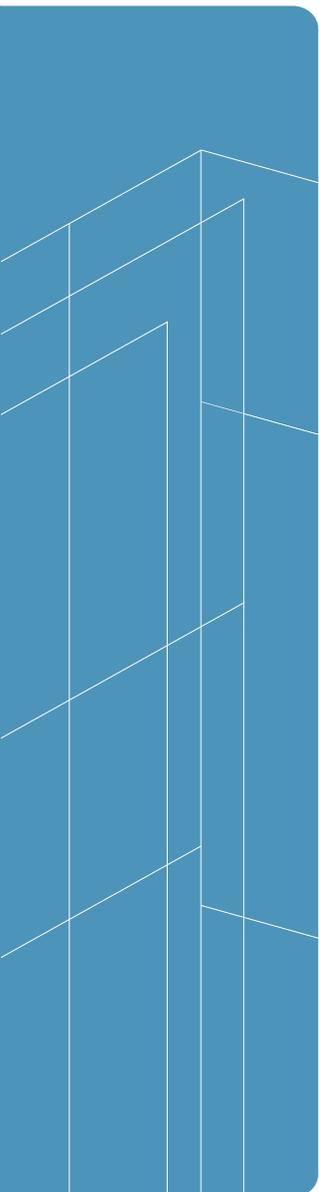
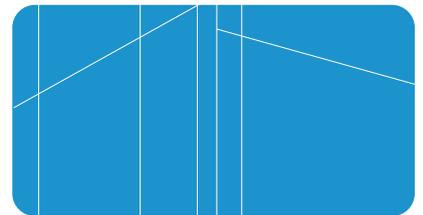
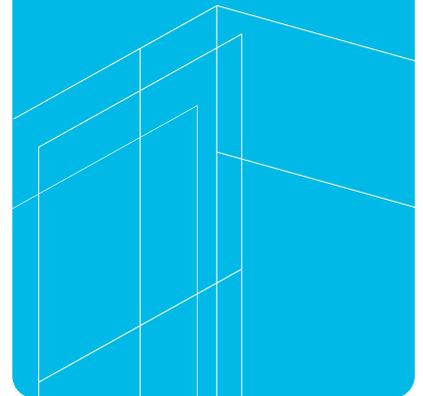




Hopefluent Group Holdings Limited
合富輝煌集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. FU Wai Chung (*Chairman*)
Ms. NG Wan
Ms. FU Man
Mr. Lo Yat Fung

Independent Non-Executive Directors

Mr. TSAO Kwong Yung, Peter
Mr. NG Keung
Mr. LAM King Pui

MEMBERS OF AUDIT COMMITTEE OF THE BOARD

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. TSAO Kwong Yung, Peter CBE, CPE
Mr. NG Keung

COMPANY SECRETARY

Mr. LO Hang Fong, solicitor, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. FU Wai Chung
Mr. LO Yat Fung

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

8th Floor, International Trade Center
1 Linhe Xi Lu
Tianhe District
Guangzhou
PRC

PLACE OF BUSINESS IN HONG KONG

Room 1502, 15th Floor
Shun Tak Centre
West Tower
200 Connaught Road
Central
Hong Kong

JOINT AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing on Centre
111 Connaught Road Central
Hong Kong

Zhong Yi (Hong Kong) C.P.A. Company Limited
9th Floor, Chinachem Hollywood Centre
1-13 Hollywood Road
Central, Hong Kong

LEGAL ADVISERS

Stevenson, Wong & Co.
Rooms 2002-9, 20th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Room 358, Citic Plaza
233 Tian Ho Bei Road
Guangzhou, PRC

Agricultural Bank of China
1/F Guangzhou International Trade Centre
1, Linhe West Road
Guangzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House, 68 Fort Street
P.O. Box 705
George Town, Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

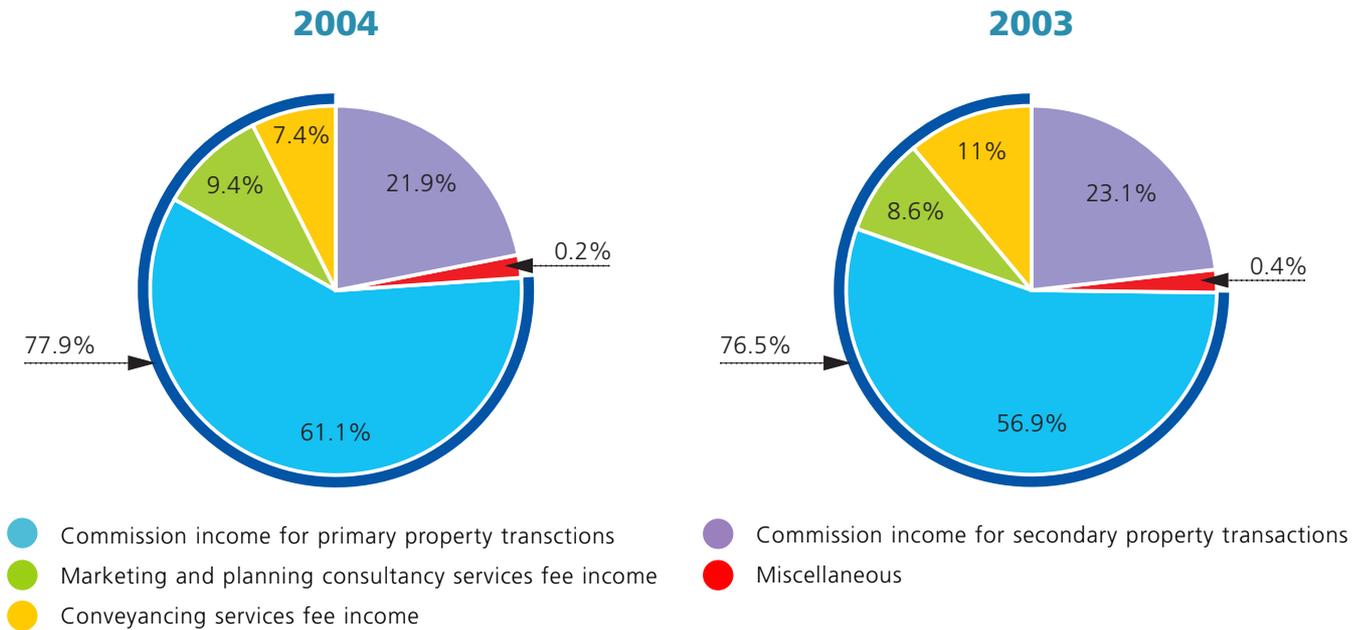
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Financial Highlights

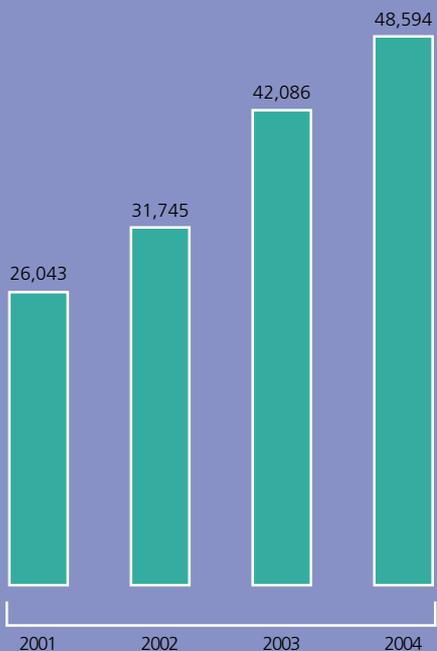
TURNOVER BY BUSINESS

For the year ended 31 December



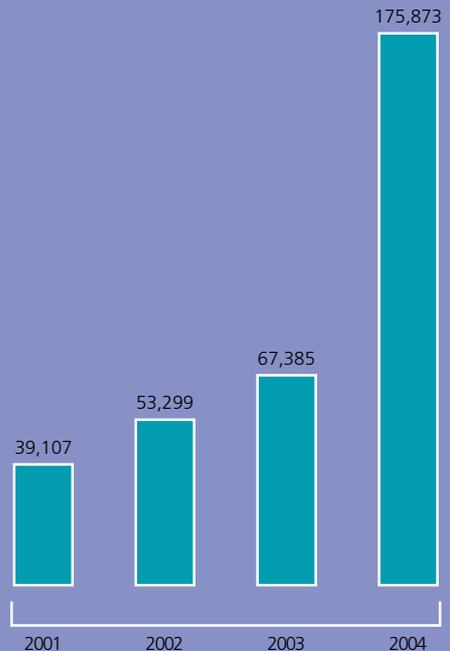
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(HK\$'000)



SHAREHOLDERS' FUNDS

(HK\$'000)



Chairman's Statement



2004 was a meaningful and important year to the Group. We were pleased to have our successful listing on the Main Board of The Stock Exchange of Hong Kong Limited in July 2004. We would like to thank investors and our shareholders for their support and confidence in our business. In reciprocal, we will stay on track with our business philosophy by keeping pace with market trend and capturing opportunities for our core businesses.

