



**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 Report*  
**2010**

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 2010, together with comparative figures for the corresponding period in 2009 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

|                             | Notes | Six months ended 30 June        |                                 |
|-----------------------------|-------|---------------------------------|---------------------------------|
|                             |       | 2010<br>(unaudited)<br>HK\$'000 | 2009<br>(unaudited)<br>HK\$'000 |
| Turnover                    | 3     | 563,907                         | 390,781                         |
| Other income                |       | 3,354                           | 3,653                           |
| Selling expenses            |       | (128,480)                       | (84,098)                        |
| Administrative expenses     |       | (359,125)                       | (253,311)                       |
| Finance costs               |       | (1,025)                         | (1,162)                         |
| Profit before tax           |       | 78,631                          | 55,863                          |
| Income tax expense          | 4     | (18,780)                        | (9,896)                         |
| Profit for the period       | 5     | 59,851                          | 45,967                          |
| Attributable to:            |       |                                 |                                 |
| – Owners of the Company     |       | 59,547                          | 43,119                          |
| – Non-controlling interests |       | 304                             | 2,848                           |
|                             |       | 59,851                          | 45,967                          |
| Dividends                   | 6     | 11,920                          | –                               |
| Earnings per share          | 7     |                                 |                                 |
| – Basic                     |       | HK20.10 cents                   | HK14.57 cents                   |
| – Diluted                   |       | HK20.10 cents                   | –                               |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2010*

|  | <b>Unaudited</b>                |          |
|--|---------------------------------|----------|
|  | <b>Six months ended 30 June</b> |          |
|  | <b>2010</b>                     | 2009     |
|  | <b>HK\$'000</b>                 | HK\$'000 |
| <b>Profit for the period</b>                     | <b>59,851</b>                   | 45,967   |
| <b>Other comprehensive income</b>                |                                 |          |
| Exchange differences arising on translation      | <b>8,328</b>                    | –        |
| <b>Total comprehensive income for the period</b> | <b>68,179</b>                   | 45,967   |
| Total comprehensive income attributable to:      |                                 |          |
| – Owners of the Company                          | <b>67,875</b>                   | 43,119   |
| – Non-controlling interests                      | <b>304</b>                      | 2,848    |
|  | <b>68,179</b>                   | 45,967   |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2010

|   | Notes | <b>30 June<br/>2010<br/>(unaudited)<br/>HK\$'000</b> | 31 December<br>2009<br>(audited)<br>HK\$'000 |
|---|-------|--|--|
| <b>NON-CURRENT ASSETS</b>                       |       |  |  |
| Investment properties                           |       | <b>25,282</b>  | 24,996                                       |
| Property, plant and equipment                   | 8     | <b>232,363</b>                                       | 219,098                                      |
| Goodwill  |       | <b>15,544</b>  | 15,544                                       |
|   |       | <b>273,189</b>                                       | 259,638                                      |
| <b>CURRENT ASSETS</b>                           |       |  |  |
| Accounts receivables                            | 9     | <b>226,210</b>                                       | 201,296                                      |
| Other receivables and prepayment                |       | <b>51,242</b>  | 54,934                                       |
| Held for trading investments                    |       | <b>4,385</b>   | 9,753  |
| Bank balances and cash                          |       | <b>315,173</b>                                       | 338,073                                      |
|   |       | <b>597,010</b>                                       | 604,056                                      |
| <b>CURRENT LIABILITIES</b>                      |       |  |  |
| Payables and accruals                           |       | <b>78,056</b>  | 96,565                                       |
| Tax liabilities                                 |       | <b>40,712</b>  | 50,436                                       |
| Bank borrowings – due within one year           |       | <b>48,532</b>  | 60,120                                       |
|   |       | <b>167,300</b>                                       | 207,121                                      |
| <b>NET CURRENT ASSETS</b>                       |       |  |  |
|   |       | <b>429,710</b>                                       | 396,935                                      |
|   |       | <b>702,899</b>                                       | 656,573                                      |
| <b>CAPITAL AND RESERVES</b>                     |       |  |  |
| Share capital                                   | 10    | <b>2,980</b>   | 2,960  |
| Share premium and reserves                      |       | <b>658,757</b>                                       | 612,342                                      |
| Equity attributable to owners of<br>the Company |       | <b>661,737</b>                                       | 615,302                                      |
| Non-controlling interests                       |       | <b>21,624</b>  | 21,320                                       |
|   |       | <b>683,361</b>                                       | 636,622                                      |
| <b>NON-CURRENT LIABILITIES</b>                  |       |  |  |
| Deferred tax liabilities                        |       | <b>19,538</b>  | 19,951                                       |
|   |       | <b>19,538</b>  | 19,951                                       |
|   |       | <b>702,899</b>                                       | 656,573                                      |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2010

