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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2009, together with comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	3	390,781	372,258
Other income		3,653	2,612
Selling expenses		(84,098)	(58,968)
Administrative expenses		(253,311)	(277,497)
Finance costs		(1,162)	(1,037)
		<hr/>	<hr/>
Profit before taxation		55,863	37,368
Income tax expense	4	(9,896)	(5,928)
		<hr/>	<hr/>
Profit for the period	5	45,967	31,440
		<hr/>	<hr/>
Attributable to:			
– Equity holders of the Company		43,119	29,627
– Minority interests		2,848	1,813
		<hr/>	<hr/>
		45,967	31,440
		<hr/>	<hr/>
Dividends	6	–	–
		<hr/>	<hr/>
Earnings per share	7		
– Basic		HK14.57 cents	HK12.00 cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period	45,967	31,440
Other comprehensive income		
Exchange difference arising from translation of financial statements of subsidiaries	—	38,669
Total comprehensive income for the period	45,967	70,109
Total comprehensive income attributable to:		
– Equity holders of the Company	43,119	66,426
– Minority interests	2,848	3,683
	45,967	70,109

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	<i>Note</i>	30 June 2009 (unaudited) <i>HK\$'000</i>	31 December 2008 (audited) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		14,385	14,385
Property, plant and equipment		236,371	254,230
Goodwill		15,528	15,528
		266,284	284,143
CURRENT ASSETS			
Accounts receivables	8	176,876	196,442
Other receivables and prepayment		47,907	38,487
Bank balances and cash		229,223	155,931
		454,006	390,860
CURRENT LIABILITIES			
Payables and accruals		50,443	57,661
Tax liabilities		43,390	35,418
Bank borrowings – due within one year		57,135	36,728
		150,968	129,807
NET CURRENT ASSETS		303,038	261,053
		569,322	545,196
CAPITAL AND RESERVES			
Share capital		2,960	2,960
Share premium and reserves		511,586	468,467
Equity attributable to equity holders of the Company		514,546	471,427
Minority interests		25,077	22,229
		539,623	493,656
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		8,750	31,250
Deferred tax liabilities		20,949	20,290
		29,699	51,540
		569,322	545,196

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

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 “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. 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 2008.

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 2009. 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.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard HKAS 14, Segment Reporting, required the identification of 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 redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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. 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 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 in order to allocate resources to segments and to assess 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, with the entity’s “system of internal financial reporting to key management personnel” serving only as the

starting point for the identification of such segments. 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 main business segments including primary property real estate agency services, secondary property real estate agency services and property management services.

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

	Six months ended 30 June 2009			Total HK\$'000
	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Property management HK\$'000	
Segment revenues	<u>191,919</u>	<u>161,930</u>	<u>36,932</u>	<u>390,781</u>
Segment results	<u>49,361</u>	<u>12,271</u>	<u>(2,673)</u>	<u>58,959</u>
Other income				3,653
Central administrative costs				(5,587)
Finance costs				<u>(1,162)</u>
Profit before taxation				<u>55,863</u>
Taxation				<u>(9,896)</u>
Profit for the period				<u>45,967</u>
	Six months ended 30 June 2008			
	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenues	<u>188,329</u>	<u>150,492</u>	<u>33,437</u>	<u>372,258</u>
Segment results	<u>44,782</u>	<u>(1,374)</u>	<u>(571)</u>	42,837
Other income				2,612
Central administrative costs				(7,044)
Finance costs				<u>(1,037)</u>
Profit before taxation				37,368
Taxation				<u>(5,928)</u>
Profit for the period				<u>31,440</u>

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 2008: 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 financial statements as the subsidiaries have no assessable profits for both periods.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	20,623	23,628
Impairment on accounts receivables	858	1,159
Interest income	(185)	(1,155)
Rental income	(1,029)	(872)

6. DIVIDENDS

On 15 September 2009, the Directors have resolved not to declare any interim dividend for the six months ended 30 June 2009.

No interim dividend was paid for the six months ended 30 June 2008.

