



Hopefluent (733 HK) –Buy Real Estate Service Industry

Key data

Share price (HK\$)	2.58
Target price (HK\$)	3.05
Upside potential (%)	18.2%
52Wk H/L(HK\$)	2.65 / 1.20
Issued shares (mn)	459.3
Market cap (HK\$mn)	1,242
30-day avg turnover (HK\$mn)	2.24
Major shareholder (%): Fu Wai Chung	35.70

Source: Company & Bloomberg

Revenue composition in 1H12 (%)

Primary market	62.8
Secondary market	29.2
Property management	8.0

Source: Company

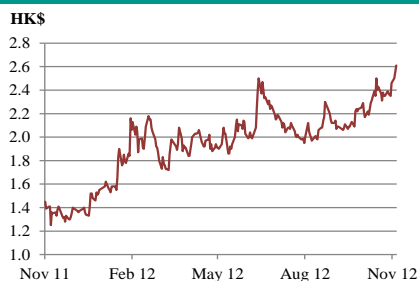
Share performance (%)

	Absolute	Relative*
1-mth	17.6	16.7
3-mth	30.5	17.7
6-mth	25.5	8.2

*Relative to Hang Seng Index

Source: Bloomberg

1 year price performance



Source: Bloomberg

Analyst

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Spotting the upside

Stable policy tone from the 18th congress conference stimulates release of pent-up demand in November. Strong sales in the month, which is a traditional weak season, indicated there are still huge genuine demand pending unleash in China. We believe Hopefluent is well positioned to capture the growth of property sector and could be immune from margin squeezing, which is haunting the property developers. The stock rose 19.8% since the early November. Upside is opening up on strong fundamentals. Maintain our BUY rating with target price of HK\$3.05.

Solid fundamentals with upbeat commission rate and transaction value for the primary property sales business. Per our channel chat, the current commission rate that paid by property developers to the sales agents maintains at 1.00-1.02%. Such a level is 3-5bp higher than our expectation. In our financial model, we forecast Hopefluent to achieve commission rate of 0.97% in FY12. Favorable industrial specialization trend helps the real estate agents to retain bargaining power against property developers.

For another key performance indicator, transaction value, we currently expect it more likely to hit management guidance of Rmb120bn given strong sales momentum. In our financial model, we assume it at Rmb112bn, which is 7.0% lower.

Primary property business serves as the major revenue stream of the group as it contributes 60% to 70% of total revenue. Given stronger-than-expected performance of this business segment, earnings risk of the group in FY12 is in upside.

Outperformance since the early November with technical breakthrough on 28th November. Hopefluent rose 19.8% since the early November, outperforming HSI by 19.2% and property developers by 6.3%. Also, the stock made a new year-high level at HK\$2.65 on Nov 28.

Positive view from Value Partners. Value Partners bought Hopefluent at cost HK\$2.22-2.28/share in November, increasing their stake from 4.9% to 6.0%.

Risk factors: Lower than expected sales; stock liquidity risk

Results and valuation

(FY ended Dec 31)	FY09A	FY10A	FY11A	FY12E	FY13E
Revenue (HK\$ mn)	995	1,328	1,611	1,714	2,021
Net Income (HK\$ mn)	126	171	134	178	234
Chg (%YoY)	-267.1	36.6	-21.7	32.7	31.2
EPS (HK\$)	0.424	0.412	0.290	0.381	0.418
Chg (%YoY)	-241.5	-3.0	-29.5	31.1	9.8
DPS(HK\$/share)	0.090	0.150	0.090	0.114	0.150
PE (x)	-	-	8.9	6.8	6.2
PB (x)	-	-	1.1	0.9	0.9
ROAE (%)	23.1	22.3	13.7	14.6	15.7
Dividend yield(%)	-	-	3.5	4.4	5.8

Source: Company, ABCI Securities estimate

Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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