



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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

The board of directors (the "Directors") of Hopefluent Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2005, together with comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

Notes	For the six months ended	
	30 June 2005 (unaudited) HK\$'000	30 June 2004 (unaudited) HK\$'000
Turnover	112,836	61,927
Other operating income	570	376
Selling expenses	(15,697)	(3,251)
Administrative expenses	(64,523)	(30,568)
Finance costs	(168)	(318)
Share of results of a jointly controlled entity	972	138
Profit before taxation	33,990	28,304
Taxation	(7,233)	(5,787)
Profit for the period	26,757	22,517
Minority interest	(3,465)	(3,142)
Net profits attributable to shareholders	23,292	19,375
Attributable to		
– Equity holders of the parent	23,292	19,375
– Minority interests	3,465	3,142
Net profit for the period	26,757	22,517
Dividends	6,790	5,400
Earnings per share (HK)		
– Basic	12.04 cents	16.56 cents
– Diluted	N/A	14.48 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2005

	30 June 2005 (unaudited) HK\$'000	31 December 2004 (audited) HK\$'000
NON-CURRENT ASSETS		
Investment properties	1,564	1,564
Property, plant and equipment	97,359	70,896
Interest in a jointly controlled entity	5,287	4,315
	104,210	76,775
CURRENT ASSETS		
Trade receivable	41,082	45,364
Other receivables and prepayments	16,972	9,773
Bank balances and cash	116,139	119,409
	174,193	174,546
CURRENT LIABILITIES		
Other payables and accruals	13,691	29,411
Taxation payable	12,969	11,121
Secured bank borrowings – due within one year	7,385	7,385
	34,045	47,917
NET CURRENT ASSETS	140,148	126,629
TOTAL ASSETS LESS CURRENT LIABILITIES	244,358	203,404
SHARE CAPITAL AND RESERVES		
Share capital	1,940	1,800
Reserves	207,818	174,073
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	209,758	175,873
MINORITY INTEREST	21,388	13,929
TOTAL EQUITY	231,146	189,802
NON-CURRENT LIABILITIES		
Secured bank borrowings – due after one year	1,562	1,952
Deferred taxation	11,650	11,650
	13,212	13,602
TOTAL NON-CURRENT LIABILITIES	13,212	13,602
TOTAL ASSETS LESS LIABILITIES	244,358	203,404

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(i) "Business Combinations"

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

Goodwill

The Group has applied the relevant transition provision in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. As a result of this change in accounting policy, no amortization of goodwill has been charged in the current period. Comparative figures for 2004 are not required to be restated.

(ii) Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and is stated at cost less depreciation and amortisation at the balance sheet date. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. Where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

(iii) Investment properties

In previous periods, the Group's investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. The Group has also applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January, 2005 onwards. Because the Group did not have any investment property revaluation reserve at 1 January 2005, the adoption of HKAS 40 did not result in any transfer between the reserve accounts.

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

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – Int 4	Determining whether an Arrangement Contains a Lease
HKFRS – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the period are as follows:

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Goodwill no longer amortised	94	–
Increase in profit for the period	94	–
Analysis of increase in profit for the period by line items presented according to their functions:		
	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Decrease in administrative expenses	94	–
	94	–

The application of the new HKFRSs has had no effect to the Group's equity at 1st January, 2004 and 2005.

4. SEGMENTAL INFORMATION

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.

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation and amortisation	5,729	2,996
Interest income	(209)	(24)
Rental income	(260)	(240)

6. TAXATION

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprises Income Tax	7,233	4,120
	<u>7,233</u>	<u>4,120</u>
Deferred tax:		
Current year	–	1,667
	<u>7,233</u>	<u>5,787</u>

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 6.8% on turnover during the period (six months ended 30 June 2004: 2% 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.

For the periods ended 30 June 2005 and 30 June 2004, subsidiaries in Hong Kong had no assessable profits.

7. DIVIDENDS

On 21 September 2005, the Directors have resolved to declare an interim dividend of HK3.5 cents per share for the six months ended 30 June 2005. The interim dividend will be payable on or about 3 November 2005 to shareholders whose names appear on the register of members of the Company on 26 October 2005.