In July 2004, the Group raised HK\$53,000,000 from its listing on the Hong Kong Stock Exchange in July. The listing encompassed the placing and public offering of a total of 54,000,000 shares at a price of HK\$1.50 per share. The public offer was well-received in the market with 12.4 times oversubscription.

During the year, the Group also achieved outstanding performance in business development. It was the sole agent of about 74 primary property projects, a substantial increase compared with 55 projects last year. The coverage of the projects has also extended beyond Guangzhou to Tianjin, Foshan, Dongguan, Wuhan and Shanghai. As for the secondary property real estate agency service business, the Group expanded its presence in Guangzhou by increasing its branches from 18 at the end of last year to currently 72.

In the year ahead, we will not only focus on consolidating our primary and secondary property businesses, but will also make good use of our existing customer base to build a closer cooperative relationship with property developers, with the aim of further developing our property related business to widen our income stream. Leveraging the Group's solid foundation and the continuous efforts of its professional operating team and staff, I am confident that we will be able to achieve new heights in business development and maximise returns to shareholders.

On behalf of the Board, I would like to thank the management team, our staff and partners for their efforts and support in shaping the success of the Group in the past year. Their efforts and confidence in the Group presented us with a favourable environment for achieving outstanding growth and better performance.

By order of the Board

Fu Wai Chung

Chairman

Hong Kong, 19 April 2005

Biographical Details of Directors & Senior Management

DIRECTORS

Executive Directors

Mr. Fu Wai Chung (*Chairman*), aged 55, the co-founder and chairman of the Group, is responsible for the strategic planning and overall management of the Group. Mr. Fu is a graduate of 華南工學院 (Wahnan Industrial College, the PRC) and holds a certificate in mechanical engineering. Mr. Fu has over ten years of experience in real estate agency business management and administration in the PRC.

Ms. Ng Wan, aged 49, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Ng is a graduate of 廣州業餘大學 (Guangzhou Part-time University, the PRC) and holds a certificate in arts. Ms. Ng has over ten years of experience in the real estate agency business. She is the wife of Mr. Fu.

Ms. Fu Man, aged 44, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Fu attended 廣州大學科技幹部學院 (Technology College, Guangzhou University, the PRC) and holds a certificate in industrial foreign trade. Ms. Fu has over ten years of experience in the real estate agency business. She is the sister of Mr. Fu.

Mr. Lo Yat Fung, aged 40, is a certified public accountant in Hong Kong and has over sixteen years of experience in accounting and financial management. Mr. Lo has obtained a professional diploma in accountancy from the Hong Kong Polytechnic University and is a fellow member of the Chartered Association of Certified Accountants of the United Kingdom and of Hong Kong Institute of Certified Public Accountants. In addition, Mr. Lo is an associate member of the Taxation Institute of Hong Kong and the Institute of Chartered Secretaries and Administrators.

Independent non-executive Directors

Mr. Tsao Kwong Yung, Peter, CBE, CPM, aged 71, was the former Secretary for Home Affairs of the Hong Kong Government. In 1977, Mr. Tsao was appointed as the special envoy to Geneva and became the head of the Trade Department and Industry Department in 1979 and 1981 respectively. Prior to his retirement in 1992, Mr. Tsao headed the Government Information Services and was later appointed as the Secretary for Home Affairs. Mr. Tsao is currently the chairman of Prima Consultants Limited and director of several companies in Hong Kong and the United Kingdom.

Mr. Ng Keung, aged 54, is the managing director of a private information technology company since 2000. Prior to the current appointment, Mr. Ng was the vice chairman and the general manager of a private investment company in Hong Kong. Mr. Ng graduated from 廣州市廣播電視大學 (Guangzhou City Radio and Television University, the PRC) with a diploma in industrial enterprises management.

Mr. Lam King Pui, aged 39, is the chief financial officer of a company listed on the Stock Exchange. He holds a bachelor of arts degree in accountancy from the Hong Kong Polytechnic University and has over eleven years of experience in accounting. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, a Certified Public Accountant, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Management Discussion and Analysis

BUSINESS REVIEW

In 2004, the China economy recorded continuous healthy growth. Its per capita GDP grew by 9% over that of 2003, and for Guangzhou it was high at 15%. As for the real estate market, benefited from the improving living standard and the demand for better living environment of the country, the Group's total amount of transactions of primary property reached over RMB10 billion in 2004, representing a substantial increase of over 72% as compared with RMB5.8 billion in 2003. Driven by these favourable factors, the Group reported excellent performance in 2004. Its turnover reached HK\$162.2 million, representing an increase of 64.7% over last year's HK\$98.5 million. Profit before tax increased 65.7% to HK\$70 million (2003: HK\$42.3 million). Profit attributable to shareholders increased by 15.5% to HK\$48.6 million, compared with HK\$42.1 million last year. Due to the tax credit of HK\$3.1 million granted to the Group in 2003, the percentage increase of profit before tax is higher than that of profit attributable to shareholders. Basic earnings per share amounted to HK33.2 cents (2003: HK36.0 cents).

During the year under review, the commission income generated from the Group's primary property real estate agency service amounted to HK\$104.2 million (2003: 58.9 million), contributing approximately 61.1% of its total turnover (2003: 56.9%). The income generated from development, marketing & planning consultancy services and conveyance services amounted to HK\$16.1 million and HK\$12.6 million respectively. Total revenue generated from the Group's primary property real estate agency service in 2004 amounted to HK\$132.9 million, representing an increase of 67.8% from HK\$79.2 million in 2003. Commission income from the Group's secondary property real estate agency service reached HK\$37.4 million and represented an increase of 56.2% from HK\$23.9 million in 2003. Helped by the active and prudent investment and development strategies of the Group, the sector contributed about 21.9% to the Group's total turnover in 2004 (2003: 23.1%).

Geographically, Guangzhou remained the Group's core development base, accounting for 69% of the Group's total turnover. Revenue generated from rapidly developing cities such as Dongguang and Foshan and consultancy services provided to over 15 cities in the PRC together contributed 31% of the Group's turnover.

The Group has been successfully listed on the Stock Exchange since 15 July 2004. This marked a milestone in the Group's long term development, which raised the Group's corporate profile and led the Group towards its ongoing pursuit of quality management.



Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31st December, 2004.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Cayman Islands on 8th August, 2002.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 24th June, 2004.

The shares of the Company were listed on the Stock Exchange with effect from 15th July, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 31 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 22.

An interim dividend of HK3 cents per share amounting to HK\$5,400,000 was paid to the shareholders. The directors now recommend the payment of a final dividend of HK5 cents per share to the shareholders on the register of members of the Company on 25th May, 2005, amounting to HK\$9,700,000. Including the interim dividend, dividends for the year will amount to a total of HK8 cents per share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 May 2005 (Monday) to 25 May 2005 (Wednesday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and attending and voting at the 2005 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 20 May 2005 (Friday).

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the financial statements.

