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

Annual Report 2005

Stock No.: 733

Contents

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. LAM King Pui
Mr. NG Keung
Mrs. WONG Law Kwai Wah, Karen

MEMBERS OF AUDIT COMMITTEE OF THE BOARD

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG Law Kwai Wah, Karen

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 3411, 34th 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
26th Floor,
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

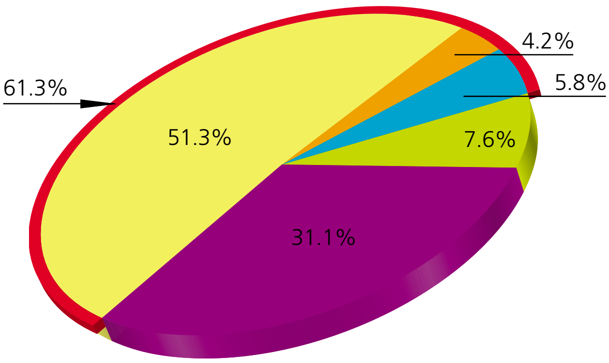
733

Financial Highlights

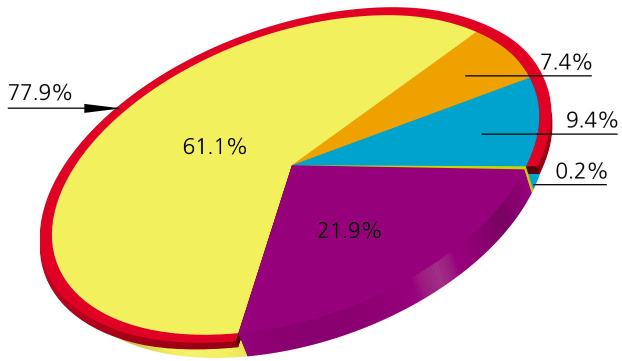
TURNOVER BY BUSINESS

For the year ended 31 December

2005



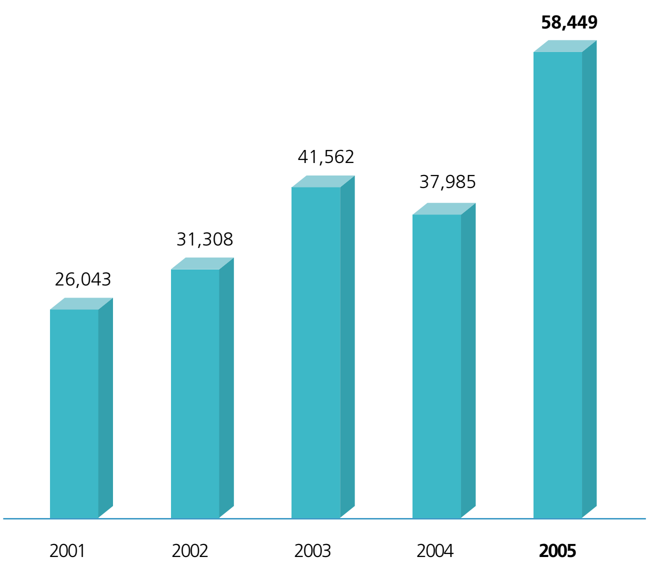
2004



- Commission income for primary property transactions
- Marketing and planning consultancy services fee income
- Conveyancing services fee income
- Commission income for secondary property transactions
- Property management and others

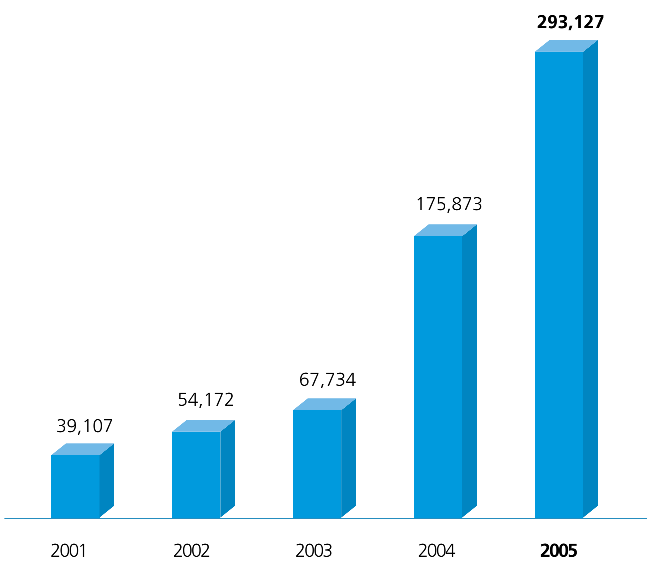
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(HK$'000)



SHAREHOLDERS' FUNDS

(HK$'000)



Chairman's Statement

2005 was a year full of challenges and opportunities. The economic austerity measures implemented by the PRC government slowed down the growth of the property market, but at the same time promoted its healthy and rational development. During the year, the Group's business advanced steadily with turnover increased by 91% to over HK$310 million and profit attributable to shareholders reached HK$58.4 million. This was the result of the unwavering efforts and dedication of the entire staff.