Interim dividend of HK3 cents per share was paid for the six months ended 30 June 2004.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the equity holders of the parent for the periods is based on the following data:

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
<i>Earnings:</i>		
Net profit attributable to the equity holders of the parent for the period for the purpose of basic earnings per share	23,292	19,375
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	N/A	180
Net profit attributable to the equity holders of the parent	<u>N/A</u>	<u>19,555</u>
<i>Number of shares:</i>		
Weighted average number of shares for the purpose of basic earnings per share	193,386,301	117,000,000
Effect of dilutive potential ordinary shares:		
Convertible notes	–	18,000,000
Weighted average number of shares for the purposes of diluted earnings per share	<u>N/A</u>	<u>135,000,000</u>

No diluted earnings per share for the six months ended 30 June 2005 have been presented as there were no potential ordinary shares outstanding during the period.

BUSINESS REVIEW

The Group reported excellent performance during the period under review. Its total turnover reached HK\$112.8 million, representing an increase of 82% over the HK\$61.9 million reported in the corresponding period last year. Net profit increased 20% to HK\$23.3 million (2004: HK\$19.3 million). Net profit margin decreased from last year's 31% to 21% this year. This was the result of the robust growth of secondary real estate agency service, which led to the vast increase in its business proportion and consequently diluted the overall profit margin.

During the period under review, primary property real estate agency service remained as a major income driver of the Group. Accounting for 68% of the Group's total turnover (2004: 71%), the revenue generated from this sector reached HK\$81 million, an increase of 64% over the same period last year. The Group also actively expanded its secondary property real estate agency service operation during the period. Turnover from this segment recorded a substantial growth of 143% from HK\$15.3 million in the corresponding period in 2004 to HK\$37.3 million in 2005, accounting for 31% of the Group's total turnover (2004: 25%).

During the review period, the Group's selling expenses in advertising and commission increased as a result of the expansion of secondary real estate agency service. In addition, the administration expenses in salary and rental also increased, as the number of branches increased from 26 as at 30 June 2004 to 97 as at 30 June 2005 and staff increased from about 900 as at 30 June 2004 to about 2,000 as at 30 June 2005.

Primary Property Real Estate Agency Business

The PRC economy maintained overall healthy growth in the first half of 2005. The rising national income, improving living standard and growing demand for better living environment all contributed to the robust growth of the property market. Although the Chinese government implemented macroeconomic austerity measures, their impact was minimal on southern cities like Guangzhou where the property market was user driven. The Group's effort in expanding its primary property real estate agency service in various cities also helped in generating satisfactory return. During the period, the Group, being the sole agent of more than 68 primary property projects, sold property of a total floor area over 10 million sq.ft.

In the first half of 2005, sales of widely popular projects, such as Hui Jing New City (匯景新城), Guang Da Garden (光大花園), Citic Garden (中信君庭), Wonderland (萬科四季花城), Dongguan Jiang Nan Garden (東莞江南世家), Dongguan Goldfield Ge Lin City (東莞金地格林小城), Shunde Santo Bay (順德聖淘灣) and Asia International Furniture Material City (亞洲國際傢俱材料城) etc., remained strong despite upward adjustments in property prices. The sales value of Hui Jing New City (匯景新城) exceeded HK\$500 million and new projects launched this year recorded outstanding results as well.

To expand its presence in China, in addition to Guangzhou, Hopefluent also set up offices in Beijing, Shandong, Henan and Nanjing during the period. Currently, the Group has market presence in 14 cities. Revenue generated outside Guangzhou constituted 39% of the Group's turnover.

Secondary Property Real Estate Agency Business

Sharing the same robust trend of the primary property market, the number of transactions in the secondary property market also experienced brisk growth. To seize market opportunities, the Group drew full reference from its existing customer base and increased the number of branches

from 59 in 2004 to 104 in 2005, of which 93 branches were in Guangzhou, 2 and 9 branches were in Foshan and Shanghai respectively. During the reporting period, our secondary property real estate agency service developed rapidly. The Group delivered an outstanding record boasting over 5,300 secondary property transactions in the first half this year.