|  | Attributable to owners of the Company |               |                 |                           |                     |                       |                  | Non-controlling interests |                           | Total    |
|--|---------------------------------------|---------------|-----------------|---------------------------|---------------------|-----------------------|------------------|---------------------------|---------------------------|----------|
|  | Share capital                         | Share premium | Special reserve | Statutory surplus reserve | Translation reserve | Share options reserve | Retained profits | Total                     | Non-controlling interests |          |
|  | HK\$'000                              | HK\$'000      | HK\$'000        | HK\$'000                  | HK\$'000            | HK\$'000              | HK\$'000         | HK\$'000                  | HK\$'000                  | HK\$'000 |
| At 1 January 2009  | 2,960                                 | 254,790       | 5,760           | 40,413                    | 41,570              | -                     | 125,934          | 471,427                   | 22,229                    | 493,656  |
| Profit and total comprehensive income for the period     | -                                     | -             | -               | -                         | -                   | -                     | 43,119           | 43,119                    | 2,848                     | 45,967   |
| At 30 June 2009 (unaudited)                              | 2,960                                 | 254,790       | 5,760           | 40,413                    | 41,570              | -                     | 169,053          | 514,546                   | 25,077                    | 539,623  |
| Exchange differences arising on translation              | -                                     | -             | -               | -                         | 2,005               | -                     | -                | 2,005                     | 167                       | 2,172    |
| Profit (loss) for the period                             | -                                     | -             | -               | -                         | -                   | -                     | 82,467           | 82,467                    | (64)                      | 82,403   |
| Total comprehensive income for the period                | -                                     | -             | -               | -                         | 2,005               | -                     | 82,467           | 84,472                    | 103                       | 84,575   |
| Recognition of share-based payment                       | -                                     | -             | -               | -                         | -                   | 16,284                | -                | 16,284                    | -                         | 16,284   |
| Acquisition of additional interest in subsidiaries       | -                                     | -             | -               | -                         | -                   | -                     | -                | -                         | (7,252)                   | (7,252)  |
| Realised on partial disposal of interest in subsidiaries | -                                     | -             | -               | -                         | -                   | -                     | -                | -                         | 3,392                     | 3,392    |
| Transfer   | -                                     | -             | -               | 6,028                     | -                   | -                     | (6,028)          | -                         | -                         | -        |
| At 31 December 2009 (audited)                            | 2,960                                 | 254,790       | 5,760           | 46,441                    | 43,575              | 16,284                | 245,492          | 615,302                   | 21,320                    | 636,622  |
| Exchange differences arising on translation              | -                                     | -             | -               | -                         | 8,328               | -                     | -                | 8,328                     | -                         | 8,328    |
| Profit for the period                                    | -                                     | -             | -               | -                         | -                   | -                     | 59,547           | 59,547                    | 304                       | 59,851   |
| Total comprehensive income for the period                | -                                     | -             | -               | -                         | 8,328               | -                     | 59,547           | 67,875                    | 304                       | 68,179   |
| Issue of shares due to exercise of share options         | 20                                    | 6,989         | -               | -                         | -                   | (1,809)               | -                | 5,200                     | -                         | 5,200    |
| Dividends recognised as distribution                     | -                                     | -             | -               | -                         | -                   | -                     | (26,640)         | (26,640)                  | -                         | (26,640) |
| At 30 June 2010 (unaudited)                              | 2,980                                 | 261,779       | 5,760           | 46,441                    | 51,903              | 14,475                | 278,399          | 661,737                   | 21,624                    | 683,361  |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the six months ended 30 June 2010*