The Group actively expanded its business in 2005. It was the sole agent of about 150 primary property projects, a double of 74 in 2004. It has business in 14 major cities in the PRC and maintained leadership in the primary property markets in Guangzhou and Dongguan. In addition, coverage of the planning consultancy business is more than 30 cities in the PRC. Its secondary property market business also saw encouraging growth supported by its expanded branch network. The Group added new branch offices during the year, bringing the total number of branches from 59 in 2004 to the current 130.

Looking ahead, besides consolidating existing operations, the Group will further expand its scope of business by exploring opportunities in other property related fields. Riding on its extensive industry experience, precise market analysis, professional and strong management and operation team, the Group is set to deliver better performance and generate satisfactory returns for shareholders.

On behalf of the Board, I would like to thank all shareholders, partners and customers for their continuous support and our staff for their efforts and contribution in the past year.

By order of the Board

Fu Wai Chung
Chairman

Hong Kong, 19th April, 2006

Primary Real Estate
Services Network in **PRC**

Biographical Details of Directors & Senior Management

DIRECTORS

Executive Directors

Mr. Fu Wai Chung (Chairman), aged 56, 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 eleven years of experience in real estate agency business management and administration in the PRC.

Ms. Ng Wan, aged 50, 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 eleven years of experience in the real estate agency business. She is the wife of Mr. Fu.

Ms. Fu Man, aged 45, 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 eleven years of experience in the real estate agency business. She is the sister of Mr. Fu.

Mr. Lo Yat Fung, aged 41, is a certified public accountant in Hong Kong and has over seventeen 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 Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. In addition, Mr. Lo is a fellow member of the Taxation Institute of Hong Kong and an associate member of the Institute of Chartered Secretaries and Administrators.

Independent non-executive Directors

Mr. Lam King Pui, aged 40, 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 twelve 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.

Mr. Ng Keung, aged 55, 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.

Mrs. Wong Law Kwai Wah, Karen, aged 57, holds a bachelor of arts degree from the University of Hong Kong and has over 30 years working experience in the real estate field. Mrs. Wong is a fellow member of the Chartered Institute of Housing Asian Pacific Branch and a fellow of the Hong Kong Institute of Housing. She is a licensed real estate agent and is currently the president of the Society of Hong Kong Real Estate Agents Ltd.

AUDIT COMMITTEE

The Company established an audit committee on 24th June, 2004. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The committee has reviewed the audited financial statements for the year ended 31st December, 2005.

The audit committee of the Group consists of three independent non-executive Directors, namely Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen. Mr. Lam King Pui was appointed as the chairman of the audit committee.

COMPANY SECRETARY

Mr. Lo Hang Fong, aged 42, 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 fourteen years of experience in corporate advisory on mergers and acquisitions, initial public offerings and loan syndication.

SENIOR MANAGEMENT

Mr. Li Jian, aged 45, is the group deputy general manager and is responsible for the business development of the Group in the PRC. He holds a master's degree in industrial studies from 中國電子科技大學 (University of Electronic Science and Technology of China) and a master's degree in business administration from Murdoch University in Australia.

Mr. Li Zhen Wei, aged 49, is a deputy general manager and is responsible for the management of the property consultancy service department of the Group . He is a graduate of 中山大學 (Zhong Shan University) and a qualified property valuer in the PRC.

Ms. Wu Shan Hong, aged 37, 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 34, 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 34, 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 38, 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).

Mr. Yu Zhao Yi, aged 37, 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 28, 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 34, 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 33, 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 36, is a sales manager, and is responsible for formulating sales and marketing strategies for primary property projects.

Ms. Li Jing, aged 31, 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 52, 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 fourteen years of experience in management and business administration.

Mr. Liang Guo Hong, aged 40, 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).

