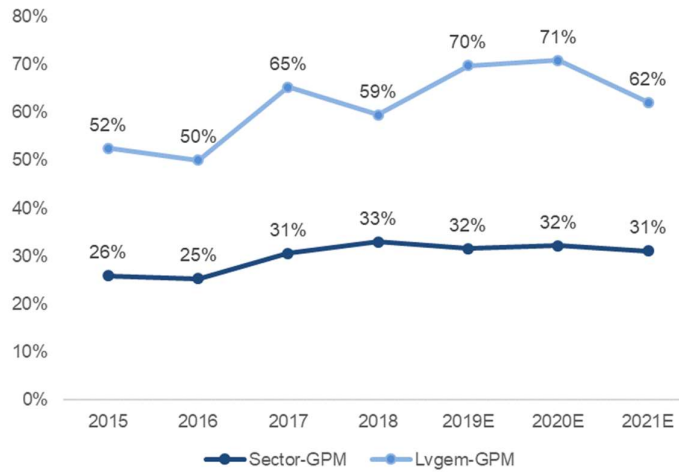
Note: 1. A total of 12.1 m sqm including both capacity and non-capacity area.

Because of limited land supply in the Greater Bay Area, Lvgem's land acquisition primarily came from urban renewal, leading to land cost advantages and high-quality land resources. For this reason, Lvgem has one of the highest profitability across our coverage universe with 1H19 GP Margin reaching ~70% and a net margins of ~29%, while the sector average GP margin of 33% and average NP margin of 13% in the same period.

Baishizhou Project, Mangrove Bay No. 1 and Meijing Project are the most iconic urban renewal projects with high profitability in the last several years, in our view, and is expected to contribute mass revenue to the company. Following the success of Mangrove Bay No. 1 in 1H19, we believe the project would continue to be a key catalyst of both top line and bottom line.

In term of the historical performance and pipeline of urban renewal projects, we estimate the GP margin would remain at 60%-70% and the net margin would remain at ~22% in 2019-2021, with the revenue from LVGEM Mangrove Bay no.1 and LVGEM Meijing Project.

Figure 15: Lvgem has far higher margin above average level of sector



Source: Company Data, AMTD Research

Note: 1. The sector GPM is weighted average.

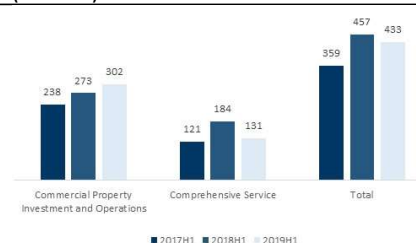
2. In 2015-2018, the sector contains all the China Property Developers listed on HKSE.

3. In 2019-2021 the sector only contains the 8 companies AMTD covered, including Lvgem, Minmetals, Yuzhou, Rsun, China Aoyuan, Dafa, Powerlong and Fareast.

Rental Income Have Created a Steadily Growing Recurring Income

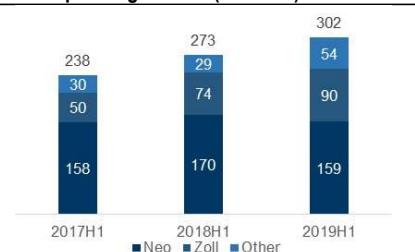
As a pioneer in urban renewal, Lvgem takes “development + business” strategy to stabilize its cash flow and revenue. The rental income from commercial real estate and the comprehensive service have created a steadily growing recurring income for the company, which were RMB433mn in 1H19, contributing 12.7% of total revenue (2018: 18.9%).

Figure 16: Recurring Revenue Breakdown (Rmb mn)



Source: Company data

Figure 17: Commercial Property Investment and Operating income (RMB mn)



Source: Company data

Lvgem has successfully operated two noted brands called Neo and Zoll with a total GFA of 491,190 sqm. The occupancy rate of those investment properties remained at a high level of 94% for the six months of 1H19 (1H18: 98%). Lvgem holds and operates most of the self-developed properties, especially those located in Shenzhen. There are 24 investment properties successfully operated with the total GFA of 612.713 sqm, which will provide stable cash flow and contribute to the steady growth of capital.