|   | <b>Six months ended 30 June</b>          |                                 |
|---|--|---------------------------------|
|   | <b>2010<br/>(unaudited)<br/>HK\$'000</b> | 2009<br>(unaudited)<br>HK\$'000 |
| Net cash from operating activities  | <b>36,556</b>                            | 77,963                          |
| Net cash used in investing activities   | <b>(35,442)</b>                          | (2,578)                         |
| Net cash used in financing activities   | <b>(33,472)</b>                          | (2,093)                         |
| Net (decrease) increase in cash and cash equivalents                                  | <b>(32,358)</b>                          | 73,292                          |
| Cash and cash equivalents at beginning of the period                                  | <b>338,073</b>                           | 155,931                         |
| Effect of foreign exchange rate changes   | <b>9,458</b>                             | –                               |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | <b>315,173</b>                           | 229,223                         |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

### 1. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED 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 "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 2. SIGNIFICANT 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 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

|                     |   |
|---------------------|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009                                 |
| HKAS 27 (Revised)   | Consolidated and Separate Financial Statements              |
| HKAS 39 (Amendment) | Eligible Hedged Items                                       |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters               |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions         |
| HKFRS 3 (Revised)   | Business Combinations                                       |
| HK(IFRIC)—Int 17    | Distributions of Non-cash Assets to Owners                  |

The Group applies Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "*Business Combinations*" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "*Consolidated and Separate Financial Statements*" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

|                              |  |
|------------------------------|--|
| HKFRSs (Amendments)          | Improvements to HKFRSs 2010 <sup>1</sup>   |
| HKAS 24 (Revised)            | Related Party Disclosures <sup>4</sup>   |
| HKAS 32 (Amendment)          | Classification of Rights Issues <sup>2</sup>   |
| HKFRS 1 (Amendment)          | Limited Exemption from Comparative<br>HKFRS 7 Disclosures for First-time Adopters <sup>3</sup> |
| HKFRS 9                      | Financial Instruments <sup>5</sup>   |
| HK(IFRIC)—Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement <sup>4</sup>                                      |
| HK(IFRIC)—Int 19             | Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>                       |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

The Group is principally engaged in the primary property real estate agency services, secondary property real estate agency services and property management services in the People's Republic of China (the "PRC"). These divisions are the bases on which the Group reports its segment information.

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker and the Group's executive directors for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group is organized into three business divisions including primary property real estate agency services, secondary property real estate agency services and property management services which form the Group's three operating segments.

An analysis of the Group's segment information for the interim period by operating segments is as follows:

|                              | Six months ended 30 June 2010                            |  |                                    |                   |
|------------------------------|--|--|------------------------------------|-------------------|
|                              | Primary<br>property<br>real estate<br>agency<br>HK\$'000 | Secondary<br>property<br>real estate<br>agency<br>HK\$'000 | Property<br>management<br>HK\$'000 | Total<br>HK\$'000 |
| Segment revenues             | 330,303  | 187,071  | 46,533                             | 563,907           |
| Segment profit/(loss)        | 78,340   | 12,400   | (3,232)                            | 87,508            |
| Other income                 |  |  |                                    | 3,354             |
| Central administrative costs |  |  |                                    | (11,206)          |
| Finance costs                |  |  |                                    | (1,025)           |
| Profit before tax            |  |  |                                    | 78,631            |
| Income tax expense           |  |  |                                    | (18,780)          |
| Profit for the period        |  |  |                                    | 59,851            |