Management Discussion and Analysis

BUSINESS REVIEW

Riding on the persistent growth of the Chinese economy, the Group actively pursued its primary and secondary property real estate agency service businesses, which both recorded respectable growth during the year. The Group's turnover for the year ended 31 December 2005 reached HK$310.2 million, increased by 91% as compared to HK$162.2 million in 2004. Profit attributable to shareholders also increased by 54% from HK$38 million in 2004 to HK$58.4 million. Net profit margin was 19%, and basic earnings per share were HK 29.4 cents.

During the year under review, the commission income generated from the Group's primary property real estate agency service amounted to HK$167.7 million (2004: 104.2 million), contributing approximately 51% of its total turnover (2004: 61%). The income generated from development, marketing & planning consultancy services and conveyance services amounted to HK$19 million and HK$13.6 million respectively. Total revenue generated from the Group's primary property real estate agency service in 2005 amounted to HK$200.3 million, representing an increase of 51% from HK$132.9 million in 2004. As for the secondary property real estate agency service business, turnover for the year was HK$ 101.8 million, 172% higher than the HK$37.4 million in 2004, making up 31% (2004: 22%) of the Group's total turnover. Other businesses including property management, mortgage referral, property valuation and property auction contributed the remaining 8% of the Group's total turnover.

Geographically, Guangzhou remained the Group's core development base, accounting for 62% of the Group's total turnover, while revenue generated from outside Guangzhou constituted 38%.

Primary Property Real Estate Agency Service

Affected by the Central Government's economic austerity measures, the sales of property slowed down by one point. Despite than, the Group still managed to secure satisfactory growth in its primary property real estate agency service business. During the year under review, the Group was the sole agent of around 100 property projects and handled transactions of amount totaling approximately HK$13.9 billion, and over 23 million sq ft in total floor area were sold.

Guangzhou, accounted for approximately 52% of the sales of the business segment. Our core primary property real estate agency service market in Guangzhou are Favorview Palace (匯景新城), Guang Da Garden (光大花園) and Citic Post Chateau (中信君庭) all recorded satisfactory sales during the year. Favorview Palace registered the best sales, amounting over HK$1.2 billion. Other large-scale property projects, including Foshan Vanke Wonderland (萬科四季花城), Dongguan Jiang Nan Garden (東莞宏遠江南世家), Goldfield Green Town (金地格林小城) and Oriental Garden (東駿豪園), sold exclusively via the Group also received very warm market response.

BUSINESS REVIEW (Continued)

Primary Property Real Estate Agency Service (Continued)

Hopefluent is currently the leading provider of primary property real estate agency service in Guangzhou and Dongguan, boasting markedly higher total sales and number of transactions than its peers. The Group has been actively expanding its market coverage beyond Guangzhou and new branches were set up in Beijing, Hefei, Changsha and Nanjing during the year. Our present business network spans 14 cities. Turnover generated from outside Guangzhou constituted around 48 % of the Group's total turnover from primary property real estate agency service.

In 2005, the Group also offered project planning and development consultancy services to more than 80 development projects in 30 cities from Huhehot in Inner Mongolia in northern China, Sanya in Hainan in southern China and Urumqi at the western tip of the country.

Secondary Property Real Estate Agency Service

As the primary property market becomes more and more mature, the secondary property market also prospers. Heeding this trend, the Group more than doubled the number of its branch offices for secondary property real estate agency service from 59 at the end of 2004 to around 130 this year. In Guangzhou alone there are 110 branches, which generated around 95% of the turnover from secondary property real estate agency service for the Group. The rest of the branches are located in Shanghai, Nanning and Foshan. In 2005, our secondary property real estates agency service developed rapidly, handling over 12,000 transactions.

Other Businesses

In addition to property real estate agency business, Hopefluent also provides a range of services including property management, mortgage referral, property valuation and property auction services.

During the year, the Group provided property management services for over 20 projects involving over 10,000 units in Guangzhou, Shanghai and Wuhan. In August 2005, the Group increased its interests in Asia Asset Property Services Limited ("Asia Asset") from 40% to 80% at a consideration of HK$ 4 million. Asia Asset provides property management services in Guangzhou, Shanghai and Wuhan.

PROSPECTS

In 2005, the Central Government implemented a series of macro economic control measures, which effectively deterred speculative activities in the property market, steering China's property market towards healthier development. Looking ahead, backed by the strong economy, rapid urbanization, the impending 2008 Beijing Olympics and 2010 Shanghai World Expo, and possible appreciation of the RMB, we expect the property market in Mainland China to grow steadily.