Joint Auditors' Report

Deloitte.
德勤

ZHONG YI (HONG KONG)
C.P.A. COMPANY LIMITED
中逸(香港)會計師事務所有限公司



TO THE SHAREHOLDERS OF HOPEFLUENT GROUP HOLDINGS LIMITED

合富輝煌集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 22 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19th April, 2005

Zhong Yi (Hong Kong) C.P.A. Company Limited
Certified Public Accountants
Tang Ka Siu, Johnny
Practising certificate number P03466
Hong Kong

Consolidated Income Statement

For the year ended 31st December, 2004

	NOTES	2004 HK\$'000	2003 HK\$'000
Turnover	4	162,243	98,517
Other operating income		517	731
Selling expenses		(15,232)	(8,943)
Administrative expenses		(78,178)	(47,270)
Profit from operations	6	69,350	43,035
Finance costs	7	(785)	(763)
Gain on disposal of a subsidiary	25	1,025	–
Amortisation of goodwill of a jointly controlled entity		(172)	–
Share of results of a jointly controlled entity		612	–
Profit before taxation		70,030	42,272
Income tax (charge) credit	10	(13,965)	3,122
Profit before minority interest		56,065	45,394
Minority interest		(7,471)	(3,308)
Net profit for the year		48,594	42,086
Dividends	11	15,100	8,000
Earnings per share	12		
Basis		HK33.2 cents	HK36.0 cents
Diluted		HK31.3 cents	HK31.4 cents

Consolidated Balance Sheet

At 31st December, 2004

	NOTES	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Investment properties	13	1,564	1,564
Property, plant and equipment	14	70,896	45,902
Interest in a jointly controlled entity	16	4,315	–
Payment for acquisition of a jointly controlled entity	17	–	4,000
		76,775	51,466
CURRENT ASSETS			
Trade receivables	18	45,364	33,634
Other receivables and prepayments		9,773	9,986
Amount due from a director	19	–	96
Bank balances and cash		119,409	30,881
		174,546	74,597
CURRENT LIABILITIES			
Other payables and accruals		29,411	21,276
Amounts due to related companies	20	–	977
Taxation payable		11,121	4,983
Secured bank borrowings – due within one year	21	7,385	781
Convertible notes	22	–	12,000
		47,917	40,017
NET CURRENT ASSETS		126,629	34,580
		203,404	86,046
CAPITAL AND RESERVES			
Share capital	23	1,800	1,170
Reserves		174,073	66,215
		175,873	67,385
MINORITY INTEREST		13,929	7,594
NON-CURRENT LIABILITIES			
Secured bank borrowings – due after one year	21	1,952	2,733
Deferred taxation	24	11,650	8,334
		13,602	11,067
		203,404	86,046

The financial statements on pages 22 to 51 were approved and authorised for issue by the Board of Directors on 19th April, 2005 and are signed on its behalf by:

Fu Wai Chung
DIRECTOR

Lo Yat Fung
DIRECTOR

Balance Sheet

At 31st December, 2004

	NOTES	2004 HK\$'000
NON-CURRENT ASSET		
Interests in subsidiaries	15	<u>119,983</u>
CURRENT ASSET		
Bank balances and cash		12,406
CURRENT LIABILITY		
Other payable		<u>1,191</u>
NET CURRENT ASSET		<u>11,215</u>
NET ASSETS		<u>131,198</u>
CAPITAL AND RESERVES		
Share capital	23	1,800
Reserves		<u>129,398</u>
		<u>131,198</u>

Fu Wai Chung
DIRECTOR

Lo Yat Fung
DIRECTOR

Statements of Changes in Equity

For the year ended 31st December, 2004

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note i)	Statutory surplus reserve HK\$'000 (Note ii)	Contributed surplus HK\$'000 (Note iii)	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP								
At 1st January, 2003	1,170	-	4,590	9,813	-	20,000	17,726	53,299
Profit attributable to shareholders	-	-	-	-	-	-	42,086	42,086
Transfers	-	-	-	3,828	-	-	(3,828)	-
Dividends (note 11)	-	-	-	-	-	(20,000)	(8,000)	(28,000)
At 31st December, 2003	1,170	-	4,590	13,641	-	-	47,984	67,385
Issue of shares	450	67,050	-	-	-	-	-	67,500
Share issue expenses	-	(14,206)	-	-	-	-	-	(14,206)
Capitalisation	-	(1,170)	-	-	-	-	-	(1,170)
Surplus arising from Group Reorganisation	-	-	1,170	-	-	-	-	1,170
Issue of share on conversion of convertible notes	180	11,820	-	-	-	-	-	12,000
Released on disposal of a subsidiary	-	-	-	(5,209)	-	-	5,209	-
Profit attributable to shareholders	-	-	-	-	-	-	48,594	48,594
Transfer	-	-	-	4,792	-	-	(4,792)	-
Dividends (note 11)	-	-	-	-	-	-	(5,400)	(5,400)
At 31st December, 2004	1,800	63,494	5,760	13,224	-	-	91,595	175,873
THE COMPANY								
Issue of shares at premium	450	67,050	-	-	-	-	-	67,500
Share issue expenses	-	(14,206)	-	-	-	-	-	(14,206)
Capitalisation	1,170	(1,170)	-	-	-	-	-	-
Contributed surplus arising from Group Reorganisation	-	-	-	-	67,385	-	-	67,385
Issue of share on conversion of convertible notes	180	11,820	-	-	-	-	-	12,000
Loss attributable to shareholders	-	-	-	-	-	-	(1,481)	(1,481)
At 31st December, 2004	1,800	63,494	-	-	67,385	-	(1,481)	131,198

Notes:

(i) Special reserve

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation on the basis that the Group Reorganisation had been effected on 24th June, 2004.

(ii) Statutory surplus reserve

As stipulated by the relevant PRC laws and regulations, when distributing the net profit of each year, the Group shall set aside 10% of its net profit after taxation for the statutory surplus reserve fund. The reserve fund can only be used, upon approval by the board of directors and by the relevant authority, to offset accumulated losses or increase capital.

(iii) Contributed surplus

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of a Group Reorganisation during the year.

In addition to accumulated profits, under the Company's Law (Revised) of the Cayman Islands, contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders consisted of contributed surplus and accumulated losses totalling approximately HK\$65,904,000.

Consolidated Cash Flow Statement

For the year ended 31st December, 2004

	NOTE	2004 HK\$'000	2003 HK\$'000
Profit from operations		69,350	43,035
Adjustments for:			
Interest income		(52)	(391)
Depreciation and amortisation		8,198	4,830
Allowance for bad and doubtful debts		86	–
Loss on disposal of property, plant and equipment		61	119
Operating cash flows before movements in working capital		77,643	47,593
Increase in trade and other receivables		(24,547)	(12,065)
Increase in other payables		21,040	5,018
Net cash from operating activities		74,136	40,546
Interest paid		(785)	(763)
PRC income tax paid		(3,117)	(2,120)
NET CASH FROM OPERATING ACTIVITIES		70,234	37,663
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(33,698)	(11,967)
Purchase of additional interest in subsidiaries		(1,037)	–
Disposal of a subsidiary	25	(92)	–
Repayment from directors		96	3,951
Proceeds from disposal of property, plant and equipment		74	441
Interest received		52	40
Interest received from a related company		–	351
Payment made for acquisition of a jointly controlled entity		–	(4,000)
Repayment from related companies		–	13,194
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(34,605)	2,010
FINANCING ACTIVITIES			
Net proceeds on issue of shares		53,294	–
New bank borrowings raised		6,604	4,000
Contribution from minority shareholders		1,104	1,915
Dividends paid		(5,400)	(28,000)
(Repayment to) advances from related companies		(977)	213
Dividends paid to minority shareholders		(945)	(1,402)
Repayment of bank borrowings		(781)	(7,090)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		52,899	(30,364)
NET INCREASE IN CASH AND CASH EQUIVALENTS		88,528	9,309
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		30,881	21,572
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		119,409	30,881

Notes to the Financial Statements

For the year ended 31st December, 2004

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8th August, 2002 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15th July, 2004. In the opinion of the directors, the ultimate holding company of the Company is Fu's Family Limited, incorporated in the British Virgin Islands.

Pursuant to a group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company became the holding company of the Group on 24th June, 2004. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated 30th June, 2004.

