



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 2006

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 2006, together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2006	2005
	Notes	HK\$'000	HK\$'000
Turnover	3	452,160	310,195
Other income		3,416	1,560
Selling expenses		(67,164)	(42,474)
Administrative expenses		(281,456)	(181,150)
Share of results of jointly controlled entities		–	721
Finance costs	4	(409)	(549)
Profit before taxation		106,547	88,303
Income tax expense	5	(27,415)	(19,398)
Profit for the year	6	79,132	68,905
Attributable to:			
Equity holders of the Company		73,469	58,449
Minority interests		5,663	10,456
		79,132	68,905
Dividends:	7		
Interim dividend paid of HK4.5 cents (2005: HK3.5 cents) per ordinary share		9,868	7,675
Proposed final dividend of HK7 cents (2005: HK6 cents) per ordinary share		17,276	13,158
		27,144	20,833
Earnings per share – Basic	8	HK32.9 cents	HK29.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2006

	31 December	31 December
	2006	2005
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Investment properties	1,658	1,610
Property, plant and equipment	150,486	119,645
Goodwill	5,472	2,371
	157,616	123,626
CURRENT ASSETS		
Trade receivables	148,318	93,944
Other receivables and prepayment	33,098	28,639
Bank balances and cash	253,429	173,251
	434,845	295,834
CURRENT LIABILITIES		
Payables and accruals	79,436	56,337
Tax liabilities	25,024	16,860
Secured bank borrowings – due within one year	7,828	7,600
	112,288	80,797
NET CURRENT ASSETS	322,557	215,037
	480,173	338,663
CAPITAL AND RESERVES		
Share capital	2,468	2,193
Reserves	424,805	290,934
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	427,273	293,127
MINORITY INTERESTS	36,094	31,662
	463,367	324,789
NON-CURRENT LIABILITIES		
Secured bank borrowings – due after one year	414	1,205
Deferred tax liabilities	16,392	12,669
	16,806	13,874
	480,173	338,663

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors, the parent company and the ultimate holding company of the Company is Fu’s Family Limited, incorporated in the British Virgin Islands.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi. The directors selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company.

2.

APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC)-Int 8	Scope of HKFRS 2 ⁴
HK(IFRIC)-Int 9	Reassessment of embedded derivatives ⁵
HK(IFRIC)-Int 10	Interim financial reporting and impairment ⁶
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁷
HK(IFRIC)-Int 12	Service Concession Arrangements ⁸

- ¹ Effective for annual periods beginning on or after 1 January 2007
- ² Effective for annual periods beginning on or after 1 January 2009
- ³ Effective for annual periods beginning on or after 1 March 2006
- ⁴ Effective for annual periods beginning on or after 1 May 2006
- ⁵ Effective for annual periods beginning on or after 1 June 2006
- ⁶ Effective for annual periods beginning on or after 1 November 2006
- ⁷ Effective for annual periods beginning on or after 1 March 2007
- ⁸ Effective for annual periods beginning on or after 1 January 2008

3. TURNOVER

Turnover represents agency commission and services income received and receivable from outsider customers for the sales of properties in the PRC less business tax and surcharges and is analysed as follows:

	2006	2005
	HK\$'000	HK\$'000
Agency commission and service income	478,188	326,816
Less: Business tax and surcharges	(26,028)	(16,621)
	452,160	310,195

4. FINANCE COSTS

The amount represents interest on bank borrowing wholly repayable within five years.

5. INCOME TAX EXPENSE

	2006	2005
	HK\$'000	HK\$'000
The expense comprises:		
PRC Enterprises Income Tax (“EIT”)	24,377	18,620
Overprovision in prior years	(239)	–
Deferred taxation	3,277	778
	27,415	19,398

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%.

Certain of the Group’s subsidiaries in the PRC are only required to pay the PRC income tax on predetermined tax rate at 3.3% to 6.6% on turnover during the year (2005: 2% to 6.8%). 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 consolidated financial statements as the subsidiaries have no assessable profit for both years.

