



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 No: 733



**Interim
Report
08**

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 2008, together with comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	Six months ended 30 June	
		2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Turnover	3	372,258	300,687
Other income		2,612	2,558
Selling expenses		(58,968)	(50,056)
Administrative expenses		(277,497)	(188,509)
Finance costs		(1,037)	(249)
Profit before taxation		37,368	64,431
Income tax expense	4	(5,928)	(13,534)
Profit for the period	5	31,440	50,897
Attributable to:			
– Equity holders of the Company		29,627	45,495
– Minority interests		1,813	5,402
		31,440	50,897
Dividends	6	–	13,574
Earnings per share	7		
– Basic		HK12.00 cents	HK18.43 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	30 June 2008 <i>(unaudited)</i> HK\$'000	31 December 2007 <i>(audited)</i> HK\$'000
NON-CURRENT ASSETS			
Investment properties		6,964	6,964
Property, plant and equipment	8	293,921	220,513
Goodwill		15,355	15,355
		316,240	242,832
CURRENT ASSETS			
Accounts receivables	9	207,803	212,045
Other receivables and prepayment		76,286	57,687
Bank balances and cash		178,298	210,385
		462,387	480,117
CURRENT LIABILITIES			
Other payables and accruals		65,727	115,473
Tax liabilities		33,948	36,369
Secured bank borrowings – due within one year		24,432	7,804
		124,107	159,646
NET CURRENT ASSETS			
		338,280	320,471
		654,520	563,303
CAPITAL AND RESERVES			
Share capital	10	2,468	2,468
Reserves		562,697	518,483
Equity attributable to equity holders of the Company		565,165	520,951
Minority interests		29,441	26,550
		594,606	547,501
NON-CURRENT LIABILITIES			
Secured bank borrowings – due after one year		43,750	–
Deferred tax liabilities		16,164	15,802
		59,914	15,802
		654,520	563,303

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Statutory			Retained profits	Total	Minority interests	Total
				surplus reserve	Translation reserve					
At 1 January 2007	2,468	223,948	5,760	29,578	10,332	155,187	427,273	36,094	463,367	
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	19,394	-	19,394	376	19,770	
Profit for the period	-	-	-	-	-	45,495	45,495	5,402	50,897	
Total recognised income for the period	-	-	-	-	19,394	45,495	64,889	5,778	70,667	
Disposal of subsidiaries	-	-	-	-	-	-	-	(2,590)	(2,590)	
New subsidiaries set up during the year	-	-	-	-	-	-	-	773	773	
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(810)	(810)	
Dividends	-	-	-	-	-	(17,276)	(17,276)	-	(17,276)	
At 30 June 2007	2,468	223,948	5,760	29,578	29,726	183,406	474,886	39,245	514,131	
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	(4,686)	-	(4,686)	(218)	(4,904)	
Profit for the period	-	-	-	-	-	64,325	64,325	2,677	67,002	
Total recognised income for the period	-	-	-	-	(4,686)	64,325	59,639	2,459	62,098	
Disposal of a subsidiary	-	-	-	-	-	-	-	279	279	
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	(15,433)	(15,433)	
Transfer	-	-	-	6,909	-	(6,909)	-	-	-	
Dividends	-	-	-	-	-	(13,574)	(13,574)	-	(13,574)	
At 31 December 2007	2,468	223,948	5,760	36,487	25,040	227,248	520,951	26,550	547,501	
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	36,799	-	36,799	1,870	38,669	
Profit for the period	-	-	-	-	-	29,627	29,627	1,813	31,440	
Total recognised income for the period	-	-	-	-	36,799	29,627	66,426	3,683	70,109	
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(792)	(792)	
Dividends	-	-	-	-	-	(22,212)	(22,212)	-	(22,212)	
At 30 June 2008	2,468	223,948	5,760	36,487	61,839	234,663	565,165	29,441	594,606	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash (used in) from operating activities	(12,273)	22,467
Net cash used in investing activities	(76,014)	(62,070)
Net cash from (used in) financing activities	38,166	(17,526)
Net decrease in cash and cash equivalents	(50,121)	(57,129)
Cash and cash equivalents at beginning of the period	210,385	253,429
Effect of foreign exchange rate changes	18,034	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	178,298	196,300

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs"), which are effective for the Group's financial year beginning on 1 January 2008. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

3. 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 People's Republic of China (the "PRC").

4. INCOME TAX EXPENSE

The charges for both periods represent PRC Enterprises Income Tax ("EIT") for those periods.