The group comprising the Company and its subsidiaries (the "Group") resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group for the year ended 31st December, 2003 and 31st December, 2004 have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with the Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 31.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

Summary of Financial Information

A summary of the results, assets and liabilities of the Group for the last four financial years is as follows:

	For the year ended 31st December,			2004 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	
RESULTS				
Turnover	51,083	66,780	98,517	162,243
Profit before taxation	34,772	40,854	42,272	70,030
Taxation (charge) credit	(7,581)	(6,861)	3,122	(13,965)
Profit before minority interests	27,191	33,993	45,394	56,065
Minority interests	(1,148)	(2,248)	(3,308)	(7,471)
Net profit for the year	26,043	31,745	42,086	48,594
	As at 31st December,			2004 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	
ASSETS AND LIABILITIES				
Total assets	75,661	112,344	126,063	251,321
Total liabilities	34,685	55,272	51,084	61,519
Minority interests	1,869	3,773	7,594	13,929
Shareholders' funds	39,107	53,299	67,385	175,873

Note: The Company was incorporated in the Cayman Islands on 8th August, 2002 and became the holding company of the Group with effect from 24th June, 2004 as a result of the Group Reorganisation. The results of the Group for each of the three years ended 31st December, 2003 and the assets and liabilities at the respective year end date have been prepared on a combined basis as if the current group structure had been in existence throughout those years and have been extracted from the Company's prospectus dated 30th June, 2004.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition of the jointly controlled entities is included within the carrying amount of the relevant jointly controlled entities.

Revenue recognition

Agency commission and conveyancing services income from property brokering is recognised when a buyer and seller execute a legally binding sale agreement and when the relevant agreement becomes unconditional and irrevocable.

Development, marketing and planning consultancy services income is recognised when the services are rendered.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rates applicable.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the period of the relevant leases.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment properties revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation surplus subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and accumulated impairment losses.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation and amortisation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of land use rights or 40 years
Office equipments, furniture and fixtures	20%
Motor vehicles	20%

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Jointly controlled entities

Joint venture agreements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of net assets of the jointly controlled entities plus the goodwill in so far as it has not already been amortised, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's operations which are denominated in currencies other than Hong Kong dollars are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences are related to goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset which they related to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Operating leases

Rentals payable/receivable under operating leases are charged/credited to the income statement on a straight-line basis over the relevant lease terms.

Retirement benefit costs

The retirement benefit costs charged to the income statement represent the contribution payable in respect of the Group's defined contribution scheme.

Payments to the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Notes to the Financial Statements

For the year ended 31st December, 2004

4. TURNOVER

Turnover represents commission 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:

	2004	2003
	HK\$'000	HK\$'000
Agency commission and service income	170,540	103,530
Less: Business tax and surcharges	(8,297)	(5,013)
	162,243	98,517

5. 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 property brokering services or from markets outside the PRC.

6. PROFIT FROM OPERATIONS

	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration, including retirement benefits scheme contribution (note 8)	3,978	1,278
Other staff costs	47,020	29,889
Other retirement benefits scheme contributions	1,308	1,017
Total staff costs	52,306	32,184
Auditors' remuneration	880	550
Depreciation and amortisation	8,198	4,830
Allowance for bad and doubtful debts	86	–
Loss on disposal of property, plant and equipment	61	119
and after crediting:		
Bank interest income	52	40
Interest income from a related company	–	351
Net rental income in respect of premises, net of outgoings of HK\$20,000 (2003: HK\$1,000)	305	341

Notes to the Financial Statements

For the year ended 31st December, 2004

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowing wholly repayable within five years	500	403
Interest on convertible notes	285	360
	785	763

8. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors were as follows:

	2004 HK\$'000	2003 HK\$'000
Fee		
– Executive directors	–	–
– Independent non-executive directors	500	–
	500	–
Other emoluments to executive directors		
– salaries and other benefits	3,437	1,234
– contributions to retirement benefits scheme	41	44
	3,978	1,278

In addition to the directors' remuneration disclosed above, the Group also provided rent-free accommodation to the executive directors for the year ended 31st December, 2004. The annual rateable value of the properties involved, which are owed by the Group, are HK\$678,000 (2003: HK\$679,000).

The emoluments of the directors were within the following bands:

	2004 No. of directors	2003 No. of directors
Nil to HK\$1,000,000	5	6
HK\$1,000,001 to HK\$1,500,000	2	–
	7	6

Notes to the Financial Statements

For the year ended 31st December, 2004

8. DIRECTORS' EMOLUMENTS (Continued)

For both years, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments for both years.

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four directors for the year ended 31st December, 2004 (2003: two), whose emoluments are included in the above. The emoluments of the remaining individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and allowances	609	357
Retirement benefits scheme contributions	2	34
	611	391

10. INCOME TAX (CHARGE) CREDIT

	2004 HK\$'000	2003 HK\$'000
The (charge) credit comprises:		
PRC income tax	(10,524)	(2,736)
Deferred taxation (note 24):		
Current year	(3,316)	(7,065)
Adjustment to deferred taxation resulting from change in tax status of a subsidiary (Note)	–	12,923
	(3,316)	5,858
Share of taxation attributable to a jointly controlled entity	(125)	–
	(13,965)	3,122

Enterprises Income Tax ("EIT") is provided on the estimated assessable profits of the Group's subsidiaries in the PRC in accordance with the laws and regulations in the PRC at 33%.

Subject to the approval by the relevant tax authority, certain of the Group's subsidiaries in the PRC are only required to pay the PRC income tax on predetermined tax rate at 2% to 4% on turnover during the year (2003: 3% to 4%). The predetermined tax rate is agreed and determined between such enterprises and the PRC tax bureau of local government and is subject to annual review and renewal.

Notes to the Financial Statements

For the year ended 31st December, 2004

10. INCOME TAX (CHARGE) CREDIT (Continued)

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

The income tax charge (credit) for the year can be reconciled to the profit per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	70,030	42,272
Tax at the applicable rate of 33%	23,110	13,950
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	(11,556)	(6,572)
Tax effect of loss not recognised	1,641	1,284
Effect of adjustment to deferred tax resulting from change in tax status of a subsidiary (Note)	–	(12,923)
Tax effect of share of result of a jointly controlled entity	(77)	–
Others	847	1,139
Income tax charge (credit)	13,965	(3,122)

Note: For the year ended 31st December, 2002, the subsidiary was subject to EIT levied at a rate of 33% on the estimated assessable profits in accordance with the laws and regulations in the PRC. For the year ended 31st December, 2003, that subsidiary was subject to PRC income tax of predetermined tax rate of 3.5% on turnover. Accordingly, temporary differences of the subsidiary, which represent revenue recognised for accounting purpose but not for tax purpose, prior to 1st January, 2003 were set up at 33% would now be taxed at 3.5%. The adjustment to deferred taxation resulting from the change in tax status of that subsidiary is a taxation credit of HK\$12,923,000 for the year ended 31st December, 2003.

For the year ended 31st December, 2004, that subsidiary continued to enjoy a predetermined tax rate of 4% on turnover.

Details of deferred taxation are set out in note 24.

Notes to the Financial Statements

For the year ended 31st December, 2004

11. DIVIDENDS

For the year ended 31st December, 2003, dividends were paid by a subsidiary to its then shareholders prior to the Group Reorganisation. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

	2004 HK\$'000	2003 HK\$'000
Interim dividend paid of HK\$0.03 per ordinary share	5,400	8,000
Final dividend, proposed of HK\$0.05 per ordinary share	9,700	–
	15,100	8,000

On 19th April, 2005, the Directors have resolved to recommend to shareholders to declare a final dividend of HK5 cents per share for the year ended 31st December, 2004. The final dividend will be payable on or about 15th June, 2005 to shareholders whose names appear on the register of members of the Company on 25th May, 2005.

Notes to the Financial Statements

For the year ended 31st December, 2004

12. EARNINGS PER SHARE

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

	2004 HK\$'000	2003 HK\$'000
Earnings:		
Net profit for the year and earnings for the purpose of basic earnings per share	48,594	42,086
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	285	360
	48,879	42,446
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share (Note)	146,508,197	117,000,000
Effect of dilutive potential ordinary shares:		
Convertible notes	9,590,164	18,000,000
Weighted average number of shares for the purposes of diluted earnings per share	156,098,361	135,000,000

Note: The weighted average number of shares are computed assuming that the Group Reorganisation was effective on 1st January, 2003.

