

Analyst: Sam Ho

Main Board Listing- Research

合富輝煌集團控股有限公司

Hopefluent Group Holdings Limited - [Stock Code: 0733]
Sponsor : KE Capital (Hong Kong)

Co-sponsor : Altus Capital

Sector : Real-estate agency

Business : Provision of comprehensive real-estate agency services in China

Total share offer: 54,000,000 shares
(30% of the enlarged share capital)

Placement: 48,600,000 shares (90%)
- 39,600,000 new shares
- 9,000,000 sale shares

IPO: 5,400,000 shares (10%)

Greenshoe: 8,100,000 shares

Price: HK\$1.50 per share
Market cap: HK\$270 million

Staffing: 898

Historical 2003 P/E: 4.81x
Adjusted NAV per share: HK\$73.5

Book opens: 29th June 2004
Book closes: 5th July 2004
IPO commences: 30th June 2004
IPO ends: 6th July 2004

Share registrar: Tricor Investor Services Limited
Receiving bank: Standard Chartered Bank

Listing date: 15th July 2004

Business of Hopefluent

The Company is principally engaged in the provision of comprehensive real-estate agency services mainly in Guangzhou as well as various areas of the Guangdong province and other cities such as Tianjin.

It provides a range of services to property developers and buyers, including real-estate agency services for the primary residential property market development, marketing and planning consultancy services as well as conveyance services. It also provides real-estate agency services relating to transactions in the secondary property market in Guangzhou.

Major Shareholders after Listing

(Assuming the over-allotment option is not exercised)

Mr Fu Wai Chung, the chairman of the Company, and his family	55.500%
Pan Asia Special Opportunities Fund II, a close-ended fund listed on Luxembourg	9.625%
Mr Lo Yat Fung, an executive director of the Company	4.500%
Pan Asia Special Opportunities Fund, a close-ended fund listed on the Cayman Islands	0.375%
	<u>70.000%</u>

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Use of Proceeds

Net proceeds from the offer are estimated to be HK\$52 million
(Assuming the over-allotment option is not exercised)

	HK\$ million
To finance the expansion of primary real-estate services in Guangzhou and other major cities	18
To expand the secondary real-estate sales network by establishing additional branches	13
To conduct promotion and marketing activities	7
To spend for staff training programmes	5
To enhance the Company's management information systems	4
To serve as general working capital	5

Financial Highlights

	Year ended 31 st December		
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover			
<u>Primary market</u>			
Primary sales services commission	58,881	43,718	40,733
Marketing and planning consultancy	8,935	8,845	2,065
Conveyance services income	11,404	10,804	8,116
<u>Secondary market</u>			
Secondary sales services commission	23,956	6,277	2,301
Other miscellaneous	354	133	94
Less: business tax and surcharges	(5,013)	(2,997)	(2,226)
	<u>98,517</u>	<u>66,780</u>	<u>51,083</u>
Operating profit	43,035	41,566	34,990
Net profit	<u>42,086</u>	<u>31,745</u>	<u>26,043</u>
Dividend	<u>8,000</u>	<u>36,081</u>	<u>13,476</u>
EPS- basic	<u>HK¢35.97</u>	<u>HK¢27.13</u>	<u>HK¢22.26</u>

Strengths/ Opportunities

- ✓ The Company has been one of the 13 agencies accredited as "First Grade" in Guangzhou since 1996, which could provide comprehensive value-added real-estate services, including real-estate agency, development, planning and marketing consultancy as well as conveyance. At present, there are totally 629 accredited agents in Guangzhou.
- ✓ The Company has been ranked 1st in Guangzhou for the primary market, while being ranked in the top 3 in the secondary market, in terms of revenues.
- ✓ The Company has achieved high net-profit margin of over 40% for the track record period.
- ✓ The Company has good financials, with over HK\$30 million cash on hand and only HK\$2.7 million in debts.

Weaknesses/ Threats

- × Competition in the real-estate agency business in Guangzhou is highly competitive. According to Guangzhou Land Resources and Property Management Bureau, there were some 900 real-estate agents in Guangzhou in 2003.
- × The macro-economic control measures endorsed by Beijing government may slow down the pace in property constructions and sales. Thus, the Company's profitability may be negatively affected.
- × There was a HK\$12-million convertible note, which will mature on 30/09/2004 that could be converted into ordinary shares equivalent to 10% of the issued share capital of the Company.

Recommendation: Caveat Emptor