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\$43,119,000 (1 January 2008 to 30 June 2008: HK\$29,627,000) and on 296,000,000 (1 January 2008 to 30 June 2008: 246,800,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2009 have been presented as there were no potential ordinary shares outstanding during the period.

8. 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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Accounts receivables		
0-30 days	66,933	82,741
31-60 days	53,120	42,809
61-90 days	40,860	33,278
91-120 days	9,587	22,834
Over 120 days	6,376	14,780
	<u>176,876</u>	<u>196,442</u>

BUSINESS REVIEW

The PRC property market started to recover in the first half of 2009 from the impacts of the financial crisis, with more prosperous areas such as Guangzhou particularly active. As the Guangzhou market is the Group core focus, its revival has benefited the Group's business at large. That plus our timely decision to adjust our operational strategy had enabled the Group to report marked increase in results for the review period when compared with the same period last year.

For the six months ended 30 June 2009, the Group recorded turnover of HK\$390.8 million, up by 5% against HK\$372.3 million in the previous corresponding period. Profit attributable to shareholders was HK\$43.1 million (2008: HK\$29.6 million). Basic earnings per share were HK14.57 cents (2008: HK12.00 cents).

For the period under review, the primary and secondary property real estate agency service businesses of the Group made turnover of HK\$191.9 million and HK\$161.9 million respectively, accounting for 49% and 42% of the Group's total turnover. The remaining 9% or HK\$36.9 million was derived from property management business. By geographical market, Guangzhou contributed about 62% of the total turnover and about 38% came from outside Guangzhou.

Primary Property Real Estate Agency and Consultancy Services

For the six months ended 30 June 2009, the Group handled approximately 20,900 primary property transactions involving a total gross floor area of about 23.7 million square feet at a total transaction value of about HK\$20.2 billion, an over 30% increase against HK\$15.0 billion in the previous corresponding period. As property prices in our core market Guangzhou surged relatively rapidly, the average commission rates of some of the projects were lower than those in other districts. As a result, though the turnover from primary property real estate agency business at HK\$190.2 million was approximately 12% higher against the same period last year, the increase was smaller than that of the transaction amount.

Other markets of the Group in Southern China, such as Dongguan and Foshan, also reported outstanding performance. In general, luxurious properties, as the leader of the pack, recorded increase in its contribution to the total transaction volume during the period under review, reflecting the increasing purchasing power of consumers and growing confidence in a market recovery.

The Group has been relentless in securing more exclusive agency rights for projects so as to strengthen its market network and expand income sources. Currently, it is holding exclusive agency contracts for over 300 projects and about 250 of them contributed turnover to the Group during the review period. The Group has more than 20 primary offices in major markets including Guangzhou, Dongguan, Foshan, Tianjin, Shanghai, Anhui, Hubei, Hunan and Shandong. By geographical location, the percentage of turnover contribution from the Guangzhou market to the Group total from primary property real estate agency service business rose slightly to approximately 59%, whereas those from outside Guangzhou made up 41%.

During the period under review, the Group continued to work closely with major property developers and secured more sole agency contracts for projects including Favorview Palace of Kingold Group, The Paradiso of Vanke, Jinsha Bay of China Overseas, Scenic Garden of Evergrande, Everbright Riverside of Guangzhou Everbright Group, Poly City of Poly and The Apex of KWG Property. All of them recorded strong sales. The Group also provided real estate agency service to The Lake Dragon of Sun Hung Kai Properties, a renowned property developer in Hong Kong, and the market response was excellent.

The Group also continued to offer comprehensive initial project consultancy services as well as planning and design consultancy services to property developers covering all aspects in the planning process of a project providing professional advice on location, market positioning, marketing strategies and sales activities. During the period under review, the Group provided initial project consultancy services to more than 30 development projects.