13. INVESTMENT PROPERTIES

HK\$'000

AT VALUATION

At 1st January, 2004 and at 31st December, 2004

1,564

Investment properties were valued at their open market value at 31st December, 2004 by BMI Appraisals Limited, an independent valuer. No valuation surplus/deficit arises from the valuation as at 31st December, 2004.

The Group's investment properties are held for rental under operating leases and are situated in the PRC under medium term land use rights.

Notes to the Financial Statements

For the year ended 31st December, 2004

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP				
COST				
At 1 January 2004	33,710	19,660	2,737	56,107
Additions	–	27,146	6,552	33,698
Disposals	–	(3)	(238)	(241)
Disposal of a subsidiary	–	(1,597)	(198)	(1,795)
At 31 December, 2004	33,710	45,206	8,853	87,769
DEPRECIATION AND AMORTISATION				
At 1 January 2004	3,175	6,079	951	10,205
Provided for the year	758	6,468	972	8,198
Eliminated on disposals	–	(2)	(104)	(106)
Disposal of a subsidiary	–	(1,263)	(161)	(1,424)
At 31 December, 2004	3,933	11,282	1,658	16,873
NET BOOK VALUES				
At 31 December, 2004	29,777	33,924	7,195	70,896
At 31 December, 2003	30,535	13,581	1,786	45,902

All of the Group's leasehold land and buildings are held under medium term land use rights in the PRC.

Notes to the Financial Statements

For the year ended 31st December, 2004

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY
	2004
	HK\$'000
Unlisted shares, at cost	67,385
Amounts due from subsidiaries	52,598
	119,983

The carrying value of the unlisted shares is based on the net book values of the underlying net assets of the subsidiary attributable to the Group as at the date on which the Company became the holding company of the Group under the Group Reorganisation in 2004.

Details of the principal subsidiaries are set out in note 31.

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. These amounts are not repayable within one year from the balance sheet date and the amounts are therefore shown in the balance sheet as non-current.

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets	2,612	–
Goodwill on acquisition	1,875	–
Amortisation of goodwill	(172)	–
	4,315	–

Goodwill is amortised over its estimated useful life, on a straight line basis. The amortisation period for goodwill is 10 years.

During the year, the Group acquired a 40% equity interest in Asia Asset Property Services Limited, which is incorporated in Hong Kong. It is an investment holding company of two wholly-owned subsidiaries which are engaged in the provision of property management, consultancy, agency and other related services in the PRC.

Notes to the Financial Statements

For the year ended 31st December, 2004

17. PAYMENT FOR ACQUISITION OF A JOINTLY CONTROLLED ENTITY

During the year ended 31st December, 2003, the Group made a deposit payment to an independent third party for the acquisition of a 40% equity interest in Asia Asset Property Services Limited. This transaction was completed on 1st February, 2004. Since then, the Group is able to exercise influence on Asia Asset Property Services Limited. Thereafter, it became a jointly controlled entity of the Group, as disclosed in note 16.

18. TRADE RECEIVABLES

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

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

	2004	2003
	HK\$'000	HK\$'000
Trade receivables		
0 – 30 days	26,024	24,587
31 – 60 days	6,893	6,689
61 – 90 days	7,381	2,130
Over 90 days	5,066	228
	45,364	33,634

19. AMOUNT DUE FROM A DIRECTOR

Name of director	2004	2003	Maximum
	HK\$'000	HK\$'000	amount
			outstanding
			during the year
			HK\$'000
Mr. Fu Wai Chung	–	96	96

The amount due from Mr. Fu Wai Chung was unsecured, interest-free and was fully settled before 15th July, 2004.

Notes to the Financial Statements

For the year ended 31st December, 2004

20. AMOUNTS DUE TO RELATED COMPANIES

Name of the company	2004 HK\$'000	2003 HK\$'000
Fair International Limited	–	420
Guangzhou Public Motors Limited	–	557
	–	977

Mr. Fu Wai Chung, a director of the Company, has beneficial interests in the above companies. The amounts were unsecured, interest-free and were fully repaid during the year.

21. SECURED BANK BORROWINGS

The secured bank borrowings are interest-bearing at prevailing market rates and are repayable in instalments over a period of 5 years.

	2004 HK\$'000	2003 HK\$'000
Repayable within one year	7,385	781
Repayable within one to two years	781	781
Repayable within two to five years	1,171	1,952
	9,337	3,514
Less: Amounts repayable within one year and included in current liabilities	(7,385)	(781)
Amounts repayable after one year	1,952	2,733

22. CONVERTIBLE NOTES

New Ideas Holdings Limited ("New Ideas"), a wholly-owned subsidiary of the Company issued convertible notes in February 2002. The convertible notes were unsecured and interest bearing at 3% per annum payable quarterly in arrears. The convertible notes were automatically converted into 18,000,000 ordinary shares of the Company upon listing of the Company on the Stock Exchange on 15th July, 2004.

Notes to the Financial Statements

For the year ended 31st December, 2004

23. SHARE CAPITAL

	Number of shares	Amounts HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st January, 2003 and 31st December, 2003	38,000,000	380
Increase on 24th June, 2004	7,962,000,000	79,620
	<hr/>	<hr/>
At 31st December, 2004	8,000,000,000	80,000
Issued and fully paid:		
Allotted and issued and issued nil paid on date of incorporation and at 1st January, 2003 and 31st December, 2003	10,000	–
Credited as fully paid for share premium under the Group Reorganisation	–	–
Issue of shares by capitalisation of share premium account	116,990,000	1,170
Issue of shares for placing and public offer	45,000,000	450
Issue of shares upon conversion of convertible notes	18,000,000	180
	<hr/>	<hr/>
At 31st December, 2004	180,000,000	1,800

The Company was incorporated in the Cayman Island on 8th August, 2002 with an authorised capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 16th October, 2002 and 25th October, 2002, the Company issued and allotted, nil paid, 1 and 9,999 shares respectively.

Pursuant to the written resolutions passed by all the shareholders of the Company on 24th June, 2004 to effect the Group Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange, the following movements in the authorised and issued share capital of the Company took place:

- (a) the authorised share capital of the Company was increased from HK\$380,000 to HK\$80,000,000 by the creation of an additional 7,962,000,000 new shares to rank pari passu with the then existing shares in issue in all respects;
- (b) Conditional on the share premium account being credited as a result of the placing and public offer on 13th July, 2004, an amount of HK\$100 standing to the credit to the share premium account was capitalised and applied to pay up in full at par 10,000 shares of HK\$0.01 each which were allotted and issued at nil paid in October 2002.

Notes to the Financial Statements

For the year ended 31st December, 2004

23. SHARE CAPITAL (Continued)

- (c) Conditional on the share premium account being credited as a result of the placing and public offer on 13th July, 2004, an amount of HK\$1,169,900 was capitalised and applied to pay up in full at par 116,990,000 shares of HK\$0.01 each for allotment and issue to the then shareholders of New Ideas on 24th June, 2004. Since then, the Company became the holding company of New Ideas.

On 13th July, 2004, by means of placing and public offer, the Company issued a total of 45,000,000 new shares of HK\$0.01 each at the price of HK\$1.50 per share. The proceeds are to be used to expand primary and secondary real estate services in the PRC and to provide additional working capital for the Group.

On 15th July, 2004, 18,000,000 shares of HK\$0.01 each were issued and allotted as a result of the conversion of convertible notes.

On 17th January, 2005, 14,000,000 shares of HK\$0.01 each were issued and allotted at a price of HK\$1.38 per share to provide additional working capital to the Group.

The share capital of the Group at 1st July, 2003 and 31st December, 2004 represented the share capital amounts after the capitalisation of share premium account on the basis that the Group Reorganisation had been effected on 1st January, 2003

All the shares issued during the year rank pari passu with the then existing shares in all respects.

