



# Hopefluent Group Holdings Limited

## 合富輝煌集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 733)

### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

The board of directors (the "Directors") of Hopefluent Group Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2004, together with comparative figures as follows:

#### CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December	
		2004 HK\$'000	2003 HK\$'000
Turnover		162,243	98,517
Other operating income		517	731
Selling expenses		(15,232)	(8,943)
Administrative expenses		(78,178)	(47,270)
Profit from operations	4	69,350	43,035
Finance costs	5	(785)	(763)
Gain on disposal of a subsidiary		1,025	–
Amortisation of goodwill of a jointly controlled entity		(172)	–
Share of results of a jointly controlled entity		612	–
Profit before tax		70,030	42,272
Income tax (charge) credit	6	(13,965)	3,122
Profit before minority interest		56,065	45,394
Minority interest		(7,471)	(3,308)
Net profit for the year		48,594	42,086
Dividends	7	15,100	8,000
Earnings per share (HK)	8		
– Basic		33.2 cents	36.0 cents
– Diluted		31.3 cents	31.4 cents

#### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

##### 1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 August 2002 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2004.

Pursuant to a group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company became the holding company of the Group on 24 June 2004. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated 30 June 2004.

The group comprising the Company and its subsidiaries (the "Group") resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group for the year ended 31 December 2003 and 31 December 2004 have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with the Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions" issued by the Hong Kong Institute of Certified Public Accountants.

##### 2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The accounting policies adopted are consistent with those followed by the Group's audited financial information for the year ended 31 December 2003 as set out in the accountants' report included in the Prospectus of the Company dated 30 June 2004.

##### 3. SEGMENTAL INFORMATION

The Group is principally engaged in property brokering services in the PRC.

No analysis of the Group's segmental information by business or geographical segments is presented as less than 10% of the Group's activities and operations are contributable by activities other than property brokering services or from markets outside the PRC.

##### 4. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	8,198	4,830
Allowance for bad and doubtful debts	86	–
Loss on disposal of property and equipment	61	119
Staff costs, including directors' emoluments	52,306	32,184
Interest income	52	40
Rental income	305	341

##### 5. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowings wholly repayable within five years	500	403
Interest on convertible notes	285	360
	785	763

##### 6. INCOME TAX (CHARGE) CREDIT

	2004 HK\$'000	2003 HK\$'000
The (charge) credit comprises:		
PRC income tax	(10,524)	(2,736)
Deferred taxation:		
Current year	(3,316)	(7,065)
Adjustment to deferred taxation resulting from change in tax status of a subsidiary	–	12,923
	(3,316)	5,858
Share of taxation attributable to a jointly controlled entity	(125)	–
	(13,965)	3,122

Enterprises Income Tax ("EIT") is provided on the estimated assessable profits of the Group's subsidiaries in the PRC in accordance with the laws and regulations in the PRC at 33%.

Subject to the approval by the relevant tax authority, certain of the Group's subsidiaries in the PRC are only required to pay the PRC income tax on predetermined tax rate at 2% to 4% on turnover during the year (2003: 3% to 4%). The predetermined tax rate is agreed and determined between such enterprises and the PRC tax bureau of local government and is subject to annual review and renewal.

No provision for Hong Kong Profits Tax has been made in the financial statements as the subsidiaries have no assessable profits for both years.

##### 7. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation. However, for the year ended 31 December 2003, dividends were paid by a subsidiary to its then shareholders prior to the Group Reorganisation. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

	2004 HK\$'000	2003 HK\$'000
Interim dividend paid of HK\$0.03 per ordinary share	5,400	8,000
Final dividend, proposed of HK\$0.05 per ordinary share	9,700	–
	15,100	8,000

On 19 April 2005, the Directors have resolved to recommend to shareholders to declare a final dividend of HK\$5 cents per share for the year ended 31 December 2004. The final dividend will be payable on or about 15 June 2005 to shareholders whose names appear on the register of members of the Company on 25 May 2005.