|                              | Six months ended 30 June 2009                            |  |                                    |                   |
|------------------------------|--|--|------------------------------------|-------------------|
|                              | Primary<br>property<br>real estate<br>agency<br>HK\$'000 | Secondary<br>property<br>real estate<br>agency<br>HK\$'000 | Property<br>management<br>HK\$'000 | Total<br>HK\$'000 |
| Segment revenues             | 191,919  | 161,930  | 36,932                             | 390,781           |
| Segment profit/(loss)        | 49,361   | 12,271   | (2,673)                            | 58,959            |
| Other income                 |  |  |                                    | 3,653             |
| Central administrative costs |  |  |                                    | (5,587)           |
| Finance costs                |  |  |                                    | (1,162)           |
| Profit before tax            |  |  |                                    | 55,863            |
| Income tax expense           |  |  |                                    | (9,896)           |
| Profit for the period        |  |  |                                    | 45,967            |

#### 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%.

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 2009: 2.5% 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 consolidated financial statements as the Group has no assessable profits in Hong Kong for both periods.

#### 5. PROFIT FOR THE PERIOD

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2010<br>HK\$'000         | 2009<br>HK\$'000 |
| Profit for the period has been arrived at after charging (crediting):                 |                          |                  |
| Depreciation of property, plant and equipment   | 21,783                   | 20,623           |
| Impairment on accounts receivables  | 2,406                    | 858              |
| Bank interest income  | (578)                    | (185)            |
| Net rental income in respect of promises, net of outgoings of HK\$Nil (2009: HK\$Nil) | (580)                    | (1,029)          |

#### 6. DIVIDENDS

On 11 August 2010, the Directors have resolved to declare an interim dividend of HK4 cents per share for the six months ended 30 June 2010. The interim dividend will be payable to shareholders whose names appear on the register of members of the Company on 20 September 2010.

No interim dividend was paid for the six months ended 30 June 2009.

#### 7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$59,547,000 (1 January 2009 to 30 June 2009: HK\$43,119,000) and on 296,187,845 (1 January 2009 to 30 June 2009: 296,000,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2009 had been presented because the Company has no dilutive potential shares for the six months ended 30 June 2009.

Diluted earnings per share for the six months ended 30 June 2010 does not assume the exercise of the Company's share options because the exercise price of the Company's options was higher than the average market price of shares for the six months ended 30 June 2010.

**8. MOVEMENTS IN PROPERTY AND EQUIPMENT**

During the six months ended 30 June 2010, the Group spent approximately HK\$35,334,000, 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 end of the reporting period is as follows:

|                      | <b>2010</b><br><b>HK\$'000</b> | 2009<br>HK\$'000 |
|----------------------|--------------------------------|------------------|
| Accounts receivables |                                |                  |
| 0-30 days            | <b>63,370</b>                  | 93,105           |
| 31-60 days           | <b>44,458</b>                  | 45,045           |
| 61-90 days           | <b>67,461</b>                  | 28,440           |
| 91-120 days          | <b>32,849</b>                  | 22,972           |
| Over 120 days        | <b>18,072</b>                  | 11,734           |
|                      | <b>226,210</b>                 | 201,296          |

**10. SHARE CAPITAL**

|  | <b>Number of<br/>shares</b> | <b>Amount<br/>HK\$'000</b> |
|--|-----------------------------|----------------------------|
| Ordinary shares of HK\$0.01 each                         |                             |                            |
| Authorised:  |                             |                            |
| At 1 January 2009, 31 December 2009<br>and 30 June 2010  | 8,000,000,000               | 80,000                     |
| Issued and fully paid:                                   |                             |                            |
| At 1 January 2009 and 31 December 2009                   | 296,000,000                 | 2,960                      |
| Issue of Shares due to exercise of share options in 2010 | 2,000,000                   | 20                         |
| At 30 June 2010  | 298,000,000                 | 2,980                      |

**11. PLEDGE OF ASSETS**

At 30 June 2010, the Group pledged its investment properties and leasehold land and buildings with an aggregate amount of approximately HK\$90.9 million to banks to secure bank borrowings of the Group.