Notes to the Financial Statements

For the year ended 31st December, 2004

24. DEFERRED TAXATION

	Revenue recognised for accounting purpose but not for tax purpose HK\$'000	Accelerated tax depreciation HK\$'000	Others HK\$'000	Total HK\$'000
THE GROUP				
At 1st January 2003	12,816	–	1,376	14,192
Charge (credit) for the year (note 10)				
– for the year	5,867	2,574	(1,376)	7,065
– adjustment to deferred taxation resulting from change in tax status of the subsidiary	(12,923)	–	–	(12,923)
At 1st January, 2004	5,760	2,574	–	8,334
Charge (credit) for the year (note 10)	664	2,652	–	3,316
At 31st December, 2004	6,424	5,226	–	11,650

At the balance sheet date, the Group has unused tax losses of HK\$2,925,000 (2003: HK\$1,284,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31st December, 2004

25. DISPOSAL OF A SUBSIDIARY

During the year ended 31st December, 2004, the Group disposed of its entire equity interest in Guangzhou Bailai Properties Agency Limited. The net assets of the subsidiary at the date of the disposal are as follows:

	2004 HK\$'000	2003 HK\$'000
Property, plant and equipment	371	–
Trade and other receivables	8,677	–
Bank balances and cash	92	–
Other payables and accruals	(7,696)	–
Income tax payable	(1,269)	–
Minority interest	(258)	–
	(83)	–
Gain on disposal	1,025	–
Total consideration	942	–

The total consideration is satisfied by the consideration receivable which was included in other receivables and prepayments in the balance sheet as at 31st December, 2004. The receivables had been fully settled subsequent to the balance sheet date.

	2004 HK\$'000	2003 HK\$'000
Net cash inflow arising on disposal:		
Bank balance and cash disposed of	(92)	–

The subsidiary disposed of during the year contributed approximately HK\$1,874,000 in the Group's turnover and approximately HK\$3,720,000 to the Group's loss from operations for the year ended 31st December, 2004.

Notes to the Financial Statements

For the year ended 31st December, 2004

26. PLEDGE OF ASSETS

The Group had pledged the following assets for bank facilities granted to the Group:

	2004 HK\$'000	2003 HK\$'000
Investment properties	1,564	–
Leasehold land and buildings	17,858	18,304
	19,422	18,304

The Company had no assets pledged at the balance sheet dates.

27. OPERATING LEASE ARRANGEMENTS**The Group as lessee**

The Group made minimum lease payments under operating leases in respect of office premises of approximately HK\$6,642,000 (2003: HK\$4,727,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	10,652	4,882
In the second to fifth year inclusive	16,152	7,446
	26,804	12,328

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

Notes to the Financial Statements

For the year ended 31st December, 2004

27. OPERATING LEASE ARRANGEMENTS (Continued)**The Group as lessor**

Property rental income earned during the year was approximately HK\$325,000 (2003: HK\$341,000). All of the investment properties held have committed tenants for the next two years.

At the balance sheet dates, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	337	271
In the second to fifth years inclusive	306	63
	643	334

The Company had no operating lease arrangement at the balance sheet dates.

28. SHARE OPTIONS SCHEME

The Company's share option scheme ("the Scheme"), was adopted on 24th June, 2004 for the primary purpose of providing incentives or rewards to directors, eligible employees and advisors and consultants of the Group for their contributions to the Group. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 15th July, 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 24th June, 2004.

The offer of the grant of share options may be accepted within 28 days from the date of the offer, at a consideration of HK\$1, payable by the grantee upon the acceptance of the offer. The options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following 10 years from the date of acceptance of the grant of the options. Unless otherwise determined by the Directors, the Scheme does not require a minimum period for which the options must be held or a performance target which must be achieved before the options can be exercised.

The subscription price of the share options was determinable by the directors, but shall be the highest of (i) the closing price of the shares as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Exchange's daily quotation sheet for the five business days immediately preceding the date of grant and (iii) the nominal value of a share of the Company.

Notes to the Financial Statements

For the year ended 31st December, 2004

28. SHARE OPTIONS SCHEME *(Continued)*

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is 18,000,000, which is not permitted to exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme and representing approximately 9.28% of the total number of issued shares of Company as at the date of this annual report. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12 month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue and with a value in excess of HK\$5 million within any 12-month period must be approved in advance by the Company's shareholders.

No options were outstanding at 31st December 2004 under the Scheme. No option were granted, exercised, cancelled or lapsed during the year.

29. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the country. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Notes to the Financial Statements

For the year ended 31st December, 2004

30. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	2004 HK\$'000	2003 HK\$'000
Guangzhou Public Motors Limited	Interest income received by the Group (notes a and d)	–	351
Fair International Limited	Rental expenses paid by the Group (notes b and c)	240	240

Notes:

- (a) Mr. Fu Wai Chung, Ms. Ng Wan and Ms. Fu Man, directors of the Company, have beneficial interests in these companies.
- (b) Mr. Fu Wai Chung has beneficial interests in this company.
- (c) The rentals are charged in accordance with the relevant tenancy agreements.
- (d) The interest was charged at the prevailing market rates.

31. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up share capital	Attributable equity interest (note)	Principal activities
Guangdong Hope Real Properties Limited	13th February, 1996 The PRC	Registered	RMB2,000,000	95.23%	Provision of real estate agency services in the PRC
Guangzhou New Profits Properties Agency Limited	12th May, 1998 The PRC	Registered	RMB1,000,000	95.23%	Provision of real estate agency services in the PRC
Hopefluent (BVI) Limited	8th August, 2002 British Virgin Islands ("BVI")	N/A	US\$100	100%	Investment holding

Notes to the Financial Statements

For the year ended 31st December, 2004

31. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up share capital	Attributable equity interest (note)	Principal activities
Sino Estate Holdings Limited	6th November, 2003 BVI	N/A	US\$100	100%	Investment holding
Guangzhou Hope Profits Properties Agency Limited	16th March, 1998 The PRC	Registered	RMB1,000,000	95.23%	Provision of real estate agency services in the PRC
Guangzhou Hopefluent Real Properties Consultancy Limited	31st July, 2001 The PRC	Registered	RMB7,800,000	92.05%	Provision of real estate agency services in the PRC
Tianjin Hopefluent Real Properties Sales and Marketing Limited	14th March, 2002 The PRC	Registered	RMB1,000,000	64.44%	Provision of real estate agency services in the PRC
Hopefluent Properties Limited	7th September, 2001 Hong Kong	Ordinary	HK\$100	100%	Provision of real estate agency services in the PRC
Hopefluent Promotion Limited	5th October, 2001 Hong Kong	Ordinary	HK\$100	100%	Provision of advertising and marketing services in the PRC
New Ideas Holdings Limited	11th May, 2001 Hong Kong	Ordinary	HK\$100,000	100%	Investment holding
Sinonews Network Limited	5th October, 2001 Hong Kong	Ordinary	HK\$10,000	100%	Investment holding
Guangzhou Chun Wui Investment Consultancy Limited	31st May, 2002 The PRC	Registered	HK\$4,800,000	100%	Investment holding

Notes to the Financial Statements

For the year ended 31st December, 2004

31. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up share capital	Attributable equity interest (note)	Principal activities
Sino Melody Investment Limited	2nd August, 2002 BVI	N/A	US\$100	100%	Trademarks applications holding
Foshan Hopefluent Real Properties Consultancy Limited	1st September, 2003 The PRC	Registered	RMB1,000,000	80.08%	Provision of real estate agency services in the PRC
Dongguan Hopefluent Real Properties Consultancy Limited	4th November, 2003 The PRC	Registered	RMB1,000,000	79.16%	Provision of real estate agency services in the PRC
Hubei Hopefluent Real Properties Consultancy Limited	1st April, 2004 The PRC	Registered	RMB1,000,000	46.95%	Provision of real estate agency services in the PRC
Shanghai Hope Realty Consultancy Limited	29th October, 2004 The PRC	Registered	RMB1,000,000	55.23%	Provision of real estate agency services in the PRC
Shanghai Hopefluent Real Properties Consultancy Limited	19th October, 2004 The PRC	Registered	RMB1,000,000	73.64%	Provision of real estate agency services in the PRC

Note: The Company directly holds the equity interest in Hopefluent (BVI) Limited. All other interests shown above are indirectly held by the Company. All the companies are limited liabilities companies.

None of the subsidiaries had issued any debt securities at the end of the year.

