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Hopefluent Group Holdings Limited

合富輝煌集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 733)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the “Directors”) of Hopefluent Group Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2008, together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December	
		2008 HK\$'000	2007 HK\$'000
Turnover	3	683,927	773,654
Other income		7,121	6,777
Selling expenses		(130,986)	(131,677)
Administrative expenses		(594,673)	(489,237)
Loss on disposal and write-off of property, plant and equipment		(24,115)	(69)
Finance costs	5	(2,669)	(432)
(Loss) profit before tax		(61,395)	159,016
Income tax expense	6	(17,753)	(41,117)
(Loss) profit for the year	7	<u>(79,148)</u>	<u>117,899</u>
Attributable to:			
Equity holders of the Company		(75,176)	109,820
Minority interests		(3,972)	8,079
		<u>(79,148)</u>	<u>117,899</u>
Dividends recognised as distribution during the year	8	<u>22,212</u>	<u>30,850</u>
(Loss) earnings per share – basic	9	<u>HK(30.0) cents</u>	<u>HK44.5 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2008

		31 December 2008	31 December 2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		14,385	6,964
Property, plant and equipment		254,230	220,513
Goodwill		15,528	15,355
		<hr/> 284,143	<hr/> 242,832
CURRENT ASSETS			
Accounts receivables	<i>10</i>	196,442	212,045
Other receivables and prepayment		38,487	57,687
Bank balances and cash		155,931	210,385
		<hr/> 390,860	<hr/> 480,117
CURRENT LIABILITIES			
Payables and accruals		57,661	115,473
Tax liabilities		35,418	36,369
Bank borrowings – due within one year		36,728	7,804
		<hr/> 129,807	<hr/> 159,646
NET CURRENT ASSETS			
		<hr/> 261,053	<hr/> 320,471
		<hr/> 545,196	<hr/> 563,303
CAPITAL AND RESERVES			
Share capital		2,960	2,468
Share premium and reserves		468,467	518,483
		<hr/> 471,427	<hr/> 520,951
Equity attributable to equity holders of the Company		471,427	520,951
Minority interests		22,229	26,550
		<hr/> 493,656	<hr/> 547,501
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		31,250	–
Deferred tax liabilities		20,290	15,802
		<hr/> 51,540	<hr/> 15,802
		<hr/> 545,196	<hr/> 563,303

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the annual report.

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

The Company is an investment holding company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 9 & HKAS39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC)-Int 18	Transfer of Assets from Customers ⁷

- ¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2009
- ³ Effective for annual periods beginning on or after 1 July 2009
- ⁴ Effective for annual periods ending on or after 30 June 2009
- ⁵ Effective for annual periods beginning on or after 1 July 2008
- ⁶ Effective for annual periods beginning on or after 1 October 2008
- ⁷ Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER

Turnover represents agency commission and services income received and receivable from outsider customers for the sales of properties in the People's Republic of China (the "PRC") less business tax and surcharges and is analysed as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Agency commission and service income	723,699	818,375
Less: Business tax and surcharges	<u>(39,772)</u>	<u>(44,721)</u>
	<u>683,927</u>	<u>773,654</u>

4. SEGMENT 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 provision of real estate agency services or from markets outside the PRC. In addition, less than 10% of the assets and customers of the Group are located outside the PRC.

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The expense comprises:		
PRC Enterprises Income Tax ("EIT")	14,581	42,657
Deferred tax		
Current year	3,172	2,434
Attributable to a change in tax rate	<u>–</u>	<u>(3,974)</u>
	<u>17,753</u>	<u>41,117</u>

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% (2007: 33%).

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 5.0% on turnover during the year (2007: 3.3% to 6.6%). 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.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. On 6 March 2008, the State Administration of Taxation issued the Circular No. 30 for the predetermined tax arrangement after the change of the tax rate in the New Law. The predetermined tax rate was changed from the range of 3.3% to 6.6% to 2.5% to 5.0% on turnover before business tax and surcharges.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the subsidiaries have no assessable profit for both years.

7. (LOSS) PROFIT FOR THE YEAR

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	40,957	38,295
Impairment on accounts receivables	1,262	1,358
Exchange loss	544	362
and after crediting:		
Bank interest income	1,229	3,115
Gain on disposal of a subsidiary	—	157
	<u> </u>	<u> </u>

8. DIVIDENDS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2007 final dividend of HK9 cents per share	22,212	—
2007 interim dividend of HK5.5 cents per share	—	13,574
2006 final dividend of HK7 cents per share	—	17,276
	<u> </u>	<u> </u>
	<u>22,212</u>	<u>30,850</u>

On 15 April 2009, the Directors have resolved not to recommend the payment of a final dividend for the year ended 31 December 2008.