##### 8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following data:

	2004 HK\$'000	2003 HK\$'000
Earnings:		
Net profit for the year and earnings for the purpose of basic earnings per share	48,594	42,086
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	285	360
	48,879	42,446
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share (Note)	146,508,197	117,000,000
Effect of dilutive potential ordinary shares:		
Convertible notes	9,590,164	18,000,000
Weighted average number of shares for the purposes of diluted earnings per share	156,098,361	135,000,000

Note: The weighted average number of shares are computed assuming that the Group Reorganisation was effective on 1 January 2003.

#### BUSINESS REVIEW

In 2004, the China economy recorded continuous healthy growth. Its per capita GDP grew by 9% over that of 2003, and for Guangzhou it was high at 15%. As for the real estate market, benefited from the improving living standard and the demand for better living environment of the country, the Group's total amount of transactions of primary property reached over RMB10 billion in 2004, representing a substantial increase of over 72% as compared with RMB5.8 billion in 2003. Driven by these favourable factors, the Group reported excellent performance in 2004. Its turnover reached HK\$162.2 million, representing an increase of 64.7% over last year's HK\$98.5 million. Profit before tax increased 65.7% to HK\$70 million (2003: HK\$42.3 million). Profit attributable to shareholders amounted to HK\$48.6 million, compared with HK\$42.1 million last year. Due to the tax credit of HK\$3.1 million granted to the Group in 2003, the percentage increase of profit before tax is higher than that of profit attributable to shareholders. Basic earnings per share amounted to HK\$33.2 cents (2003: HK\$36.0 cents).

During the year under review, the commission income generated from the Group's primary property real estate agency service amounted to HK\$104.2 million (2003: 58.9 million), contributing approximately 61.1% of its total turnover (2003: 56.9%). The income generated from development, marketing & planning consultancy services and conveyance services amounted to HK\$16.1 million and HK\$12.6 million respectively. Total revenue generated from the Group's primary property real estate agency service in 2004 amounted to HK\$132.9 million, representing an increase of 67.8% from HK\$79.2 million in 2003. Commission income from the Group's secondary property real estate agency service reached HK\$37.4 million and represented an increase of 56.2% from HK\$23.9 million in 2003. Helped by the active and prudent investment and development strategies of the Group, the sector contributed about 21.9% to the Group's total turnover in 2004 (2003: 23.1%).

Geographically, Guangzhou remained the Group's core development base, accounting for 69% of the Group's total turnover. Revenue generated from rapidly developing cities such as Dongguan and Foshan and consultancy services provided to over 15 cities in the PRC together contributed 31% of the Group's turnover.

The Group has been successfully listed on the Stock Exchange since 15 July 2004. This marked a milestone in the Group's long term development, which raised the Group's corporate profile and led the Group towards its ongoing pursuit of quality management.

#### **Primary Property Real Estate Agency Service**

As the purchasing power of PRC citizens continued to increase, the average property price in Guangzhou grew by 18%. The Group's primary property real estate agency service business benefited from the growth of Guangzhou's property market and recorded satisfying results during the year under review. The Group was the sole agent of about 74 primary property projects in 2004, exceeding by far the 55 primary property projects it handled in 2003. The total floor area sold by the Group also surged from 11.7 million sq.ft. in 2003 to about 17.9 million sq.ft. in 2004. Projects such as Hui Jing New City (匯景新城), Guang Da Garden (光大花園), Liana Bay (利雅灣), Foshan Olympic Garden (佛山奧園), Dongguan Jiang Nan Garden (東莞江南世家), Nanguo Olympic Garden (南國奧園), Mainland Lake Garden (美林湖畔花園) received overwhelming response from property buyers and recorded remarkable sales. Over 90% of the first lot containing 400 units of Wonderland (四季花城) launched by Wanke Group (萬科集團) were sold on the first day. The number of transactions of Mainland Lake Garden (美林湖畔花園) in Guangzhou exceeded 1,100 during the Labour Day week in May 2004, making a new record and topping all Guangzhou residential projects.