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 25% (six months ended 30 June 2007: 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 2.5% to 6.8% on turnover during the period (six months ended 30 June 2007: 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 condensed financial statements as the subsidiaries have no assessable profits for both periods.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	23,628	16,115
Impairment on accounts receivables	1,159	1,035
Interest income	(1,155)	(2,627)
Rental income	(872)	(337)

6. DIVIDENDS

On 12 September 2008, the Directors have resolved not to declare any interim dividend for the six months ended 30 June 2008.

Interim dividend of HK5.5 cents per share was paid for the six months ended 30 June 2007.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the profit for the period attributable to equity holders of the Company of approximately HK\$29,627,000 (1 January 2007 to 30 June 2007: HK\$45,495,000) and on 246,800,000 (1 January 2007 to 30 June 2007: 246,800,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2008 have been presented as there were no potential ordinary shares outstanding during the period.

8. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the six months ended 30 June 2008, the Group spent approximately HK\$76,669,000, mainly on leasehold improvement and equipment of offices and branches.

9. ACCOUNTS RECEIVABLES

The Group allows its customers with credit periods normally ranging from 30 to 120 days.

The aged analysis of accounts receivables at the balance sheet date is as follows:

	2008	2007
	HK\$'000	HK\$'000
Accounts receivables		
0-30 days	47,063	102,712
31-60 days	66,341	34,984
61-90 days	35,308	29,248
91-120 days	32,652	27,835
Over 120 days	26,439	17,266
	207,803	212,045

10. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 January 2007, 31 December 2007 and 30 June 2008	8,000,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 January 2007, 31 December 2007 and 30 June 2008	246,800,000	2,468

11. PLEDGE OF ASSETS

At 30 June 2008, the Group pledged its investment properties and leasehold land and buildings with an aggregate amount of approximately HK\$51.4 million to banks to secure bank borrowings of the Group.

BUSINESS REVIEW

The first half of 2008 was a challenging period for the real estate market in China. With the consumer price index rocketing and the government continually enforcing austerity measures on the property market, the sector was sent from the super fast lane on to the slower lane. Consumers have become more conservative and demand for properties has calmed. Furthermore, affected by the sluggish global financial market, stock markets on Mainland China also posed lackluster performance in the first half of the year, which in turn dampened investment sentiment and led to shrinkage of the property market.

For the six months ended 30 June 2008, the Group recorded a turnover of HK\$372.3 million, up 24% against HK\$300.7 million in the same period last year. Profit attributable to shareholders was HK\$29.6 million, a decrease of 35% from HK\$45.5 million in the corresponding period last year. Basic earnings per share were HK12.00 cents (2007 corresponding period: HK18.43 cents).

During the review period, the Group's primary and secondary property real estate agency service businesses brought in turnover of HK\$198.5 million and HK\$159.8 million respectively, accounting for 50% and 41% of the Group total. The remaining 9% or HK\$35.7 million was derived from other businesses such as mortgage referral and property management. By geographical segment, Guangzhou contributed about 54% of the total turnover and about 46% of the total turnover came from outside Guangzhou.

Primary Property Real Estate Agency Service

During the review period, although consumer jittery caused demand for properties to greatly decrease, capitalizing on its solid market leadership and extensive industry experience, the Group was able to gain the trust of developers and secured exclusive agency rights for more projects. For the six months ended 30 June 2008, the Group handled primary property transactions of total gross floor area of about 18.7 million square feet and total amount of approximately HK\$15 billion, a 15.4% increase against the over HK\$13 billion in the corresponding period last year.

The Group strived to secure exclusive agency rights for more projects to consolidate its existing market position and broaden income stream. Currently, the Group holds exclusive agency rights for over 250 projects, of which 196 contributed turnover to the Group during the review period. By geographical segment, Guangzhou accounted for approximately 49% of the total turnover from primary property real estate agency service and the remaining turnover from primary property real estate agency service came from other cities in China.

During the period under review, all the Group's projects open for sale performed stably. Those projects included Everbright Riverside (光大花園), Royal Plaza (君匯世家), China Overseas Jiansha Bay (中海金沙灣) and Evergrande Century Giants (恒大世紀名門) in Guangzhou, Vanke City Golf Garden (萬科城市高爾夫花園) and Dong Jun Palace (東駿豪苑) in Dongguan, Vanke City (萬科城) and Gemdale Kowloon Jade (金地九瓏壁) in Foshan and new projects in Shanghai, Anhui, Wuhan and Hunan. The Group continued to work closely with major property developers and secured exclusive agency rights for more projects.