The Group expanded its exclusive primary property real estate agency service in 2005, and will focus on consolidating its business this year. In addition, to facilitate the operation of our new secondary property service branches, we will step up marketing efforts in the coming year and provide relevant training to our staff to boost our competitiveness. We have expanded our workforce increasing the number of staff from about 1,600 in 2004 to about 4,200 in 2005, including 1,000 primary property service staff, 1,500 secondary property service staff, 1,200 property management staff, and the rest work in other business segments. As the Group continues to develop, to support its needs, we expect to hire more staff yet in the coming year.

Currently, Hopefluent acts as the sole agent for approximately 150 primary property real estate projects, of which over 100 will be launched in the market in 2006. The Group will continue to enlarge its primary property real estate agency service market in the future. In addition to the 14 cities it currently covers, the Group intends to extend its reach to Urumqi, Chongqing, Xi'an, Shenyang and Taiyuan, so as to capture more exclusive agency service projects.

As for the secondary property agency service market, to enlarge its market share and consolidate its leading industry position, the Group plans to increase the number of service branches to 180, principally in Guagnzhou. As for the development plan for the Shanghai market, it will depend on conditions in the property market there.

For its property management business, the Group will continue to forge close and long-term relationship with property developers in order to pave the way for landing more primary and secondary property real estate agency services business.

Building on its abundant industry experience and sound reputation, Hopefluent will strive to provide services more comprehensive and of higher quality services to its customers. The Group will continue to actively develop its primary and secondary property real estate agency services and explore new business opportunities, thereby bring satisfactory returns to its shareholders.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is of the view that corporate governance is vital to the continued success of the Company and has therefore adopted various measures to ensure that a high standard of corporate governance is upheld. With effect from 1st January, 2005, the Company has applied the principal and complied with the requirements of the Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "SEHK") save and except certain deviations as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

DIRECTORS

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, they all have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

Board of Directors

The Board comprises:

Executive Directors	:	Mr. FU Wai Chung Ms. NG Wan Ms. FU Man Mr. LO Yat Fung
Independent Non-executive Directors	:	Mr. LAM King Pui Mr. NG Keung Mrs. WONG LAW Kwai Wah, Karen

Each independent non-executive director gives an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

During the financial year ended 31st December, 2005, ten Board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of Board meetings attended in the financial year ended 31st December, 2005	Attendance rate
Mr. FU Wai Chung	10	100%
Ms. NG Wan	10	100%
Ms. FU Man	10	100%
Mr. LO Yat Fung	10	100%
Mr. LAM King Pui	9	90%
Mr. NG Keung	9	90%
Mrs. WONG LAW Kwai Wah, Karen (appointed on 30th June, 2005)	6	100% during appointment period
Mr. TSAO Kwong Yung, Peter (deceased on 5th June, 2005)	3	100% during appointment period

The Board is responsible for the types of decision relating to the following aspects:

– formulation of operational and strategic direction of the Company;

– monitoring the financial performance of the Company

– overseeing the performance of the management;

– ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed; and

– setting the Company's values and standards.

while daily operation and administration are delegated to the management.

The Board held meetings from time to time whenever necessary. Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes at the following Board meeting. The Board also ensure that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Chairman and Chief Executive Officer

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

The Company has no such title as chief executive officer and therefore the daily operation and management of the Company is looked after by the executive directors as well as the senior management under the leadership of Mr. Fu.

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

Ms. Ng Wan is the spouse of Mr. Fu and Ms. Fu Man is the sister of Mr. Fu.

Appointment and Re-election of Directors

Each executive director is appointed for an initial term which is renewable automatically each year. All independent non-executive directors are appointed for a specific term which may be extended as each director and the Company may agree in writing. However, they are appointed subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Articles of Association of the Company (the "Articles of Association").

According to the Articles of Association, one-third of the directors for the time being (save and except chairman of the Board and/or the managing director whilst holding such office) shall retire from office by rotation at each annual general meeting and any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election. The above practice deviates from the provision A.4.2 of the Code which requires all directors appointed to fill casual vacancy be subject to re-election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years. Having reviewed the relevant Articles of Association, the Board proposed to put forth a special resolution in the coming annual general meeting to amend the Articles of Association to comply with the said code provision.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 21st September, 2005 comprising the three independent non-executive directors. Mr. LAM King Pui is the chairman of the Remuneration Committee.