6. PROFIT FOR THE YEAR

	2006	2005
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging:		
Directors’ remuneration, including retirement benefits scheme contributions	6,108	6,173
Other staff costs	174,302	111,775
Other retirement benefits scheme contributions	9,000	2,827
Total staff costs	189,410	120,775
Auditors’ remuneration	1,350	1,120
Depreciation of property, plant and equipment	24,569	17,977
Impairment on trade receivables	823	374
Loss on disposal of property, plant and equipment	–	3
Share of tax of jointly controlled entities	–	101
Loss on disposal of a subsidiary	661	–
Exchange loss	19	98
and after crediting:		
Bank interest income	1,814	1,040
Gain on disposal of property, plant and equipment	1,014	–
Net rental income in respect of premises, net of outgoings of HK\$20,000 (2005: HK\$20,000)	177	180

7. DIVIDENDS

	2006	2005
	HK\$'000	HK\$'000
Interim dividend paid of HK4.5 cents (2005: HK3.5 cents) per ordinary share	9,868	7,675
Final dividend, proposed of HK7 cents (2005: HK6 cents) per ordinary share	17,276	13,158
	27,144	20,833

On 18 April 2007, the Directors have resolved to recommend to shareholders the payment of a final dividend of HK7 cents per share for the year ended 31 December 2006. The final dividend; if approved by shareholders, will be payable on or about 22 June 2007 to shareholders whose names appear on the register of members of the Company on 5 June 2007.

8.

EARNINGS PER SHARE

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

	2006	2005
	HK\$'000	HK\$'000
Profit for the year attributable to equity holders of the Company and earnings for the purpose of basic earnings per share	73,469	58,449
Weighted average number of ordinary shares for the purpose of basic earnings per share	223,293,151	198,494,795

No diluted earnings per share has been presented because the Company has no dilutive potential shares for both years.

BUSINESS REVIEW

Applying dynamic and aggressive business development strategies, the Group enlarged its share in the primary and secondary property real estate agency markets, and reported satisfactory performance for the year under review. For the year ended 31 December 2006, the Group’s turnover reached HK\$452.2 million, increased by 46% from HK\$310.2 million in 2005. Profit attributable to shareholders rose 26% from HK\$58.4 million in 2005 to HK\$73.5 million. Earnings per share were HK32.9 cents (2005: HK29.4 cents).

During the year under review, primary property real estate agency service business registered a turnover of HK\$266.3 million (2005: HK\$200.3 million), accounting for 56% of the Group’s total turnover (2005: 61%). As for secondary property real estate agency service business, its turnover amounted to HK\$167.5 million (2005: HK\$101.8 million) and accounted for 35% of the Group’s total turnover (2005: 31%). The remaining 9% or HK\$44.2 million was derived from property management, mortgage referral, property valuation and property auction, etc.

By geographical segment, Guangzhou contributed approximately 64% (2005: 62%) of the Group’s total turnover, and around 36% (2005: 38%) came from outside Guangzhou.

PRIMARY PROPERTY REAL ESTATE AGENCY SERVICE

In 2006, the Group achieved approximately 28,800 primary property transactions of amount totaling HK\$20.2 billion, 45% more than HK\$13.9 billion in 2005. During the year under review, the Group was the sole agent of 127 property projects, involving total transaction area of 28.7 million sq. ft.

Riding on its extensive industry experience and comprehensive marketing strategies, the Group has gained the trust and long-term support of many developers. It secured exclusive agency rights for more new projects during the year. In 2005, the Group became for the first time the sole agent for Vanke, a renowned property developer in China, marketing its property project in Foshan. So far the Group has provided service for nine property projects of the client in Guangzhou, Tianjin, Dongguan and Foshan. The Group also worked closely with Gemdale, a listed A-share company. It not only became the consultant for the initial planning and development of its large-scale property projects in Zengcheng, but also acted as the sole agent for its project in Dongguan and Zengcheng. The Group’s outstanding services have attracted the attention of Hong Kong developers. During the year under review, the Group cooperated with Henderson Land for the first time, offering initial project planning and development consultancy service and sales & marketing service to Hangli Bay View (恒荔灣畔) in Guangzhou and becoming the sole agent for the residential property project. The project received good market response.

