



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 2004

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 2004, together with comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004

Notes	For the six months ended	
	30 June 2004 (unaudited) HK\$'000	30 June 2003 (unaudited) HK\$'000
Turnover	61,927	37,086
Other operating income	376	317
Selling expenses	(3,251)	(2,884)
Administrative expenses	(30,568)	(19,137)
Profit from operations	28,484	15,382
Finance costs	(318)	(299)
Share of results of jointly controlled entities	138	—
Profit before tax	28,304	15,083
Income tax expense	(5,787)	(2,563)
Profit after tax	22,517	12,520
Minority interest	(3,142)	(804)
Net profit for the period	19,375	11,716
Dividends	5,400	8,000
Earnings per share (HK)		
– Basic	16.6 cents	10.0 cents
– Diluted	14.5 cents	8.8 cents

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004

1. BASIS OF PREPARATION

On 24 June 2004, the Company became the holding company of the Group through a group reorganisation, details of which are further set out in the section headed "Corporate reorganisation" in Appendix V of the prospectus of the Company dated 30 June 2004 (the "Prospectus"). Accordingly, the condensed consolidated income statement and condensed consolidated cash flow statement have been prepared as if the current group structure had been in existence since 1 January 2003, or since the respective dates of incorporation or registration of the companies now comprising the Group where this is a shorter period. The condensed consolidated balance sheet of the Group as at 31 December 2003 have been prepared to present the assets and liabilities of the Group as at that date as if the current group structure had been in existence at that date.

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK").

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 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.

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 and majority of the assets of the Group are located in the PRC.

4. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	2,996	1,425
Interest income	(24)	(13)
Rental income	(240)	(138)

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Current tax:		
– Hong Kong Profits Tax	—	—
– PRC income tax	4,120	2,221
	4,120	2,221
Deferred tax:		
– Current year	1,667	342
	5,787	2,563

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 period (six months ended 30 June 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.

For the periods ended 30 June 2004 and 30 June 2003, subsidiaries in Hong Kong had no assessable profits.

The charge for the periods can be reconciled to the profit per the income statement as follows:

	Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Profit before taxation	28,304	15,083
Tax at the applicable rate of 33%	9,340	4,977
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	(3,765)	(2,623)
Tax effect of tax loss not recognised	212	209
Tax charge	5,787	2,563

6. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation. However, for the six months ended 30 June 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.

On 23 September 2004, the Directors have resolved to declare an interim dividend of HK3 cents per share for the six months ended 30 June 2004. The interim dividend will be payable on or about 3 November 2004 to shareholders whose names appear on the register of members of the Company on 21 October 2004.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share (net profit for the period)	19,375	11,716
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	180	180
Earnings for the purpose of diluted earnings per share	19,555	11,896
Number of shares:		
Number of shares for the purpose of basic earnings per share	117,000,000	117,000,000
Effect of dilutive potential ordinary shares:		
Convertible notes	18,000,000	18,000,000
Weighted average number of shares for the purposes of diluted earnings per share	135,000,000	135,000,000

BUSINESS REVIEW

Benefited from the improving living standard in China and the steady growth of its real estate market, the Group recorded excellent performance during the period under review. Its total turnover reached HK\$61.9 million, representing an increase of 67% over HK\$37 million reported in the corresponding period last year. Net profit increased by 65% to HK\$19.3 million (2003: HK\$11.7 million). During the period, the net profit margin remained satisfactory. For this, the Group maintained economies of scale by taking on more primary property projects with its operational expenses basically remained as fixed nature.

During the period under review, primary property real estate agency service remained as a major income driver of the Group, contributing 71% to its turnover (2003: 57%). Turnover generated from this sector reached HK\$43.8 million from HK\$21.2 million last year with an increase of 106%. In addition to the primary property real estate agency service, the Group also expanded its service to the secondary property market. This segment contributed 25% (2003: 29%) to the Group's turnover for the period in 2004 to reach HK\$15.3 million (2003: HK\$10.8 million).

The Group has been successfully listed on SEHK since 15 July 2004 (the "Listing Date"). 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 Business

The high-flying economy in China in terms of continuously rising level of national income and consumption power of the Chinese population were all contributing factors to the satisfactory results of the Group's primary property real estate agency business. During the period, the Group, being the sole sales agent of more than 35 primary property projects, had sold properties of a total floor area of over 8.5 million sq.ft.