RESERVES

Details of movements in reserves of the Company and the Group are set out in the statement of changes in equity of the Group and the Company on page 25 of the annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2004.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Fu Wai Chung (<i>Chairman</i>)	(appointed on 16th October, 2002)
Ms. Ng Wan	(appointed on 25th October, 2002)
Ms. Fu Man	(appointed on 25th October, 2002)
Mr. Lo Yat Fung	(appointed on 1st May, 2003)

Independent non-executive directors

Mr. Tsao Kwong Yung, Peter	(appointed on 1st May, 2003)
Mr. Ng Keung	(appointed on 1st May, 2003)
Mr. Lam King Pui	(appointed on 30th May, 2004)

In accordance with the provisions of the Company's Articles of Association, Ms. Ng Wan and Ms. Fu Man retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his retirement by rotation as required by the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a duration of three years commencing from 1st April, 2004 and will continue thereafter until terminated by either party giving to the other not less than three months' advance written notice of termination.

Other than as disclosed above, none of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

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

As at 31st December, 2004, the interests of the directors, chief executives and their associates in the share capital of the Company or its associated corporations (within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code") in the Listing Rules were as follows:–

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

Name	Nature of interest	Number of shares interested	Percentage of shareholding
Fu Wai Chung ("Mr. Fu")	Corporate	91,800,000 (Note 1)	51%
	Corporate	8,100,000 (Note 2)	4.5%
Lo Yat Fung ("Mr. Lo")	Corporate	8,100,000 (Note 3)	4.5%

Note 1: These 91,800,000 shares are registered in the name of Fu's Family Limited ("Fu's Family") which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan (Mr. Fu's wife) and the remaining 15% by Ms. Fu Man.

Note 2: These 8,100,000 shares are registered in the name of China-net Holding Ltd. ("China-net") which is wholly held by Mr. Fu.

Note 3: These 8,100,000 shares are registered in the name of Best Hunt Group Limited ("Best Hunt") which is wholly held by Mr. Lo.

All interests in shares stated above represent long position.

In addition to the interests above, Mr. Fu also has non-beneficial personal equity interest in certain subsidiaries of the Company all held in trust solely for the purpose of complying with the previous statutory minimum shareholders requirement in Hong Kong.

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

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

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

Save as disclosed above, as at 31st December, 2004, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code of the Listing Rules.

Subsequent to 31st December, 2004, the total deemed corporate interests of Mr. Fu and Mr. Lo reduced to 50.46% and 3.14% respectively following the placing and top-up subscription of shares of the Company by Fu's Family, China-net and Best Hunt in January 2005.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

Other than as disclosed above, at no time during the year 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 in/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 31st December, 2004, the interests or short positions of the substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Number of shares interested	Percentage of shareholding
Fu's Family Limited (Note 1)	91,800,000	51.000%
Mr. Fu (Note 2)	99,900,000	55.500%
Elm Vale Ltd	17,325,000	9.625%
Pan Asia (Cayman) and Pan Asia Fund II (Note 3)	18,000,000	10.000%

Notes:

1. These 91,800,000 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.
2. Apart from his interest in Fu's Family Limited, Mr. Fu is also interested in the entire issued share capital of China-net Holding Ltd. which holds 8,100,000 shares. Under the SFO, Mr. Fu is deemed to be interested in these 8,100,000 shares held by China-net Holding Ltd..
3. The entire issued share capital of Elm Vale Ltd. is held by Pan Asia Special Opportunities Fund (Cayman) ("Pan Asia (Cayman)").

Pan Asia (Cayman) is deemed to be interested in the 17,325,000 shares in the Company, being the same parcel of shares held by Elm Vale Ltd. in the Company. Pan Asia Special Opportunities Fund II ("Pan Asia Fund II") is, through its wholly-owned subsidiary, interested in another 675,000 share. Pan Asia (Cayman) and Pan Asia Fund II, which together are interested in 18,000,000 shares, representing 10% of the issued share capital of the Company, are collectively regarded as a substantial shareholder of the Company.

All the interests in shares stated above represent long position.

Save as disclosed above, as at 31st December, 2004, the Company had not been notified of any person's interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

Subsequent to 31st December, 2004, after placing and top-up subscription of shares of the Company in January 2005 by Fu's Family and China-net, the number of shares of the Company held by Fu's Family is 91,800,000 and by China-net is reduced to 6,100,000 and the interests of Fu's Family and China-net respectively reduced to 47.32% and 3.14% of the existing enlarged share capital of the Company. The total deemed interest of Mr. Fu is 50.46% of the enlarged share capital of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Subsequent to 31 December 2004, after placing and top-up subscription of shares of the Company in January 2005, Value Partners Limited is interested in 23,092,000 shares of the Company representing 11.9% of the enlarged share capital of the Company.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 28 to the financial statements.

During the year, no options were granted, exercised, lapsed or cancelled.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of directors' interests in contracts of significance are set out in note 30 to the financial statements.

Other than as disclosed in note 30 to the financial statements, no other contracts of significance to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CORPORATE GOVERNANCE

The Company has complied in the period between its listing date and 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to January 2005.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration their expertise and job specifications.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

None of the directors, their associates, or any shareholder has any interest in the Group five largest customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the ordinary shares in public hands exceed 25% as at 19th April, 2005, being the latest practicable date to ascertain such information prior to the issue of this annual report.

JOINT AUDITORS

The financial statements were audited by Messrs. Deloitte Touche Tohmatsu and Zhong Yi (Hong Kong) C.P.A. Company Limited.

A resolution will be submitted to the annual general meeting to re-appoint them as auditors of the Company.

On behalf of the Board

Fu Wai Chung

Chairman

Hong Kong, 19th April, 2005



BUSINESS REVIEW *(Continued)*

Primary Property Real Estate Agency Service

As the purchasing power of PRC citizens continued to increase, the average property price in Guangzhou grew by 18%. The Group's primary property real estate agency service business benefited from the growth of Guangzhou's property market and recorded satisfying results during the year under review. The Group was the sole agent of about 74 primary property projects in 2004, exceeding by far the 55 primary property projects it handled in 2003. The total floor area sold by the Group also surged from 11.7 million sq.ft. in 2003 to about 17.9 million sq.ft. in 2004. Projects such as Hui Jing New City (匯景新城), Guang Da Garden (光大花園), Liana Bay (利雅灣), Foshan Olympic Garden (佛山奧園), Dongguan Jiang Nan Garden (東莞江南世家), Nanguo Olympic Garden (南國奧園), Mainland Lake Garden (美林湖畔花園) received overwhelming response from property buyers and recorded remarkable sales. Over 90% of the first lot containing 400 units of Wonderland (四季花城) launched by Wanke Group (萬科集團) were sold on the first day. The number of transactions of Mainland Lake Garden (美林湖畔花園) in Guangzhou exceeded 1,100 during the Labour Day week in May 2004, making a new record and topping all Guangzhou residential projects.

Hopefluent has forged solid relationship with leading property developers in the PRC through providing one-stop-shop services covering planning of marketing programmes, handling of sales and related consultancy services, property transferal and mortgage arrangements. Leveraging the well-established relationship with property developers, the Group aggressively expanded its market presence outside Guangzhou to a much wider area including Tianjin, Foshan, Dongguan, Wuhan and Shanghai. Hopefluent's co-operation with Wanke Group is an example of such initiatives. The Group was the sole agent for Wonderland, a Wanke Group's project in Guangzhou. The project received overwhelming response, leading to the award of sole agency right to Hopefluent by Wanke Group for its other projects in Wuhan and Dongguan, reaping the benefits of integration of resources.

Hopefluent received the "TOP 10 Chinese Real Estate Business Corporations" Award at the 2004 China International Real Estate & Archi-tech Fairs (CIHAF) held in Shanghai in December 2004. Hopefluent is the only company from Guangzhou area who received this award. CIHAF is the largest national residential real estate industry exhibition. Representative of the industry, the event has been where the public and real estate professionals turned to for authoritative reference on mainstream industry trend since 2000.

BUSINESS REVIEW *(Continued)***Secondary Property Real Estate Agency Service**

In recent years, as banks introduce more flexible mortgage policy, the quality of secondary properties improves, the secondary property market experienced robust growth. To grasp this market opportunity, the Group took full reference of its existing customer base and opened additional branch offices in Guangzhou for maximum coverage. The Group's branch offices in Guangzhou for secondary property real estate agency service rapidly climbed from 18 as at 31 December 2003 to 59 as at 31 December 2004. The Group also set up a new main office and three branch offices for secondary real estate business in Shanghai during the year under review to capture business opportunities in the vigorously thriving secondary property market in Shanghai. The Group handled over 5,500 transactions in 2004.