9. (LOSS) EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the ordinary equity holders of the Company for the year is based on the following data:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss) profit for the year attributable to equity holders of the Company and earnings for the purpose of basic earnings per share	<u>(75,176)</u>	<u>109,820</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>250,709,041</u>	<u>246,800,000</u>

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

10. 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 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Accounts receivables		
0 – 30 days	82,741	102,712
31 – 60 days	42,809	34,984
61 – 90 days	33,278	29,248
91 – 120 days	22,834	27,835
Over 120 days	14,780	17,266
	<u>196,442</u>	<u>212,045</u>

BUSINESS REVIEW

The property real estate sector of the PRC had a very difficult year in 2008. The global financial crisis as well as the tightening monetary policies imposed negative effects on expectations from consumers and market players. The overall property market shrank as a result.

For the year ended 31 December 2008, the Group recorded turnover of HK\$683.9 million, down by 12% against HK\$773.7 million in 2007. Loss attributable to shareholders was HK\$75.2 million (2007: profit attributable to shareholders of HK\$109.8 million). Basic loss per share was HK30.0 cents (2007: basic earnings per share of HK44.5 cents). The loss reflected mainly the write-off of fixed assets and refurbishment expenses of closed secondary real estate service branches and related additional expenses.

During the year under review, the Group's primary and secondary property real estate agency service businesses brought in turnover of HK\$349.9 million and HK\$302.4 million respectively, accounting for 49% and 42% of the Group's total turnover. The remaining 9% or HK\$71.4 million was derived from property management business. Guangzhou contributed about 54% of the total turnover and about 46% came from outside Guangzhou.

Primary Property Real Estate Agency and Consultancy Services

During the year under review, the Group handled approximately 36,000 primary property transactions involving a total gross floor area of about 37 million square feet at a total value of about HK\$30.2 billion, an approximately 6% decrease as compared to HK\$32.0 billion last year. The contracted amount decreased because the transactions comprised mainly small to medium size units. In 2008, the Group was the exclusive agency for about 300 projects and more than 250 of them contributed turnover to the Group in the amount of HK\$314.7 million, representing a 11% decrease when compared to HK\$353.3 million in 2007.

The Group has more than 20 offices in different major markets including Guangzhou, Dongguan, Foshan, Tianjin, Shanghai, Anhui, Hubei, Hunan and Shandong. Guangzhou accounted for approximately 50% of the total turnover from primary property real estate agency service business and about 50% came from outside Guangzhou.

During the year under review, the Group continued to work closely with major property developers and was appointed by them as the sole agency of more projects, including Jinsha Bay (金沙灣) of China Overseas, The Paradiso (金域藍灣) of Vanke, Everbright Riverside (光大花園) of Guangzhou Everbright Group, The Apex (領峰) of KWG Property, and The Hills (金山谷) of China Merchants Property Development. All of them recorded excellent sales.

The Group also offers comprehensive initial project consultancy services to property developers spanning the entire planning process from giving professional advice on location and market positioning to marketing strategies and sales. During the year under review, the Group provided initial project consultancy services to over 80 development projects.

Secondary Property Real Estate Agency Service

As for the secondary property real estate agency service business, the Group handled over 35,000 secondary property transactions in 2008, an increase of 3% when compared to approximately 34,000 transactions in 2007. Since nearly 70% of the business came from rental transactions which involve lower transaction amount, turnover from this segment decreased by 12% from approximately HK\$343.9 million in 2007 to HK\$302.4 million, despite the slight increase in the number of transactions when compared with last year. Guangzhou contributed about 65% of the total turnover from secondary property real estate agency service business and about 35% came from outside Guangzhou.

Relative to the primary property segment, the secondary property real estate agency service business was hit more seriously by the different adverse market conditions. In Shanghai, in particular, with most of the branches in early investment stage and the branch network still too small to reap economies of scale, and consumer confidence and spending hampered by the sliding economy, overall profit of the Group was seriously affected. Responding to the adverse market situation, the Group quickly and decisively adjusted its secondary property real estate agency service business. It closed a large number of branches in Shanghai and other unprofitable regions to keep costs under control. By the end of 2008, the Group had total of about 260 branches in operation, of which approximately 200 were in Guangzhou and 26 were in Shanghai. The remaining branches were in cities including Dongguan and Foshan.