**BUSINESS REVIEW**

In the first half of 2010, both property prices and transaction volumes in major cities within the PRC have been adjusted due to the measures launched by the Government to curtail speculation in the property industry. Although Guangzhou remains the Group's core focus, we have also actively expanded its business scope to second and third-tier cities in the past few years. These efforts have laid a solid foundation for the Group's development. This development, combined with our timely decision to adjust our operational strategy has enabled the Group to report a marked improvement in results for the review period when compared with the same period last year.

For the six months ended 30 June 2010, the Group recorded a turnover of HK\$563.9 million, up by 44% against HK\$390.8 million in the corresponding period last year. Profit attributable to shareholders was HK\$59.5 million (2009: HK\$43.1 million). Basic earnings per share were HK20.10 cents (2009: HK14.57 cents).

For the period under review, the primary and secondary property real estate agency service businesses of the Group registered a turnover of HK\$330.3 million and HK\$187.1 million respectively, accounting for 59% and 33% of the Group's total turnover. The remaining 8% or HK\$46.5 million was derived from the property management business and other services. Geographically, Guangzhou contributed about 51% of the total turnover and about 49% came from outside Guangzhou.

**Primary Property Real Estate Agency and Consultancy Services**

For the six months ended 30 June 2010, the Group handled approximately 28,200 primary property transactions involving a total gross floor area of about 30.8 million square feet at a total transaction value of about HK\$28.9 billion, an increase of approximately 43% against HK\$20.2 billion in the corresponding period last year. During the period, the Group was the exclusive agent for 380 projects and 320 of them contributed turnover to the Group against 280 projects for the same period last year. By geographical location, Guangzhou accounted for about 40% of the total turnover from primary property real estate agency service business while the percentage from outside Guangzhou increased from 41% in the same period last year to 60%.

The Group's proactive yet steady expansion strategy has begun to bear fruit, as can be seen in its strengthened focus in potential second and third-tier cities such as Foshan, Tianjin, Changsha and Hefei in which the Group has achieved excellent results. Key projects launched during the period, including Foshan Vanke Ranchosantafe, Tianjin Poly Upper River, Changsha Citic New Town and Hefei Evergrande Palace all recorded strong sales and have driven the turnover derived from outside Guangzhou to continuously rise.

Through the Group's established brand complemented by its highly professional services, we have not only secured more exclusive agency contracts, but have also successfully offered more comprehensive initial project consultancy services to property developers. This package of services covers all aspects of project planning including professional advice on location, market positioning, marketing strategies and sales activities. Since the PRC Government has launched a series of measures to regulate the property market, investors have become more conservative. The general public, has placed greater value on the professional advice and marketing strategies provided by the property agencies. As a result, the Group has more actively participated in the initial project planning of developers and worked closely with major property developers during the period.

During the period under review, the Group has launched a number of property projects for various major property developers, achieving satisfactory results. The projects launched included China Overseas Banyan Bay, Vanke Glorious Life and Gemdale GZ Lakes. The Group has more than 20 offices serving more than 30 markets including Guangzhou, Dongguan, Foshan, Zhongshan, Tianjin, Shanghai, Anhui, Hubei, Hunan, Shandong and Guizhou Provinces.

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

In early 2010, property prices in mainland China continued to rise as the revival of the country's economy gathered momentum. However, the introduction of austerity measures in the second quarter had begun to affect property price of many first-tier cities such as Beijing and Shanghai. As a result, the property owners in secondary property market have adopted a wait-and-see attitude and are unwilling to sell their properties at a lower price. This situation further affected the overall transaction volume of secondary properties.

