



## HONG FOK CORPORATION LIMITED

**Mkt cap:** \$750m; **Price:** \$0.87; **P/B:** 0.32x, **Dividend yield:** 1.1%, **Net D/E:** 29.5%

**About:** Primarily engaged in property investment, property development and construction, property management, investment trading and investment holding and management.

**Trading idea-** we love trading a stock with fundamentals. While there is deep value for the stock, value trap is always a concern. Hence, we are recommending this as a trading idea (till there is a clear path demonstrated to monetise its deep value)

**Quick glance:** Hongfok is a well-known value stock, given it is trading at only 0.3x P/B, and backed by investment properties such as the likes of International Plaza, Concourse and Yotel at Orchard. With its attractive valuation, a free float of only 29%, it is also a potential privatisation target. However, there are concerns that it may be a value trap, if there are no other way for shareholders to realise the deep value within Hongfok (other than the 1.1% dividend yield), which may also explain its depressed P/B. A 0.4-0.5x P/B will imply a TP of S\$1.10-1.38

**By the charts:** After its surge earlier in the year, prices have corrected more than 20% before forming higher highs and higher lows. Stock seems to be currently supported at \$0.85 as well as active share buybacks and repurchases from management/major shareholder. Assuming stock can break above its recent high of \$0.895, hopefully it will be trending towards \$0.94. On a weekly chart, if the stock is able to retest its previous high of \$1.01, and break above, it may potentially chart towards \$1.165 which will still put it within our “fundamental TP” range.

**Stop loss** \$0.83

**TP 1:** \$0.94

**TP 2:** \$1.165

[Link to annual report 2018](#)

[Link to 1Q19 results](#)