The Group also offers comprehensive initial project planning services to property developers, covering the entire planning process from giving professional advice on location and market positioning to marketing strategies and sales. During the review period, the Group provided initial project planning services to 63 development projects.

Secondary Property Real Estate Agency Service

According to the target set at the beginning of the year, the Group actively expanded the network of its secondary property real estate agency service business during the period under review. The number of branches increased from 350 at year end 2007 to approximately 420 at end of June 2008, of which approximately 250 were in Guangzhou and approximately 90 in Shanghai. The remaining secondary branches were in other cities including Dongguan, Foshan, Tianjin and Beijing. The Group's turnover from its secondary property real estate agency service business also increased remarkably due to the increase in the number of branches. In the first half of 2008, the Group handled approximately 17,800 secondary property transactions, an increase of 22% when compared to approximately 14,600 transactions in the same period last year and turnover also grew, by 27%, against the same period last year to HK\$159.8 million.

However, secondary property real estate agency service business was hit more badly than the primary property real estate agency business by the adverse market environment during the review period. Apart from economic loss caused to consumers by natural disasters, the significant drop of the PRC stock market since the beginning of 2008 also translated into heavy psychological and financial pressure on consumers. Inevitably, the secondary property market was adversely affected, with growth rate and profit margin both compromised when compared with the same period last year. Since most of the branches of the Group in Shanghai were still in early investment stage and the branch network was still too small to reap economies of scale, the Group's overall profit was adversely affected.

Other Businesses

In addition to providing property agency service, the Group also offers other property related value-added services including mortgage referral, property management, property valuation and property auction. These services not only provide an additional income source to the Group, but also help to strengthen its brand image.

The Group's mortgage referral business has been fully developed. With a comprehensive customer network, the Group is able to provide secondary property agency service customers with professional advice and referral services in relation to property mortgage. As for its property management business, the Group provided property management services during the period to over 40 residential and commercial projects and shopping arcades in Guangzhou, Shanghai and Wuhan involving more than 40,000 units of total gross floor area over 40 million square feet.

PROSPECTS

The property industry in China is currently undergoing adjustment after the stage of rapid growth. Affected by uncertain policies and buyer jittery, the industry is cooling down. Nevertheless, in the long run, the demand for high quality properties will far exceed supply, and as a result present enormous development opportunities to the property sector in the future.

With both property prices and transaction volume dropping, the Group will strive to control cost and trim operational expenses to ensure it gets through the industry adjustment period. For the primary property real estate agency service business, drawing on its abundant experience in the industry and close relationship with various developers, the Group will continue to actively explore more exclusive agency rights opportunities, with the aim of spreading risks and stabilising income. To boost economies of scale and to save costs, the Group is considering merging certain offices to the well performing offices.

For the secondary property real estate agency service business, the Group will adjust its strategy to achieve optimum branch deployment, in the hope of making profit in all districts where it has presence. As its secondary property real estate agency service branches in Shanghai have yet to attain economies of scale, to cap preliminary investment and control cost, the Group will slow down its expansion in the Shanghai market, cut advertising expense and reduce the number of sale staff at each branch. The number of secondary branches has been reduced from 420 branches at the end of June 2008 to approximately 350 branches currently. The Group will also look into business conditions in other cities and it does not rule out the possibility of closing still some more branches considering the weak market environment.

Looking ahead, the Group still has full confidence in the long-term prospects of the property market in China. The Group is coping with the current testing market environment cautiously and with optimism. By actively applying different cost control measures and making timely adjustment of strategies, the Group will be able to consolidate its industry leadership and maintain steady business growth. Hopefluent is confident of its ability to make it through the difficult times and bring long-term returns to 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 2008 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, 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\$178.3 million (31 December 2007: HK\$210.4 million) and 3.73 (31 December 2007: 3.01) respectively. Total borrowings amounted to approximately HK\$68.2 million are secured bank loans (31 December 2007: HK\$7.8 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 8.76% (31 December 2007: 1.08%). The Group's borrowings are primarily denominated in Renminbi and Hong Kong dollars. The Group had no material contingent liabilities as at 30 June 2008.

PLEDGE OF ASSETS

At 30 June 2008, the Group pledged its investment properties and leasehold land and buildings with an aggregate amount of approximately HK\$51.4 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 2008, the Group had approximately 8,800 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2008, the interests of the directors, chief executives and their associates in the share capital of the Company or its associated corporations (within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code") in the Listing Rules were as follows:—

(i) Ordinary shares of HK\$0.01 each in the Company

Name	Nature of interest	Number of shares interested	Percentage of shareholding
Fu Wai Chung ("Mr. Fu")	Corporate	98,284,000 (<i>Note</i>)	39.82%

Note: These 98,284,000 shares are registered in the name of Fu's Family Limited which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan (Mr. Fu's wife) and the remaining 15% by Ms. Fu Man (Mr. Fu's sister).

