

Untapped Wealth

October, 2009 Edition

China's Profit

There is no doubt, as an investor, you know the absolute power a thriving economy contains. We know it well, as before the US economy collapsed, everyone was making money. I don't care who you were, an advanced trader or someone who was just getting their feet wet.

Well, times change and after the meltdown, investors in the US had to become more resourceful. Investors needed to look in all sorts of different sectors and trends, just to eek out some profit.

However, now we are on the up and up and while investing is not as easy as it was, one still needs to do their homework in order to score a big return.

One economy that hasn't flinched is the Chinese. This environment is fantastic to the US investor and in this part of the world, seeing returns that start at 100% and rise is quite common. It is for that reason that I will be returning to China for October's monthly recommendation. This month, I'm putting you into a new formed public company which I feel has a big groundswell and could very well push its way past 100%.

I'm not going to waste anymore time, so let's get right into it.

Have a great month.

Tim Fields
Editor In Chief
Untapped Wealth



中国房产信息集团
CHINA REAL ESTATE INFORMATION CORPORATION



Folks, your October recommendation is China Real Estate Information Corp (CRIC: \$14.20*).

China Real Estate Information Corp (CRIC) is the largest player (in terms of market share measured by revenue) of real estate information and consulting services in China.

CRIC at present is a subsidiary of E-House Holdings Limited, a NYSE listed real estate services company based in China.

E-House holds a position as the parent company and majority stakeholder of CRIC. Figures dating back to June 30, 2009 indicate that CRIC system warehouses detailed data of over 38,200 developments or buildings and over 24,200 parcels of land for development in 56 cities scattered throughout China.

Before July 2006, CRIC system was used by E-House as an internal support for its businesses, which included real estate agency and brokerage services as well as consulting and information services.

However, post July 2006, CRIC system was commercialized, which enabled the company to generate revenues through subscription of services by offering real estate information services to its clients.

Though the company was into this realm since 2002, business then came through various subsidiaries of E-House. However, since 2006, real estate information services are being given by CRIC's main operating subsidiary, Shanghai CRIC Information Technology Co. Ltd. (Shanghai CRIC).

CRIC possesses the largest research and development team in China's real estate information and consulting services sector. By synergizing the strengths of CRIC system and their dedicated real estate R&D team, company's clients can avail CRIC's services either in the form of subscription based information or customized consulting.

CRIC forayed into real estate advertising and real estate portals in 2008, which enabled the company to cater to various industries in China.

Revenue of the company comes primarily from - fees for real estate information services, consulting fees for real estate consulting services and fees for real estate advertising, design and sales services. After completion of offering and acquisition of SINA's online real estate business, one more revenue stream will open up for the company, which will

emanate from sales of online real estate advertising. Real estate developers in China will form the major clientele group for CRIC.

Industry Background

Overall surge in China's economy primarily has been responsible for growth of real estate industry in China. Rapid urbanization, an increasingly affluent urban population and government-mandated reforms in the real estate industry expedited this growth.

Apart from above mentioned factors, changes in government policies designed to stabilize the real estate market and government reforms that have expanded individual property rights in China have also contributed significantly towards this rapid growth rate. From 2004 to 2008, total gross floor area of primary residential properties sold in China grew at a CAGR of 13.4%; data published by National Bureau of Statistics of China reassures this.

Considering all these factors, it can be said that real estate information and consulting services sector, which still is in its infancy in China is bound to pick up pace in coming years. Services offered by CRIC assist real estate developers in land acquisition, real estate development and property marketing and sales.

The company also enables its clients, i.e. developers and other market participants to comprehend real estate market data in a timely, accurate and sophisticated manner. Based on these parameters, it can be deduced that real estate information and consulting business in China will be driven by following factors:

- Growth of the real estate industry in China
- Specialization and competition among real estate developers
- Value and cost advantages brought by independent professional real estate information and consulting services providers

China's online real estate services and advertising market will also witness a rapid growth pace. This stems from the fact that residential real estate sector in China is already witnessing a rapid growth.

Couple this fact with other trends like increased levels of Internet use, demand for online information related to real estate, home furnishing and improvement and construction

material, and the assumption takes a solid form. Cost effectiveness of Internet advertising, more measurable impact than traditional media and increasing Internet penetration is also the reason why Internet advertising space will gain popularity among advertisers.

iResearch, an online market research firm says that Internet advertising grew from 1.8% (of total advertising revenue) in 2002 to 8.4% in 2008. ZenithOptimedia's March 2009 Advertising Expenditure Forecasts Report adds another paradigm to future of Internet advertising by stating that The Internet is expected to become the second largest advertising medium in China after television by 2011.

Thus real estate advertisers will be increasing their spending on Internet advertising for promoting real estate projects and related projects and services to tap into growing Internet user base of China.

CRIC's current operations combined with SINA's online real estate business will result in following synergies:

- Advanced and comprehensive real estate information database and analysis system
- A leading real estate Internet business in China
- Extensive nationwide networks and strong brand recognition
- Largest research and development team in China's real estate information and consulting services sector
- Diversified revenue streams with dedicated teams covering various customer segments
- Experienced and stable management team

Talking about SINA, it is one of the leading online media companies in China. Starting 1st January 2008, SINA started to compartmentalize or reorganize its business channels giving each of these businesses their own legal entity, management team, advertising operations, systems and physical facilities. The businesses reorganized included - real estate and home furnishing channels and online real estate advertising. CRIC and SINA on 1 April 2008 forged a joint venture giving rise China Online Housing, each owning 34% and 66% respectively in the newly formed entity.