In 2006, the property market in Guangzhou continued to boom with average sale prices of different projects including Favorview Palace (匯景新城) and Everbright Riverside (光大花園) on continuous climb. The property markets in other cities in China also grew gradually as reflected in increasing transaction volumes. Many property projects, such as Gemdale Green Town (金地格林小城) in Dongguan, Vanke Wonderland (萬科四季花城) in Foshan, Bao-Link Centre (寶蓮城) in Shanghai, Olympic Garden (奧林匹克花園) and Binhai New Town (濱海新城) in Tianjin, and East Lake Sky Mansion (東湖天下公館) in Wuhan recorded satisfactory sales as well.

During the year under review, the Group continued to expand its primary property real estate agency business and explore new opportunities in various cities. Currently, the Group has offices in 20 cities across China, including those set up in Urumqi, Chongqing, Dalian, Jinan, Zhengzhou and Nanchang during the year under review. By geographical segment, Guangzhou market accounted for 46% of the total turnover from primary property real estate agency service and around 54% came from outside Guangzhou.

In addition, the Group offered initial project planning and development consultancy services to 98 development projects in 30 cities in China in 2006.

SECONDARY PROPERTY REAL ESTATE AGENCY SERVICE

Along with a maturing primary property market, the secondary property market also prospers. Heeding this trend, the Group stepped up efforts in expanding its secondary property real estate agency business during the year under review. The number of branches grew from 130 in late 2005 to 203 during the year. With the opening of the 150th branch in Guangzhou in September last year, Hopefluent became the largest secondary property real estate agent with the most branches in Guangzhou. As at 31 December 2006, the Group had in all 174 branches in Guangzhou. In Shanghai, the property market has been recovering at a satisfactory pace. To capture emerging opportunities in the market, the Group accelerated its expansion plan and increased the number of branches in Shanghai to 15 by the end of 2006. The rest of the branches are located in Nanning and Foshan.

During the year under review, the Group handled approximately 20,500 secondary property transactions, a surge of 71% when compared with approximately 12,000 transactions in 2005. Guangzhou remained as the Group’s core secondary property real estate agency service market, accounting for 94% of the total turnover from secondary property real estate agency service.

MORTGAGE REFERRAL SERVICE

In addition to providing property real estate agency service, the Group also offers one-stop mortgage referral service through its wholly owned subsidiary Bola Realty Financing (Guangzhou) Limited (“Bola Financing”). Driven by continuous growth of the Group’s secondary property real estate agency service business, mortgage referral service business also grew. Income from this business segment has been increasing. During the year under review, the business of Bola Financing expanded from Guangzhou to Dongguan and brought in more diverse income to the Group.

OTHER BUSINESSES

The Group also provides customers with a range of other real estate related services including property management, property valuation and property auction, etc. During the year under review, the Group provided property management services to 30 residential and commercial projects and shopping arcades in Guangzhou, Shanghai and Wuhan. 20,000 units occupying a total gross floor area of over 20 million sq. ft. were involved, generating stable income for the Group.