All interests in shares stated above represent long position.

(ii) Ordinary shares of US\$1.00 each in Fu's Family Limited, the associated corporation of the Company

Name of director	Number of shares interested	Percentage of shareholding
Fu Wai Chung	70	70%

Save as disclosed above, as at 30 June 2008, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code of the Listing Rules.

Subsequent to 30 June 2008, the total deemed corporate interests of Mr. Fu increased to 39.89% due to acquisition of shares by Fu's Family Limited.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the written resolutions passed by the then shareholders on 24 June 2004 the Company had adopted a share options scheme (the "Scheme"). Under the Scheme, the directors of the Company may, at their discretion, invite full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors, advisors, consultants of the Group to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval.

Up to the date hereof, no share options were granted pursuant to the Scheme.

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors and chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares and/or debt securities, including debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2008, the interests or short positions of the substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Number of shares interested	Percentage of shareholding
Fu's Family Limited (<i>Note 1</i>)	98,284,000	39.82%
Mr. Fu (<i>Note 2</i>)	98,284,000	39.82%
Arisaig Greater China Fund Limited (<i>Note 3</i>)	39,878,000	16.16%
Arisaig Partners (Mauritius) Limited (<i>Note 3</i>)	39,878,000	16.16%
Cooper Lindsay William Ernest (<i>Note 3</i>)	39,878,000	16.16%
Cheah Cheng Hye (<i>Notes 4 & 5</i>)	29,971,000	12.14%
To Hau Yin (<i>Notes 4 & 5</i>)	29,971,000	12.14%
Hang Seng Bank Trustee International Limited (<i>Note 5</i>)	29,971,000	12.14%
Cheah Capital Management Limited (<i>Note 5</i>)	29,971,000	12.14%
Cheah Company Limited (<i>Note 5</i>)	29,971,000	12.14%
Value Partners Limited (<i>Note 5</i>)	29,971,000	12.14%
Value Partners Group Limited (<i>Note 5</i>)	29,971,000	12.14%
Value Partners Classic Fund (Formerly known as Value Partners A Fund)	13,375,000	5.41%

Notes:

- These 98,284,000 shares are registered in the name of Fu's Family Limited, the entire issued share capital of which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan and 15% by Ms. Fu Man. Under the SFO, Mr. Fu is deemed to be interested in all the shares registered in the name of Fu's Family Limited.
- Under the SFO, Mr. Fu is deemed to be interested in the shares held by Fu's Family Limited.
- The shares of Arisaig Greater China Fund Limited ("Arisaig Greater") are held by the funds under management by Arisaig Partners (Mauritius) Limited in its capacity as an investment manager and Mr. Cooper Lindsay William Ernest is deemed to be interested in the shares of the Company through 33.33% interests in Arisaig Partners (Mauritius) Limited.
- Mr. Cheah Cheng Hye is the founder of the family trust and Ms. To Hau Yin as the spouse of Mr. Cheah is deemed to be interested in these shares.
- These shares are held by Hang Seng Bank Trustee International Limited in its capacity as a trustee and Value Partners Limited as the investment manager through Value Partners Group Limited, Cheah Company Limited and Cheah Capital Management Limited (collectively, the "Value Partners Group").

All the interests in shares stated above represent long position.

Save as disclosed above, as at 30 June 2008, the Company had not been notified of any person's interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

Subsequent to 30 June 2008, Fu's Family Limited increased its shareholding in the Company to 39.89%.

Subsequent to 30 June 2008, Value Partners Group increased its shareholding in the Company to 12.99%.

Subsequent to 30 June 2008, Arisaig Greater increased its shareholding in the Company to 18.19%.

SHARE OPTION

No option has been granted under the company's share option scheme since its adoption.

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

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not during the six months ended 30 June 2008 in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except the following deviation (Code Provision A.2.1):

Further Information About Chairman and Chief Executive Officer

Mr. Fu is the chairman of the Company and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”) OF THE LISTING RULES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code for the period ended 30 June 2008 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

By Order of the Board of Directors

FU Wai Chung

Chairman

As at the date of this report, 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.

Hong Kong, 12 September 2008