According to the terms of reference of the Remuneration Committee, its major roles and functions are as follows:

(1) To make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

(2) To have the delegated responsibility to determine the specific remuneration package for all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive directors. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remunerations.

(3) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

(4) To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

(5) To review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

(6) To ensure that no director or any of his associate is involved in deciding his own remuneration.

A meeting of the Remuneration Committee, which was well attended by all members of the Remuneration Committee, was held in the year 2005 and various issues concerning the compensation structure and reward system for all grades of staff were discussed.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by the auditors about their reporting responsibility is set out on page 21 of this Annual Report.

The management of the Company reports regularly to the Board on the financial position and prospects of the business of the Company to enable the Board to make an informed assessment of the financial and other performance of the Company.

Internal Control and Risk Management

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effective and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31st December, 2005 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises the three independent non-executive directors. Mr. LAM King Pui, the chairman of the Audit Committee, has professional qualifications and in-depth experience in accounting and related financial management expertise. No member of the Audit Committee is a member of the former or existing auditors of the Company.

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors; to review the half-year and annual financial statements before submission to the Board and to consider major findings of internal investigations and management's response.

The Audit Committee held four meetings in 2005, which were attended by all audit committee members.

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included reviewing and supervising the financial reporting process and internal control system of the Company and its subsidiaries and reviewing the financial statements for the relevant period with reference to the scope of the terms of reference.

Auditors' Remuneration

During the financial year ended 31st December, 2005, the remuneration paid to the Company's joint auditors, Deloitte Touche Tohmatsu and Zhong Yi (Hong Kong) C.P.A. Company Limited, is set out as follows:

Services rendered	**Fees paid/payable** (HK$'000)
Audit services	1,120
Non-audit services	13
	1,133

The directors present their annual report and the audited financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 35 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 22.

An interim dividend of HK3.5 cents per share amounting to HK$7,675,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK6 cents per share to the shareholders on the register of members of the Company on 1st June, 2006, amounting to HK$13,158,000, and the retention of the remaining profit for the year of HK$102,244,000. Including the interim dividend, dividends for the year will amount to a total of HK9.5 cent per share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29th May, 2006 to 1st June, 2006, 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 2006 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 26th May, 2006.

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2005 were revalued by an independent firm of professional property valuers on an open market value basis. Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent capital expenditure of approximately HK$63,508,000 on addition of property, plant and equipment for the expansion of property agency services throughout the People's Republic of China.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st December, 2005, the Company's reserves available for distribution amounted to HK$203,729,000, consisted of share premium of HK$147,341,000, contributed surplus of HK$67,385,000 and accumulated losses of HK$10,997,000.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

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

The Company has not redeemed any of its share, and neither the Company nor any of its subsidiaries purchase, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2005.

DIRECTORS

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

Executive directors

Mr. Fu Wai Chung *(Chairman)*
Ms. Ng Wan
Ms. Fu Man
Mr. Lo Yat Fung

Independent non-executive directors

Mr. Lam King Pui	
Mr. Ng Keung	
Mrs. Wong Law Kwai Wah, Karen	(appointed on 30th June, 2005)
Mr. Tsao Kwong Yung, Peter	(deceased on 5th June, 2005)

In accordance with the provisions of the Company's Articles of Association, Mr. Lo Yat Fung retire by rotation and, being eligible, offer himself for re-election.

In accordance with Article 86(3), Mrs. Wong Law Kwai Wah, Karen who was appointed in 2005 would retire and being eligible, offer herself 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 proposed for re-election at the forthcoming annual general meeting 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 proposed for re-election at the forthcoming annual general meeting 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 (other than statutory compensation).

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

At 31st December, 2005, the interests and short position of the directors, the chief executive and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

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

Name of directors	Name of interest	Number of shares interested	Percentage of shareholding
Mr. Fu Wai Chung ("Mr. Fu")	Corporation *(Note)*	94,264,000 *(Note)*	42.98%

Note: These 94,264,000 shares are registered in the name of Fu's Family Limited which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan (Mr. Fu's wife) and the remaining 15% by Ms. Fu Man.

All interests in shares stated above represent long position.

In addition to the interests disclosed herein, Mr. Fu also has non-beneficial personal equity interests 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.

(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 interest	Percentage of shareholding
Fu Wai Chung	70	70%

Save as disclosed above, as at 31st December, 2005, 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.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 32 to the financial statements.