PROSPECT

Looking ahead, the Group sees continuous steady development for the real estate market in the PRC. Despite the slight increase in property mortgage interest rate, potential property buyers in the market are generally optimistic about the property market and agree that secondary properties are better value buy. Riding on the favourable market atmosphere, the Group will follow the market closely and flexibly allocate its resources to capture market opportunities.

In the primary real estate market, the Group will continue to expand its business into areas outside Guangzhou. When exploring new markets, the Group will apply prudent strategy and enter a new market only after thorough consideration and the emergence of a viable customer base. The Group plans to set up new branches in Beijing, Jinan, Nanjing, Hefei and Changsha to boost its agency business and the number of consultancy contracts. Currently, the Group has approximately 90 projects on hand.

Turning to the secondary property real estate market, the Group will discreetly yet actively expand its market coverage in line with demand. The Group plans to further expand the number of its secondary property real estate agency service branches from 72 currently to 100 in Guangzhou and from 3 to 10 in Shanghai. Moreover, the Group will focus on seeking more expansion opportunities taking full advantage of its existing customer base, and further strengthening its relationship with leading property developers to ensure its long-term success.



PROSPECT *(Continued)*

Armed with a unique business model and boasting brilliant prospect, the Group was spotted by Value Partners Limited, a renowned institutional investor. In January 2005, Value Partners subscribed shares of the Group and became a strategic investor of Hopefluent. The placing helped expand the shareholder base of the Group and introduced Hopefluent to more overseas investors.

With a solid business foundation, the management is confident of the Group's future development and ability to bring satisfying long term returns to its shareholders.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee"), comprising the three existing independent non-executive directors, with written terms of reference in compliance with the Code of Best Practice, as set out in Appendix 14 to the Listing Rules. The Committee has reviewed the audited financial statements for the year ended 31 December 2004 including the accounting, internal controls and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK\$119.4 million (2003: HK\$30.9 million) and 3.64 (2003: 1.86) respectively. Total borrowings amounted to approximately HK\$9.3 million are secured bank loans (2003: HK\$15.5 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 3.7% (2003: 12.3%). The Group's borrowings were primarily denominated in Renminbi. The Group had no material contingent liabilities as at 31 December 2004.

PLEDGE OF ASSETS

At 31 December 2004, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of HK\$19.4 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 2004, the Group had approximately 1,600 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.

USE OF THE PROCEEDS FROM THE INITIAL PUBLIC OFFER

The Company was listed on the Stock Exchange on 15 July 2004 (the "Listing Date"). The total net proceeds raised by the Company in its initial public offering were HK\$53 million after deducting the actual related expenses. The Directors have confirmed that, as at the balance sheet date, the total unused proceeds, which have been placed in a bank as a fixed deposit, amounted to HK\$23 million. The Directors have also confirmed that the proceeds which have been used, include HK\$6 million for the expansion of primary real estate services; HK\$11 million for the expansion of the secondary real estate sales network; HK\$2 million for the promotion and marketing activities; HK\$2 million for staff training programmes; HK\$3 million for the enhancement of the Group's management information systems and HK\$6 million as general working capital.

CAPITAL STRUCTURE

As at 31 December 2004, the total number of shares (the "Shares") of HK\$0.01 each in the capital of the Company in issue was 180,000,000.

Subsequent to 31 December 2004, the number of issued Shares was increased from 180,000,000 to 194,000,000 on 31 January 2005 after the top-up subscription exercised by the existing shareholder of the Company for 14,000,000 new Shares at HK\$1.38 each following their placing (the "Placing") of existing Shares to third party investors. Value Partners Limited had taken up 18,000,000 Shares in the Placing.

Biographical Details of Directors & Senior Management

AUDIT COMMITTEE

The Company established an audit committee on 24 June 2004 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee of the Group consists of three independent non-executive Directors, namely Mr. Tsao Kwong Yung, Peter, Mr. Ng Keung and Mr. Lam King Pui. Mr. Lam King Pui was appointed as the chairman of the audit committee.

COMPANY SECRETARY

Mr. Lo Hang Fong, aged 41, is a solicitor practising in Hong Kong and the company secretary of the Company. He holds a bachelor's degree in laws from the University of Bristol in England and a diploma in Chinese laws from the China Law Society. He has acquired over thirteen years of experience in corporate advisory on mergers and acquisitions, initial public offerings and loan syndication.

SENIOR MANAGEMENT

Ms. Wu Shan Hong, aged 36, is a deputy general manager and is responsible for the management of the overall business of the Group. She holds a bachelor's degree in arts from 深圳大學 (Shenzhen University, the PRC) and a master's degree in business administration from University of Western Sydney, Australia.

Mr. Xu Jing Hong, aged 33, is the general manager of Dongguan Hopefluent Real Properties Consultancy Limited, and is responsible for formulating marketing and planning strategies for primary property projects in Dongguan. He holds a diploma in business administration from 廣州市華南師範大學 (South China University of Education, the PRC).

Mr. Li Wei, aged 33, is the general manager of Foshan Hopefluent Real Properties Consultancy Limited, and is responsible for formulating marketing and planning strategies for primary property projects in Foshan. He holds a bachelor's degree in material science and engineering from 廣州工業大學 (Guangdong Industrial University, the PRC).

Mr. Ou Yang Da Hui, aged 37, is the general manager of Tianjin Hopefluent Real Properties Sales and Marketing Limited, and is responsible for formulating marketing and planning strategies for primary property projects in Tianjin. He holds a bachelor's degree in engineering from 深圳大學 (Shenzhen University, the PRC).

Biographical Details of Directors & Senior Management

SENIOR MANAGEMENT *(Continued)*

Mr. Yu Zhao Yi, aged 36, is the deputy general manager of Dongguan Hopefluent Real Properties Consultancy Limited and is responsible for the promotion and advertising of the primary property projects in Dongguan. He holds a bachelor's degree in engineering from 哈爾濱船舶工程學院 (Harbin Vessel Engineering College, the PRC).

Mr. Zheng Song Jie, aged 27, is a business manager, and is responsible for sales and promotion strategies for primary property projects. He holds a bachelor's degree in business management from 廣東商學院 (Guangdong Commercial College, the PRC).

Ms. Li Wan Wei, aged 33, is a business manager, and is responsible for formulating sales promotion strategies for primary property projects. She holds a diploma in engineering from 廣州大學 (Guangzhou University, the PRC), a diploma in environment design from 廣州市職工大學 (Guangzhou Workers University, the PRC) and a bachelor's degree in building construction from 重慶建築大學 (Chongqing University of Architecture, the PRC). Ms. Li is a qualified property valuer in the PRC.

Ms. Hu Yun, aged 32, is the manager of the architectural design department, and is responsible for the research on architectural planning of the primary property projects. She holds a bachelor's degree in architecture from 華南理工大學 (South China Polytechnic University, the PRC).

Ms. Lin Hai Yan, aged 35, is a sales manager, and is responsible for formulating sales and marketing strategies for primary property projects.

Ms. Li Jing, aged 30, is the general manager of operations in the secondary property market and is responsible for the management of sales and marketing strategies and promotion activities of the secondary property market.

Ms. Li Jie Nu, aged 51, is the manager of the administration department and is responsible for the administration and human resources of the Group. Ms. Li holds a diploma in business administration from 廣州市財貿管理幹部學院 (Guangzhou Finance and Trading Management College, the PRC). She has thirteen years of experience in management and business administration.

Mr. Liang Guo Hong, aged 39, is the financial controller and is responsible for the financial management of the Group. He holds a diploma in business administration from 廣州市財貿管理幹部學院 (Guangzhou Finance and Trading Management College, the PRC) and a bachelor's degree in construction engineering from 工程兵工程學院 (Military Engineering College, the PRC).

- Headquarters
- Existing Primary Real Estate Services Office
- Primary Real Estate Services Office to be set up in 2005



Primary Real Estate Services Network in PRC