PROSPECTS

Looking ahead, boosted by the remarkable growth of the Chinese economy and the immense business opportunities presented by the impending 2008 Beijing Olympics, the Group sees continuous steady development for the property market in the PRC. The recent revaluation of the Renminbi has also incited investment sentiments, impacting positively on the overall property market.

In the primary property market, the Group will proactively expand its business. It plans to set up new branches in cities including Anhui, Hunan and Kunming in the coming six months to secure more agency business and consultancy contracts in these regions. Currently, the Group has approximately 110 projects on hand.

Targeting the potential rich secondary property market, Hopefluent will increase the number of branches in Guangzhou to approximately 120 this year to enhance its competitiveness. In addition to Guangzhou, the Group also plans to expand its secondary property business into Dongguan and Nanning in the second half this year making the best use of its well-established primary property market customer base.

Other than focusing on developing its primary and secondary property real estate agency services, the Group will actively develop other businesses that promise synergy. In August 2005, the Group increased its interests in Asia Asset Property Services Limited ("Asia Asset") from 40% to 80% at a consideration of HK\$4 million. Asia Asset mainly engages in property development in Guangzhou and Shanghai, providing property management services. Currently, this company runs over 20 property agency and management projects in Guangzhou, Shanghai and Wuhan, etc. and manages approximately 10,000 units, including Moon Lake Villa and Garden View Tower in Shanghai and Liana's Bay and Whampoa Garden in Guangzhou, etc. The Directors believe that the business of Asia Asset can help foster closer ties between the Group and various property developers, which can enhance the development of its primary and secondary property real estate agency services.

Armed with a unique business model and boasting brilliant prospects, the Group appealed to some renowned institutional investors. In January 2005, the Group issued 14 million new shares to Value Partners Limited, which became one of the strategic investors of Hopefluent. Value Partners further increased its shareholding afterwards. Currently, it holds 12% interests in the Group. It shows that our strengths are widely recognized by these renowned institutional investors.

The Group believes, with its profound industry experience and well-directed development plan, it will be able to capitalize on the emerging opportunities in the ever-growing China market, and achieve outstanding results and maximize returns to its shareholders.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee"), comprising the three existing independent non-executive directors, which has reviewed the unaudited interim results for the six months ended 30 June 2005 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2005, 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\$116.1 million (31 December 2004: HK\$119.4 million) and 5.12 (31 December 2004: 3.64) respectively. Total borrowings amounted to approximately HK\$8.9 million (31 December 2004: HK\$9.3 million), comprising secured bank loans. The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 3.2% (31 December 2004: 3.7%). The Group's borrowings are primarily denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2005.

PLEDGE OF ASSETS

At 30 June 2005, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK\$19 million to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

As at 30 June 2005, the Group had approximately 2,000 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 October 2005 to 26 October 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the abovementioned interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars Hong Kong, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:30 p.m. on 21 October 2005.

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 THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

On 1 January 2005, the Code of Best Practice was replaced by the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 of the Listing Rules.

During the period, the Company is committed to achieve high standards of corporate governance and has been regularly reviewing and enhancing the corporate governance practices of the Group including, amongst others, to set up the remuneration committee to monitor the Group's remuneration policy. In addition, the Directors will propose certain amendments to be made to the articles of association for approval by the shareholders at the next general meeting of the Company to comply with the code provision that every director should be subject to retirement by rotation at least once every three years.

PUBLICATION OF INTERIM RESULTS ON STOCK EXCHANGE'S WEBSITE

The interim report for the six months ended 30 June 2005 containing all information required by the Listing Rules will be submitted to the Stock Exchange for publication on its website in due course.

By Order of the Board of Directors
FU Wai Chung
Chairman

Hong Kong, 21 September 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. NG Keung, Mr. LAM King Pui and Mrs. WONG LAW Kwai Wah, Karen.