Secondary Property Real Estate Agency Service

In the review period, relative to primary property real estate agency service business which grew steadily, secondary property real estate agency service performed even better and achieved significant breakthrough. Profit contribution from the business to the Group was notably more than that of the same period last year and for the first time it reported profit in Shanghai. This is evidence of the Group starting to realise effect as expected after it undertook a series of adjustment to its businesses in the second half of last year. The Group handled about 18,000 secondary property real estate transactions in the first half of the year. With the number of secondary property agency service branches trimmed from 420 in the same period last year to about 260, the adjusted business still recorded a 8% year-on-year growth in turnover. Turnover from Guangzhou grew by more than 30% when compared with the last corresponding period.

The Group had a total of about 260 branches in operation as at the end of June this year, of which approximately 200 were in Guangzhou and approximately 26 were in Shanghai. The rest of the branches were in Dongguan and Foshan. With supply of primary properties falling short of demand in the first tier cities, secondary properties had a strong boost as reflected

in the obvious surge in transaction volume. Armed with extensive experience gained in the Guangzhou market and an extensive network, the Group continued to maintain leadership in the market.

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 bring additional incomes to the Group, but also help to strengthen its brand image. The Group's mortgage referral business is fully developed and backed up by a comprehensive customer network. The Group is able to provide secondary property real estate agency service and also professional advice and referral services in relation to property mortgage to customers at the same time.

Property Management Service

During the review period, the Group provided property management services to over 50 residential and commercial projects and shopping arcades in Guangzhou, Shanghai, Tianjin and Wuhan involving more than 40,000 units. The business grew steadily.

PROSPECTS

Although the impacts of the financial turmoil on the property market in the PRC has alleviated and the improving economy is favourable to the property market, the Group will remain vigilant and continue to actively expand its business to safeguard its advantages in the primary property real estate agency market and at the same time carefully draw up plan for long-term development in the secondary property real estate agency market.

For the primary property real estate agency service business, the Group will strive for more exclusive agency contracts to ensure there will be abundant supply to meet anticipated increase in demand. The projects we have undertaken so far are going to be sufficient to meet foreseeable demand. The projects the Group is handling for Sun Hung Kai Properties, Vanke, Poly, Pearl River Industrial Development and Everbright Real Estate and the latest addition Star River (星河灣) have all been very well-received by the market. In addition, with Guangzhou and Foshan to be linked by the metro in 2010, the two cities are going to integrate quickly and contribute to the prosperity of their property markets and in turn the development of the Group's property real estate agency business in the cities.

For the secondary property real estate agency service business, the adjustments made by the Group for it last year have been effective as expected and the overall profitability of the business. To match the growing business volume, the Group, while keeping the number of branches the same, added staff to each branch and the results were satisfactory. The Group intends to continue to carefully deploy and adjust the number of branches for the business and closely monitor implementation of the strategy to facilitate fine-tuning. It believes with proportion of sales of secondary properties on the rise, the Group's secondary property real estate agency business has much room for expansion.

Looking ahead, the Group will continue to consolidate its industry leadership. Riding on its competitive advantages and strong customer base, the Group is optimistic and yet will be cautious in operating its businesses in the reviving PRC property market. It has full confidence in its prospects and will strive to generate satisfactory long-term returns for 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 2009 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, 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\$229.2 million (31 December 2008: HK\$155.9 million) and 3.01 (31 December 2008: 3.01) respectively. Total borrowings amounted to approximately HK\$65.9 million of which unsecured and secured bank borrowings are approximately HK\$33.8 million and approximately HK\$32.1 million respectively (31 December 2008: unsecured and secured bank borrowings are HK\$50.0 million and approximately HK\$18.0 million respectively). The Group’s gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 9.15% (31 December 2008: 10.07%). The Group’s borrowings are primarily denominated in Hong Kong dollars and Renminbi. The Group had no material contingent liabilities as at 30 June 2009.

PLEDGE OF ASSETS

At 30 June 2009, the Group pledged its investment properties and leasehold land and buildings with an aggregate amount of approximately HK\$46.6 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 2009, the Group had approximately 7,200 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.

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 2009 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 2009 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

Hong Kong, 15 September 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.