In the first half of 2004, the sales of the widely popular projects, such as Hui Jing New City (匯景新城), Guang Da Garden (光大花園), Nanguo Olympic Garden (南國奧園), Dongguan Jiang Nan Garden (東莞江南世家) and Tianjin Olympic Garden (天津奧園), received overwhelming result despite upward adjustments in property price. This was also reflected by the unmet demand over supply at certain times. New projects launched this year recorded outstanding results as well. Over 90% of the 400 units of Wonderland (四季花城) launched by Wanke Group (萬科集團) were sold on the first day of sale. The number of units sold of Mainland Lake Garden (美林湖畔花園) in Guangzhou exceeded 1,100 during the 7-day Labour Day holiday in May for which the Group achieved sales record of residential property in Guangzhou over that period.

The Group also set up branch offices in Tianjin, Foshan and Dongguan in order to expand its presence other than Guangzhou. Its Wuhan branch in Hubei is expected to start full operation soon. Leveraging the Group's long-term relationship with major property developers across the country, the Groups successfully seized sole distribution right of a number of sizable property projects including in Foshan, Tianjin and Dongguan. The turnover generated outside Guangdong constituted 33% of the Group's turnover.

Secondary Property Real Estate Agency Business

Armed with an optimum brand reputation, the Group has actively developed its secondary property real estate agency business in recent years and achieved satisfactory results. It completed over 2,500 transactions during the period and increased the number of branches in Guangzhou from 21 last year to 26 this year. The turnover from this sector increased by about 42% to HK\$15.3 million compared with HK\$10.8 million of the previous period.

PROSPECTS

Looking ahead, the Group expects to see continuous steady growth of the real estate market in China. To grasp the robust market opportunities, the Group will further enhance its brand recognition "Hopefluent" through organizing various marketing activities, including exhibitions and seminars in both Hong Kong and the PRC.

In the primary property real estate market, the Group will continue to expand its agency business into other provinces. The Group plans to set up new branches in cities including Beijing, Shanghai, Changsha, Jinan and Nanning to boost its agency and consultancy business. Currently, the Group has around 70 agency service projects now on hand.

To target for the promising secondary property real estate market, the Group had opened 26 branches in Guangzhou up till the mid of September 2004. To match its business growth in line with that of the secondary real estate market, the Group plans to further increase the number of its branches in Guangzhou to 50 this year. Moreover, the Group also intends to expand the business to outside Guangzhou and has already established a branch for secondary property market in Foshan. In Shanghai, the Group will develop both the primary and secondary markets and target to open three new branches there this year.

The Group believes, with a clear and well-directed development plan, it will be able to capitalize on the emerging opportunities from the ever-growing China market and maximize returns to 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 unaudited interim results for the six months ended 30 June 2004 including the accounting, internal control and financial reporting issues. At the request of the Directors, the Group's external auditors, Deloitte Touche Tohmatsu, has carried out a review of the unaudited interim financial statements for the six months ended 30 June 2004 in accordance with the Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports" issued by HKICPA.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 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\$47.8 million (31 December 2003: HK\$30.8 million) and 2.17 (31 December 2003: 1.86) respectively. Total borrowings amounted to approximately HK\$21.7 million (31 December 2003: HK\$15.5 million), comprising secured bank loans and convertible notes. The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 14.1% (31 December 2003: 12.3%). The Group's borrowings are primarily denominated in Hong Kong Dollars and Renminbi. The Group had no material contingent liabilities as at 30 June 2004.

PLEDGE OF ASSETS

At 30 June 2004, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of HK\$15,085,000 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 2004, the Group had approximately 900 full time employees. Around 8 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 19 October 2004 to 21 October 2004, 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 in 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 18 October 2004.

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.

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 to the Listing Rules.

PUBLICATION OF INTERIM RESULTS ON STOCK EXCHANGE'S WEBSITE

The interim report for the six months ended 30 June 2004 containing all information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 to the Listing Rules will be submitted to the SEHK for publication on its website in due course.

By Order of the Board of Directors

FU Wai Chung

Chairman

Hong Kong, 23 September 2004

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.