During the period under review, although the overall transaction volume of the secondary property real estate agency market recorded a year-on-year decrease, the overall revenue remained stable due to the rising property prices. In first half 2010, the Group managed approximately 19,500 secondary property transactions (2009: 18,000 transactions) with a total commission income of about HK\$187.1 million, a 16% increase compared to the same period last year. The Group has adjusted its expansion strategy in line with the market condition, steadily increasing the number of secondary property real estate agency branches. During the period under review, the Group has opened a total of 30 branches in Shanghai and Guangzhou. Currently, the Group has about 315 branches in operation. Of the total, about 235 branches are in Guangzhou, about 55 branches in Shanghai and the remaining branches in Dongguan and Foshan.

The Group believes that the transaction volume of its secondary property real estate agency service will rebound after the market stabilises in the second half year. Therefore, it intends to adopt a prudent expansion strategy by first increasing the number of its professionals and subsequently expanding its branch network when appropriate.

### **Property Management Service**

The Group provided property management services during the period under review to about 80 residential and commercial projects and shopping arcades in Guangzhou, Shanghai, Tianjin and Wuhan involving more than 100,000 units with a total gross floor area covering 96 million square feet. The property management services generated a stable income for the Group, which would also support the Group's business development in the future.

### **PROSPECTS**

Looking into the second half year, the measures to rein in the property market launched by the Central Government will likely continue to stabilise the market and developers will bring their new projects to market gradually. Thus, the Group's business expansion will remain stable guided by a desire to safeguard its advantages in the primary property real estate agency market while cautiously deploy long-term development plan in the secondary property real estate agency sector.

For its primary property real estate agency service business, the Group intends to secure more exclusive agency contracts to ensure a stable income in the year ahead by leveraging its good reputation, rich industry experience and extensive expertise and its close partnership with major developers. The Group is working with a number of developers on different types of projects, highlighted by some renowned companies including Vanke, Poly, Star River, Kingold, Gemdale, Citic, Evergrande, China Overseas, Sun Hung Kai Properties, New World China Land and China Central Properties, to satisfy the demand of a variety of customer segments. It will also strive to enhance its sales networks in second and third-tier cities to expand the geographical coverage and market share.

Regarding the secondary property real estate agency service business, the Group plans to expand the number of branches steadily while closely monitoring market conditions. Guangzhou and Shanghai would continue to be the main focus of our efforts. Prior to the market uptrend, the Group will enlist more experienced sales professionals to bolster the Group's overall competitiveness. It will continue to expand its business coverage and open new branches to further capture the secondary property market.

Moving forward, the Group remains confident in the long-term development prospects of the PRC property market and in achieving the objective set earlier this year. With its firm business foundation, the Group is continuously striving to provide our clients with professional and superior property real estate agency and consulting services through a prudent and pragmatic business approach. At the same time, we plan to actively expand the Group's real estate-related value-added services business. We strongly believe with our brand, professionalism in service and strategic business and geographical coverage, the Group can optimise the upcoming opportunities in the market and bring satisfactory returns to our 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 2010 including the accounting, internal control and financial reporting issues.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2010, 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\$315.2 million (31 December 2009: HK\$338.1 million) and 3.57 (31 December 2009: 2.92) respectively. Total borrowings amounted to approximately HK\$48.5 million of which unsecured and secured bank borrowings are approximately HK\$8.8 million and approximately HK\$39.7 million respectively (31 December 2009: unsecured and secured bank borrowings are HK\$21.3 million and approximately HK\$38.8 million respectively). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 5.58% (31 December 2009: 6.96%). The Group's borrowings are primarily denominated in Hong Kong dollars and Renminbi. The Group had no material contingent liabilities as at 30 June 2010.

### **PLEDGE OF ASSETS**

At 30 June 2010, the Group pledged its investment properties and leasehold land and buildings with an aggregate amount of approximately HK\$90.9 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 2010, the Group had approximately 8,600 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.