Figure 18: Commercial Investment Properties

Project Name	City	Type	Completion Year	GFA (sqm)	Rental Income in 2019 1H (RMB Million)	Yield on Cost
LVGEM Zoll Hongwan Shopping Centre	Shenzhen	shopping mall and parking space	2015	57,254	27.1	6.6%
LVGEM Zoll Mangrove Bay No.1 Shopping Centre	Shenzhen	shopping mall and parking space	2019	20,773	N/A	N/A
LVGEM 1866 Zoll Centre	Shenzhen	shopping mall and parking space	2014	54,361	27.4	20.9%
LVGEM Zoll Chanson Shopping Centre	Shenzhen	shopping mall and parking space	2013	37,215	21.6	18.6%
LVGEM Zoll International Garden Shopping Centre(Zone A)	Huazhou	shopping mall and parking space	2018	22,166	4.9	9.4%
LVGEM Zoll International Garden Shopping Centre(Zone B)	Huazhou	shopping mall and parking space	2018	23,254	N/A	N/A
HongKong LVGEM NEO	HongKong	office building \ commercial premise and parking space	2019	55,390	N/A	N/A
LVGEM Zoll Yuxi Shopping Mall	Suzhou	shopping mall and parking space	2018	12,216	3	5.7%
LVGEM Zoll Jinhua Shopping Mall	Suzhou	shopping mall and parking space	1994	15,504	5.5	16%
Shenzhen LVGEM NEO Urban Commercial Complex Block A	Shenzhen	office building \ commercial premise and parking space	2011	108,360	142.4	25.4%
Shenzhen LVGEM NEO Urban Commercial Complex Block B and C	Shenzhen	commercial premise and parking space	2011	26,097	16.9	27.5%
LVGEM Zoll Dongguan Shopping Mall	Dongguan	shopping mall and parking space	2019	58,928	N/A	N/A
Other projects	-	Street shops and industrial area	-	125,898	53.5	
Total				617,416	302.3	4.6%

Source: Company Data

Besides income from commercial property investment and operations, comprehensive services including property management services and hotel operations also contribute to total revenue. With the maturity of property management services and the completion of internal renovation in Vanlee hotel located in California, we estimate the revenue would also increase.

Figure 19: Hotel Landmark Projects

Project Name	District	Progress	Site Area (sqm)	GFA (sqm)	Total Rental Area (sqm)	Average Occupancy Rate
LVGEM jinjiang Hotel	Futian, Shenzhen	In Operation	N/A	25,751	330+	~75%
U.S. Vanlee Hotel	California, U.S.	N/A	22,652	N/A	258	N/A

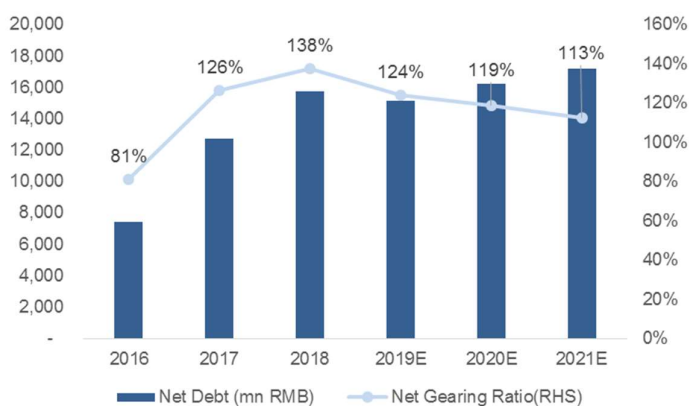
Source: Company Data

Highly leveraged balance sheet as a result of HK NEO acquisition

The developer acquired the HK NEO project in Oct 2017 for a total consideration of HK\$9bn, which has resulted in a surge in the developers' balance sheet leverage to 121% in 1H19. The project has launched for leasing since the end of 2018 and the occupancy rate based on pre-leasing was 50% as of 30 June 2019.

In 1H19, the balance of net debt was RMB14.7bn and the interest bearing loans were ~44% of source of funding at the end of 2018. In view of maturity date as of 2018, there were 30% of interest bearing loans maturing within a year and 59% of interest bearing loans maturing in 2-5 years, while the balance of cash couldn't cover the short-term loan.

Figure 20: Net gearing ratio has risen to ~120% since 2017



Source: Company Data

Amid the economic challenges that Hong Kong is currently facing, we believe office rentals will be under pressure and it will be a tough challenge for Lvgem (China) reach their rental target of HK\$300m p.a. If the final achieved rents are below the Independent Valuer's valuation assumption on Lvgem's balance sheet, there is a potential risk of a revaluation loss on the property and may put further pressure on the developers' balance sheet.

Valuation & Risks

We raise our Target P/E Multiple to 7.0x on the back of improved growth outlook

We upgrade our Target Price of Lvgem to HK\$3.0/sh from HK\$2.79/sh, as we raise our target 2020E P/E multiple to 7.0x (previously 6.5x). This P/E multiple expansion is to reflect the improved earnings growth outlook following the asset injection of the Baishizhou Urban Renewal Project. The acquisition adds valuable land bank to underpin the developers' long term earnings growth outlook, in our view, and hence warrants the P/E multiple expansion.

We believe that Chinese property developers are currently operating on a high asset turnover business model, and since sales and earnings growth are the key share price drivers, we believe an earnings based valuation approach is more appropriate compared to asset based approaches such as P/B or Disc. To NAV.

Our target price implies a ~1.11x 2019E P/B.