In addition to providing property agency service, the Group also offers other property related value-added services including mortgage referral, 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. With the Group's mortgage referral business fully developed and backed up by a comprehensive customer network, the Group is able to provide secondary property real estate agency service customers with professional advice and referral services in relation to property mortgage.

Property Management Service

As for property management business, the Group provided property management services during the year to over 50 residential and commercial projects and shopping arcades in Guangzhou, Shanghai, Tianjin and Wuhan involving more than 40,000 units of total gross floor area over 50 million square feet. The business grew steadily and at good pace.

Prospects

Although the property market in the PRC is in a volatile period with many uncertainties ahead, the consumer confidence is starting to pick up and the PRC government has promptly adjusted strategies to boost the economy. Nevertheless, the Group is determined to exercise prudence in operating its business and seek strength from its solid foundation to tackle the challenges in 2009.

For its primary property real estate agency service business, the Group will build on its good reputation, abundant industry experience and close relationship with major developers to secure more exclusive agency contracts so as to ensure stable income. In nowadays market environment, we believe that more developers will appoint professional property agency to achieve win-win objective. To date, the Group has confirmed partnership with big names including Sun Hung Kai Properties, King Gold Group, China Overseas, Vanke, KWG Property, Poly, Evergrande, Hopson, Gemdale, China Merchants Property Development and etc. in 2009. At the same time, the Group will continue to improve operating management, enhancing the office's operating capabilities by adjusting under-performing operations so as to achieve highest efficiency.

For the secondary property real estate agency service business, the Group has completed adjusting at large the deployment of branches. The number of branches in Shanghai was reduced from the peak of about 100 to 26 as at the end of 2008 and their performance is expected to be enhanced in 2009. The Group will also strengthen internal management, reasonably trim advertising expense and adjust the number of sales staff at each branch to increase business revenue as well as to tighten cost control.

Looking ahead, the Group remains confident of the long-term development prospects of the PRC property market. It will carefully steer its operation and impose more stringent cost control to ensure the stability of its businesses and cement industry leadership. By actively adjusting its strategies to ensure it provides the best quality services, the Group believes it will be able to weather the turbulent market and seize opportunities in order to bring satisfactory long-term returns to shareholders.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three existing independent non-executive directors, has reviewed the audited financial statements for the year ended 31 December 2008 including the accounting, internal controls and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 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\$155.9 million (2007: HK\$210.4 million) and 3.01 (2007: 3.01) respectively. Total borrowings amounted to approximately HK\$68.0 million of which unsecured and secured bank borrowings are HK\$50.0 million and approximately HK\$18.0 million respectively (2007: HK\$7.8 million are secured bank borrowings). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 10.07% (2007: 1.08%). The Group's borrowings were primarily denominated in Hong Kong dollars and Renminbi. The Group had no material contingent liabilities as at 31 December 2008.

PLEDGE OF ASSETS

As at 31 December 2008, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK\$19.1 million to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

As at 31 December 2008, the Group had approximately 6,500 full time employees. Around 7 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

CAPITAL STRUCTURE

As at 31 December 2008, the total number of shares (the “Shares”) of HK\$0.01 each in the capital of the Company in issue was 296,000,000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 June 2009 (Thursday) to 5 June 2009 (Friday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the 2009 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrars in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 3 June 2009 (Wednesday).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Since the Listing Date, the Company has not redeemed any of its Shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s Shares.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the financial year ended 31 December 2008 except for Code Provision A.2.1 as the Company has no such title as the chief executive officer but the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

Further information is set out in the Corporate Governance Report contained in the annual report for 2008.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES (“MODEL CODE”)

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules since the Listing Date. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation for the support of our customers and shareholders. Thanks also to the staff members of the Group for their commitment and dedicated services throughout the year.

PUBLICATION OF DETAILED ANNUAL RESULTS ON STOCK EXCHANGE'S WEBSITE

The 2008 annual report containing all the information required by the Listing Rules will be released on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hopefluent.com) and dispatched to shareholders in due course.

2009 ANNUAL GENERAL MEETING

It is proposed that the 2009 Annual General Meeting of the Company will be held on 5 June 2009 (Friday). A notice convening the 2009 Annual General Meeting will be released on the websites of the Stock Exchange and the Company and will be dispatched to the shareholders of the Company accordingly.

By Order of the Board of Directors
FU Wai Chung
Chairman

Hong Kong, 15 April 2009

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