Hopefluent has forged solid relationship with leading property developers in the PRC through providing one-stop-shop services covering planning of marketing programmes, handling of sales and related consultancy services, property transferal and mortgage arrangements. Leveraging the well-established relationship with property developers, the Group aggressively expanded its market presence outside Guangzhou to a much wider area including Tianjin, Foshan, Dongguan, Wuhan and Shanghai. Hopefluent's co-operation with Wanke Group is an example of such initiatives. The Group was the sole agent for Wonderland, a Wanke Group's project in Guangzhou. The project received overwhelming response, leading to the award of sole agency right to Hopefluent by Wanke Group for its other projects in Wuhan and Dongguan, reaping the benefits of integration of resources.

Hopefluent received the "TOP 10 Chinese Real Estate Business Corporations" Award at the 2004 China International Real Estate & Archi-tech Fairs (CIHAF) held in Shanghai in December 2004. Hopefluent is the only company from Guangzhou area who received this award. CIHAF is the largest national residential real estate industry exhibition. Representative of the industry, the event has been where the public and real estate professionals turned to for authoritative reference on mainstream industry trend since 2000.

#### **Secondary Property Real Estate Agency Service**

In recent years, as banks introduce more flexible mortgage policy, the quality of secondary properties improves, the secondary property market experienced robust growth. To grasp this market opportunity, the Group took full reference of its existing customer base and opened additional branch offices in Guangzhou for maximum coverage. The Group's branch offices in Guangzhou for secondary property real estate agency service rapidly climbed from 18 as at 31 December 2003 to 59 as at 31 December 2004. The Group also set up a new main office and three branch offices for secondary real estate business in Shanghai during the year under review to capture business opportunities in the vigorously thriving secondary property market in Shanghai. The Group handled over 5,500 transactions in 2004.

#### **PROSPECT**

Looking ahead, the Group sees continuous steady development for the real estate market in the PRC. Despite the slight increase in property mortgage interest rate, potential property buyers in the market are generally optimistic about the property market and agree that secondary properties are better value buy. Riding on the favourable market atmosphere, the Group will follow the market closely and flexibly allocate its resources to capture market opportunities.

In the primary real estate market, the Group will continue to expand its business into areas outside Guangzhou. When exploring new markets, the Group will apply prudent strategy and enter a new market only after thorough consideration and the emergence of a viable customer base. The Group plans to set up new branches in Beijing, Jinan, Nanjing, Hefei and Changsha to boost its agency business and the number of consultancy contracts. Currently, the Group has approximately 90 projects on hand.

Turning to the secondary property real estate market, the Group will discreetly yet actively expand its market coverage in line with demand. The Group plans to further expand the number of its secondary property real estate agency service branches from 72 currently to 100 in Guangzhou and from 3 to 10 in Shanghai. Moreover, the Group will focus on seeking more expansion opportunities taking full advantage of its existing customer base, and further strengthening its relationship with leading property developers to ensure its long-term success.

Armed with a unique business model and boasting brilliant prospect, the Group was spotted by Value Partners Limited, a renowned institutional investor. In January 2005, Value Partners subscribed shares of the Group and became a strategic investor of Hopefluent. The placing helped expand the shareholder base of the Group and introduced Hopefluent to more overseas investors.

With a solid business foundation, the management is confident of the Group's future development and ability to bring satisfying long term returns to its shareholders.

#### **AUDIT COMMITTEE**

The Company established an audit committee (the "Committee"), comprising the three existing independent non-executive directors, with written terms of reference in compliance with the Code of Best Practice, as set out in Appendix 14 to the Listing Rules. The Committee has reviewed the audited financial statements for the year ended 31 December 2004 including the accounting, internal controls and financial reporting issues.

#### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2004, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK\$119.4 million (2003: HK\$30.9 million) and 3.64 (2003: 1.86) respectively. Total borrowings amounted to approximately HK\$9.3 million are secured bank loans (2003: HK\$15.5 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 3.7% (2003: 12.3%). The Group's borrowings were primarily denominated in Renminbi. The Group had no material contingent liabilities as at 31 December 2004.

#### **PLEDGE OF ASSETS**

At 31 December 2004, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of HK\$19.4 million to banks to secure bank borrowings of the Group.

#### **FOREIGN EXCHANGE EXPOSURE**

Most of the Group's business transactions were denominated in either Hong Kong dollars or Renminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

#### **EMPLOYEES**

As at 31 December 2004, the Group had approximately 1,600 full time employees. Around 7 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

#### **USE OF THE PROCEEDS FROM THE INITIAL PUBLIC OFFER**

The Company was listed on the Stock Exchange on 15 July 2004 (the "Listing Date"). The total net proceeds raised by the Company in its initial public offering were HK\$53 million after deducting the actual related expenses. The Directors have confirmed that, as at the balance sheet date, the total unused proceeds, which have been placed in a bank as a fixed deposit, amounted to HK\$23 million. The Directors have also confirmed that the proceeds which have been used, include HK\$6 million for the expansion of primary real estate services; HK\$11 million for the expansion of the secondary real estate sales network; HK\$2 million for the promotion and marketing activities; HK\$2 million for staff training programmes; HK\$3 million for the enhancement of the Group's management information systems and HK\$6 million as general working capital.

#### **CAPITAL STRUCTURE**

As at 31 December 2004, the total number of shares (the "Shares") of HK\$0.01 each in the capital of the Company in issue was 180,000,000.

Subsequent to 31 December 2004, the number of issued Shares was increased from 180,000,000 to 194,000,000 on 31 January 2005 after the top-up subscription exercised by the existing shareholder of the Company for 14,000,000 new Shares at HK\$1.38 each following their placing (the "Placing") of existing Shares to third party investors. Value Partners Limited had taken up 18,000,000 Shares in the Placing.

#### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 23 May 2005 (Monday) to 25 May 2005 (Wednesday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and attending and voting at the 2005 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 20 May 2005 (Friday).

#### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Since the Listing Date, the Company has not redeemed any of its Shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's Shares.

#### **COMPLIANCE WITH CODE OF BEST PRACTICE**

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not at any time since the Listing Date, in compliance with the Code of Best Practice as set out in Appendix 14 (which was then in force for the year under review) to the Listing Rules.

#### **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES ("Model Code")**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules since the Listing Date. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

#### **ACKNOWLEDGEMENT**

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation for the support of our customers and shareholders. Thanks also to the staff members of the Group for their commitment and dedicated services throughout the year.

#### **PUBLICATION OF DETAILED ANNUAL RESULTS ON STOCK EXCHANGE'S WEBSITE**

The 2004 annual report for the year ended 31 December 2004 containing all information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules (which were in force prior to 31 March 2004 and remain applicable to the results announcement in respect of accounting periods commencing before 1 July 2004 under the transitional arrangement) will be submitted to the Stock Exchange for publication on its website in due course.

#### **2005 ANNUAL GENERAL MEETING**

It is proposed that the 2005 Annual General Meeting of the Company will be held on 25 May 2005 (Wednesday). A notice convening the 2005 Annual General Meeting will be published in the newspapers and will be dispatched to the shareholders of the Company accordingly.

By Order of the Board of Directors  
**FU Wai Chung**  
Chairman

Hong Kong, 19 April 2005

As at the date of this announcement, the Board of Directors comprises four executive directors, namely Mr. FU Wai Chung, Madam NG Wan, Madam FU Man and Mr. LO Yat Fung and three independent non-executive directors, namely Mr. TSAO Kwong Yung, Peter, Mr. NG Keung and Mr. LAM King Pui.