Figure 21: Peers Valuation comparison

Date	28/10/2019	Share Price (HK\$)	Mkt cap (USD mn)	FY18 P/E	FY19E P/E	FY20E P/E	FY18 P/B	FY19E P/B	FY20E P/B	Div. yield
Equity										
China Property Developers										
2202 HK	Vanke	28.75	42,768	9.5x	7.8x	6.8x	2.0x	1.7x	1.5x	3.72%
688 HK	COLI	25.30	35,359	7.5x	6.1x	5.2x	1.0x	0.9x	0.8x	3.56%
3333 HK	Evergrande	18.32	30,680	6.4x	5.5x	5.0x	1.8x	1.5x	1.3x	0.00%
2007 HK	Country Garden	10.84	29,901	6.8x	5.7x	5.0x	1.9x	1.5x	1.2x	4.51%
1109 HK	CR Land	33.55	29,662	10.2x	9.0x	7.7x	1.5x	1.3x	1.2x	3.74%
960 HK	Longfor	32.15	24,483	14.6x	11.7x	9.6x	2.3x	2.0x	1.8x	3.08%
1918 HK	Sunac	35.90	20,342	10.5x	6.1x	4.9x	2.8x	2.0x	1.5x	2.30%
813 HK	Shimao	25.90	10,908	8.5x	6.9x	5.6x	1.3x	1.1x	1.0x	4.75%
3380 HK	Logan	11.92	8,338	9.5x	6.6x	5.3x	2.4x	1.9x	1.5x	4.36%
884 HK	CIFI	5.37	5,402	6.5x	5.3x	4.3x	1.4x	1.2x	1.0x	4.35%
3383 HK	Agile	10.50	5,246	5.7x	5.4x	4.7x	1.0x	0.9x	0.8x	8.23%
2777 HK	R&F	12.12	4,982	4.1x	3.2x	2.7x	0.6x	0.5x	0.5x	10.15%
3883 HK	Aoyuan	10.18	3,494	8.9x	6.5x	4.5x	2.3x	1.8x	1.4x	2.46%
1233 HK	Times	13.94	3,453	6.1x	5.0x	4.0x	1.5x	1.1x	0.9x	4.93%
123 HK	Yuexiu	1.72	3,397	7.6x	8.0x	7.0x	0.6x	0.6x	0.6x	4.65%
1813 HK	KWG	7.91	3,203	6.5x	4.9x	4.0x	0.9x	0.8x	0.7x	7.08%
6158 HK	Zhenro	5.29	2,947	11.1x	7.3x	5.6x	1.6x	1.3x	1.2x	2.84%
1238 HK	Powerlong	5.20	2,749	11.0x	7.7x	5.7x	0.8x	0.7x	0.6x	3.90%
1638 HK	Kaisa	3.53	2,740	4.5x	5.9x	4.6x	1.0x	0.8x	0.7x	2.55%
1628 HK	Yuzhou	3.34	2,144	4.3x	3.9x	3.2x	0.9x	0.7x	0.6x	8.17%
3900 HK	Greentown	7.41	2,052	16.0x	6.4x	5.7x	0.5x	0.5x	0.5x	3.10%
3301 HK	Ronshine	8.87	1,951	6.4x	4.0x	3.1x	1.1x	0.9x	0.7x	3.61%
1966 HK	China SCE	3.69	1,942	6.5x	4.8x	3.6x	1.0x	0.8x	0.7x	4.86%
95 HK	Lvgem	2.93	1,867	15.0x	13.2x	6.8x	1.1x	1.1x	1.0x	1.71%
272 HK	Shui On Land	1.58	1,625	4.7x	17.6x	15.8x	0.3x	0.3x	0.3x	6.68%
1098 HK	Roadking	14.10	1,348	NA	NA	NA	0.7x	NA	NA	7.07%
119 HK	Poly Prop	2.83	1,322	5.5x	5.4x	NA	0.4x	0.4x	NA	4.03%
832 HK	CCRE	3.72	1,297	8.4x	6.0x	4.2x	1.1x	1.0x	0.8x	4.87%
1996 HK	Redsun	2.55	1,080	3.9x	6.2x	4.3x	0.7x	0.6x	0.6x	4.20%
6111 HK	Dafa	5.76	608	7.6x	6.5x	4.8x	1.4x	1.1x	0.9x	2.93%
230 HK	Minmetals	1.15	491	3.7x	4.7x	4.4x	0.4x	0.4x	0.4x	5.88%
Total			287,778	7.9x	6.8x	5.4x	1.2x	1.1x	0.9x	4.46%

Source: Bloomberg Estimates, *AMTD Equity Research Estimates

Note: As of Oct 28th, 2019

Key Risks

Key risks for the stock includes (1) Revaluation loss to HK NEO may put further pressure on balance sheet; (2) Acquisition cost of the remaining portion of Baishizhou project higher than expected; (3) a slow down in contracted sales; (4) unexpected tightening in monetary policy.

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Buy	Stock with potential return of over 20% over the next 12 months
Hold	Stock with potential return of -20% to +20% over the next 12 months
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October 29, 2019

LVGEM (China) Real Estate Investment

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