## **INTERIM DIVIDEND AND BONUS SHARE ISSUE**

On 11 August 2010, the board of Directors (the “Board”) have resolved to declare an interim dividend of HK4 cents per share of the Company (the “Share(s)”) for the six months ended 30 June 2010 (the “Interim Dividend”) payable to shareholders of the Company (the “Shareholders”) whose names are on the register of members on 20 September 2010 (the “Record Date”). In addition to the distribution of Interim Dividend, the Board also proposes the issue of bonus shares on the basis of 1 bonus share for every 10 existing Shares (the “Bonus Issue”) held by Shareholders whose names appear on the Company’s register of members on the Record Date. The bonus shares will be issued and credited as fully paid upon issue and will rank pari passu in all respects with the existing Shares with effect from the date of issue.

The Bonus Issue is conditional upon the Shareholders’ approval and the granting by The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the new Shares to be issued pursuant thereto. It is expected that the dividend warrants and share certificates (if all conditions are satisfied) will be posted on 4 October 2010.

The necessary resolution relating to the Bonus Issue will be proposed at the extraordinary general meeting of the Company (the “EGM”) to be held on 20 September 2010. A circular containing further details of the Bonus Issue together with a notice of the EGM is despatched with this interim report to the Shareholders.

**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 2010, 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 share of HK\$0.01 each and underlying shares under equity derivatives of the Company:**

| Name of Director              | Number of shares   |  | Aggregate interest | Approximate percentage of the issued share capital |
|-------------------------------|--|--|--------------------|--|
|                               | Ordinary shares interests held by controlled corporation | Underlying shares (under equity derivatives of the Company)<br><i>(Note 2)</i> |                    |  |
| <b>Director</b>               |  |  |                    |  |
| Mr. Fu Wai Chung ("Mr Fu")    | 111,016,000<br><i>(Note 1)</i>                           | 280,000  | 111,296,000        | 37.35%   |
| Ms. Ng Wan                    | –  | 280,000  | 280,000            | 0.09%  |
| Ms. Fu Man                    | –  | 2,800,000  | 2,800,000          | 0.94%  |
| Mr. Lo Yat Fung               | –  | 2,800,000  | 2,800,000          | 0.94%  |
| Mr. Lam King Pui              | –  | 180,000  | 180,000            | 0.06%  |
| Mr. Ng Keung                  | –  | 180,000  | 180,000            | 0.06%  |
| Mrs. Wong Law Kwai Wah, Karen | –  | 180,000  | 180,000            | 0.06%  |

Notes:

- (1) These 111,016,000 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 and the remaining 15% by Ms. Fu Man.
- (2) Details of share options held by the directors are shown in the section of "Share Options".

(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%                        |
| <i>Share Options</i> |                             |                            |

On 24 June 2004, the Company adopted a share option scheme (the "Scheme"). Movements of the share options during the six months ended 30 June 2010 were as follows:

|                                  | Number of share options |                           |                                    |                             | As at 30 June 2010 | Date of grant | Exercise period            | Exercise price per share HK\$ |
|----------------------------------|-------------------------|---------------------------|------------------------------------|-----------------------------|--------------------|---------------|----------------------------|-------------------------------|
|                                  | As at 1 January 2010    | Granted during the period | Lapsed/Cancelled during the period | Exercised during the period |                    |               |                            |                               |
| <b>Directors</b>                 |                         |                           |                                    |                             |                    |               |                            |                               |
| Mr. Fu Wai Chung                 | 280,000                 | -                         | -                                  | -                           | 280,000            | 16 Dec 2009   | 16 Dec 2009 to 15 Dec 2012 | 2.60                          |
| Ms. Ng Wan                       | 280,000                 | -                         | -                                  | -                           | 280,000            | 16 Dec 2009   | 16 Dec 2009 to 15 Dec 2012 | 2.60                          |
| Ms. Fu Man                       | 2,800,000               | -                         | -                                  | -                           | 2,800,000          | 16 Dec 2009   | 16 Dec 2009 to 15 Dec 2012 | 2.60                          |
| Mr. Lo Yat Fung                  | 2,800,000               | -                         | -                                  | -                           | 2,800,000          | 16 Dec 2009   | 16 Dec 2009 to 15 Dec 2012 | 2.60                          |
| Mr. Lam King Pui                 | 180,000                 | -                         | -                                  | -                           | 180,000            | 16 Dec 2009   | 16 Dec 2009 to 15 Dec 2012 | 2.60                          |
| Mr. Ng Keung                     | 180,000                 | -                         | -                                  | -                           | 180,000            | 16 Dec 2009   | 16 Dec 2009 to 15 Dec 2012 | 2.60                          |
| Mrs. Wong Law<br>Kwai Wah, Karen | 180,000                 | -                         | -                                  | -                           | 180,000            | 16 Dec 2009   | 16 Dec 2009 to 15 Dec 2012 | 2.60                          |
| <b>Others</b>                    |                         |                           |                                    |                             |                    |               |                            |                               |
| Employees                        | 11,300,000              | -                         | -                                  | 2,000,000                   | 9,300,000          | 16 Dec 2009   | 16 Dec 2009 to 15 Dec 2012 | 2.60                          |
| <b>Total</b>                     | <b>18,000,000</b>       |                           |                                    | <b>2,000,000</b>            | <b>16,000,000</b>  |               |                            |                               |