AWARDS

The Group won many awards during the year under review in honour of its relentless efforts in past years. They included:

- “Hong Kong Outstanding Enterprise 2006” from Economic Digest for three consecutive years
- “China Superbrand 2006”
- Mr. Fu Wai Chung, the Group’s Chairman, received the “Entrepreneurial Spirit Awards 2006” from Capital Entrepreneur
- “Top 10 China’s Real Estate Consulting Company 2006” from the China Real Estate Top 10 Research Team, which is formed by the Enterprise Research Institute of Development Research Centre of the State Council of China, the Institute of Real Estate Studies of the Tsinghua University and the China Index Academy
- “Top 10 Chinese Real Estate Business Corporations Awards” at the China International Real Estate & Archi-tech Fairs (CIHAF)
- “The Most Preferred Real Estate Agency Service Provider 2006” at the 3rd China Property Summit in Guangzhou

PROSPECTS

At the macroeconomic austerity measures implemented by the Chinese government in the past few years, the overheated property market has cool down and is developing at a more healthy and stable pace. After the details of the different measures are clearly defined by the authority, developers are expected to hasten property projects and step up sales efforts, which will in turn lead to stronger property supply in 2007 when compared with last year. Buyer jittery will also vanish and market sentiment will improve.

Transactions of primary and secondary properties in Guangzhou have been more active since late 2006. This trend is expected to continue in 2007 with demand for residential properties remaining strong. The property market in other cities such as Shanghai and Tianjin also continue to enjoy rosy prospects, which will translate into more exclusive agency service business and opportunities for initial project planning and secondary property real estate agency businesses for the Group.

Looking ahead, the Group has clear goal set for 2007 which is to expand its primary property real estate agency service market to cities such as Chengdu, Qingdao, Huhehot, Ningbo and Guiyang and achieve foothold in 25 cities. As for the secondary property real estate agency service business, the Group will strive to expand business coverage and add about 100 to 150 new branches in 2007. In addition to enlarging its market share in Guangzhou, it will also increase the number of branches in Shanghai. Currently, a total of 35 branches are set up in Shanghai. Moreover, the Group will seek to develop the secondary property real estate agency market in Dongguan, Zhongshan, Tianjin, and Beijing to capture the immense opportunity in the cities, and had opened 10 branches in Dongguan in March 2007.

Moreover, the Group will boost its mortgage referral business and diversify its income stream leveraging the relationship forged with customers from its primary and secondary property businesses.

Hopefluent will continue its dual focus on primary and secondary property real estate agency service businesses to expand its market share. That will give the Group the edge to take its business forward to new heights and bring satisfactory returns to shareholders.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three existing independent non-executive directors, has reviewed the audited financial statements for the year ended 31 December 2006 including the accounting, internal controls and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, 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\$253.4 million (2005: HK\$173.3 million) and 3.87 (2005: 3.66) respectively. Total borrowings amounted to approximately HK\$8.2 million are secured bank loans (2005: HK\$8.8 million). The Group’s gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 1.39% (2005: 2.1%). The Group’s borrowings were primarily denominated in Renminbi. The Group had no material contingent liabilities as at 31 December 2006.

PLEDGE OF ASSETS

At 31 December 2006, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of HK\$31.6 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 2006, the Group had approximately 6,000 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.

CAPITAL STRUCTURE

As at 31 December 2006, the total number of shares (the “Shares”) of HK\$0.01 each in the capital of the Company in issue was 246,800,000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 June 2007 (Friday) to 5 June 2007 (Tuesday), 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 2007 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 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 31 May 2007 (Thursday).

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.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the financial year ended 31 December 2006 except for Code Provision A.2 as the Company has no such title as the chief executive officer but the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

Further information is set out in the Corporate Governance Report contained in the annual report for 2006.

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 year 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 2006 annual report containing all the information required by the Listing Rules will be released on the website of the Stock Exchange (www.hkex.com.hk) and dispatched to shareholders in due course.

2007 ANNUAL GENERAL MEETING

It is proposed that the 2007 Annual General Meeting of the Company will be held on 5 June 2007 (Tuesday). A notice convening the 2007 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, 18 April 2007

As at the date of this announcement, the Board of Directors comprises four executive directors, namely Mr. FU Wai Chung, Ms. NG Wan, Ms. FU Man and Mr. LO Yat Fung and three independent non-executive directors, namely Mr. LAM King Pui, Mr. NG Keung and Mrs. WONG LAW Kwai Wah, Karen.