On 23rd July 2009, CRIC entered into a share purchase agreement with SINA (amended on 29th Aug 2009), pursuant to which, CRIC will be acquiring 66% shares of China Online housing from SINA in exchange of 47,666,667 of CRIC.

Transfer of shares from CRIC to SINA. On the successful acquisition of 66% stake from SINA, CRIC has become the sole owner of China Online Housing. This also means that SINA is the second largest stakeholder with 33.99% stake in CRIC, whereas E-House is the majority stakeholder of CRIC with 51.01% stake in CRIC.

In The End

In the end, I believe that China Real Estate Information will perform extremely well throughout 2009 and beyond. The company is a very strong and capable company and as the Chinese economy keeps expanding, so will this company's profits.

Model Portfolio

Symbol	Last Trade	Change	Volume	Shrs	Holdings Value	Day's Value Change		Price Paid	Gain/Loss		
IDSY	3:49pm ET	3.84	↓ 0.08	4,139	1	\$3.84	↓ \$0.08	↓ 2.04%	12.32	↓ \$8.48	↓ 68.83%
RZ	4:01pm ET	1.49	↓ 0.03	639,816	1	\$1.49	↓ \$0.03	↓ 1.97%	13.00	↓ \$11.51	↓ 88.54%
XDSL.OB	3:44pm ET	0.0228	↑ 0.0006	1,421,713	1	\$0.02	↑ \$0.00	↑ 2.70%	0.07	↓ \$0.05	↓ 67.43%
API	4:00pm ET	0.8601	↓ 0.0297	71,712	1	\$0.86	↓ \$0.03	↓ 3.34%	2.65	↓ \$1.79	↓ 67.54%
CLWR	4:00pm ET	7.75	↓ 0.46	1,872,125	1	\$7.75	↓ \$0.46	↓ 5.60%	-		
NSPH	4:00pm ET	7.05	↑ 0.04	153,577	1	\$7.05	↑ \$0.04	↑ 0.57%	4.00	↑ \$3.05	↑ 76.25%
DTV	4:00pm ET	27.34	↑ 0.48	9,731,424	1	\$27.34	↑ \$0.48	↑ 1.79%	22.35	↑ \$4.99	↑ 22.33%
ACM	4:01pm ET	26.18	↑ 0.30	799,239	1	\$26.18	↑ \$0.30	↑ 1.16%	24.99	↑ \$1.19	↑ 4.76%
DLTR	4:00pm ET	49.38	↑ 0.48	941,167	1	\$49.38	↑ \$0.48	↑ 0.98%	37.00	↑ \$12.38	↑ 33.46%
FDO	4:00pm ET	28.59	↑ 0.23	3,274,132	1	\$28.59	↑ \$0.23	↑ 0.81%	20.87	↑ \$7.72	↑ 36.99%
DDM	4:00pm ET	40.89	↑ 0.68	3,061,221	1	\$40.89	↑ \$0.68	↑ 1.69%	25.80	↑ \$15.09	↑ 58.49%
QLD	4:00pm ET	53.16	↑ 0.96	8,655,369	1	\$53.16	↑ \$0.96	↑ 1.84%	30.85	↑ \$22.31	↑ 72.32%
RST	4:00pm ET	22.04	↑ 0.28	132,863	1	\$22.04	↑ \$0.28	↑ 1.29%	23.00	↓ \$0.96	↓ 4.17%
XEL	4:03pm ET	19.84	↑ 0.19	2,668,736	1	\$19.84	↑ \$0.19	↑ 0.97%	18.54	↑ \$1.30	↑ 7.01%
GRRF	3:59pm ET	4.80	↑ 0.06	94,747	1	\$4.80	↑ \$0.06	↑ 1.27%	3.02	↑ \$1.78	↑ 58.94%
ACTS	3:58pm ET	2.75	0.00	115,863	1	\$2.75	\$0.00	0.00%	2.13	↑ \$0.62	↑ 29.11%
MEA	4:00pm ET	4.47	↓ 0.18	467,010	1	\$4.47	↓ \$0.18	↓ 3.87%	4.50	↓ \$0.03	↓ 0.67%
PTI	4:00pm ET	18.64	↑ 0.35	43,646	1	\$18.64	↑ \$0.35	↑ 1.91%	17.53	↑ \$1.11	↑ 6.33%
KONG	4:00pm ET	15.76	↑ 0.24	218,670	1	\$15.76	↑ \$0.24	↑ 1.55%	13.25	↑ \$2.51	↑ 18.94%
CRIC	4:00pm ET	16.24	↑ 2.04	4,164,097	1	\$16.24	↑ \$2.04	↑ 14.37%	14.20	↑ \$2.04	↑ 14.37%
Total						\$351.09	↑ \$5.55	↑ 1.61%		↑ \$53.27	↑ 18.37%

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Thank you for reading, best of luck.

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