The weighted average closing price of the shares immediately before the date(s) on which the options were exercised was HK\$2.49.

Save as disclosed above, as at 30 June 2010, 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 and the Stock Exchange pursuant to the Model Code of the Listing Rules.

### **RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Pursuant to the written resolutions passed by the then shareholders on 24 June 2004 the Company had adopted 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% (i.e. 18,000,000 shares) 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.

Options carrying rights to subscribe for 18,000,000 shares were fully granted in accordance with the Scheme on 16 December 2009. On 9 June 2010, the Company's shareholders passed an ordinary resolution to refresh the 10% general limit under the Scheme in order to enable the Company to grant further options up to a maximum of 29,600,000 shares based on the then 296,000,000 issued shares.

During the period, 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 2010, 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<br>shares interested | Percentage of<br>shareholding |
|---|--------------------------------|-------------------------------|
| Fu's Family Limited ( <i>Note 1</i> )                             | 111,016,000                    | 37.25%                        |
| Mr. Fu ( <i>Note 2</i> )  | 111,016,000                    | 37.25%                        |
| Martin Currie (Holdings) Limited                                  | 36,566,000                     | 12.27%                        |
| Cheah Cheng Hye ( <i>Notes 3 &amp; 4</i> )                        | 35,353,000                     | 11.86%                        |
| To Hau Yin ( <i>Notes 3 &amp; 4</i> )                             | 35,353,000                     | 11.86%                        |
| Hang Seng Bank Trustee International Limited<br>( <i>Note 4</i> ) | 35,353,000                     | 11.86%                        |
| Cheah Capital Management Limited ( <i>Note 4</i> )                | 35,353,000                     | 11.86%                        |
| Cheah Company Limited ( <i>Note 4</i> )                           | 35,353,000                     | 11.86%                        |
| Value Partners Limited ( <i>Note 4</i> )                          | 35,353,000                     | 11.86%                        |
| Value Partners Group Limited ( <i>Note 4</i> )                    | 35,353,000                     | 11.86%                        |
| UBS AG  | 14,838,000                     | 4.98%                         |

*Notes:*

- These 111,016,000 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. Details of the share options held by Mr. Fu are shown in the above "Share Options" section.
- 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.

All the interests in shares stated above represent long position.

Save as disclosed above, as at 30 June 2010, 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.

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

The register of members of the Company will be closed from 16 September 2010 (Thursday) to 20 September 2010 (Monday), both days inclusive, during which period no transfer of Shares shall be effected. In order to be qualified for the Interim Dividend and the Bonus Issue, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, 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 15 September 2010 (Wednesday).

#### **SHARE OPTIONS**

No option was granted under the company's share option scheme during the six months ended 30 June 2010.

#### **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 2010 in compliance with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of 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 2010 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, 11 August 2010