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

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 and consultants of the Group to take up options to subscribe for shares in the Company representing up to a maximum of 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 share in, or debt securities including debentures, of the Company or any other body corporate.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries 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 34 to the financial statements.

Other than as disclosed in note 34 to the financial statements, no other contracts of significance to which the Company or its subsidiaries 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.

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

As at 31st December, 2005, 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)	94,264,000	42.98%
Mr. Fu (Note 2)	94,264,000	42.98%
Elm Vale Ltd	12,895,000	5.88%
Pan Asia Special Opportunities Fund (Cayman) (Note 3)	12,895,000	5.88%
Value Partners Limited (Note 4)	23,738,000	10.82%
Cheah Cheng Hye (Note 5)	23,738,000	10.82%

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

Notes:

1. These 94,264,000 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. Under the SFO, Mr. Fu is deemed to be interested in the shares held by Fu's Family Limited.

3. The entire issued share capital of Elm Vale Ltd. is held by Pan Asia Special Opportunities Fund (Cayman).

4. The shares are held by the funds under management by Value Partners Limited in its capacity as an investment manager.

5. Mr. Cheah Cheng Hye is deemed to be interested in the shares through his 32.77% interest in Value Partners Limited.

All the interests in shares stated above represent long position.

Save as disclosed above, as at 31st December, 2005, 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.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2005 with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rule") with certain deviations. For detail discussion, please refer to the Corporate Governance Report of this Annual Report.

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 20% of the Group's total turnover for the year.

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient float in the period between its listing date and 31st December, 2005.

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, 2006

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 consolidated financial statements of Hopefluent Group Holdings Limited (the "Company") and its subsidiaries (the "Group") from pages 22 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated 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 consolidated 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 Hong Kong Standards on Auditing 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 consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of 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 consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2005 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, 2006

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

Consolidated Income Statement

For the year ended 31st December, 2005

	NOTES	2005 HK$'000	2004 HK$'000 (restated)
Turnover	7	**310,195**	162,243
Other income		**1,560**	517
Selling expenses		**(42,474)**	(15,232)
Administrative expenses		**(181,150)**	(88,438)
Share of results of jointly controlled entities		**721**	487
Finance costs	9	**(549)**	(1,134)
Gain on disposal of a subsidiary	27	**–**	1,025
Amortisation of goodwill of jointly controlled entities		**–**	(172)
Profit before taxation		**88,303**	59,296
Income tax expense	10	**(19,398)**	(13,840)
Profit for the year	11	**68,905**	45,456
Attributable to:			
Equity holders of the Company		**58,449**	37,985
Minority interests		**10,456**	7,471
		68,905	45,456
Dividends:	14		
Interim dividend paid of HK3.5 cents (2004: HK3 cents) per ordinary share		**7,675**	5,400
Proposed final dividend of HK6 cents (2004: HK5 cents) per ordinary share		**13,158**	9,700
		20,833	15,100
Earnings per share	15		
Basic		**HK29.4 cents**	HK25.9 cents
Diluted		**N/A**	HK24.7 cents

Consolidated Balance Sheet

At 31st December, 2005

	NOTES	2005 HK$'000	2004 HK$'000 (restated)
NON-CURRENT ASSETS			
Investment properties	16	**1,610**	1,564
Property, plant and equipment	17	**119,645**	70,896
Goodwill	18	**2,371**	–
Interests in jointly controlled entities	19	**–**	4,315
		123,626	76,775
CURRENT ASSETS			
Trade receivables	20	**93,944**	45,364
Other receivables and prepayment	21	**28,639**	9,773
Bank balances and cash	22	**173,251**	119,409
		295,834	174,546
CURRENT LIABILITIES			
Payables and accruals	23	**56,337**	29,411
Tax liabilities		**16,860**	11,121
Secured bank borrowings – due within one year	24	**7,600**	7,385
		80,797	47,917
NET CURRENT ASSETS		**215,037**	126,629
		338,663	203,404
CAPITAL AND RESERVES			
Share capital	25	**2,193**	1,800
Reserves		**290,934**	174,073
Equity attributable to equity holders of the Company		**293,127**	175,873
Minority interests		**31,662**	13,929
		324,789	189,802
NON-CURRENT LIABILITIES			
Secured bank borrowings – due after one year	24	**1,205**	1,952
Deferred tax liabilities	26	**12,669**	11,650
		13,874	13,602
		338,663	203,404

The financial statements on pages 22 to 59 were approved and authorised for issue by the Board of Directors on 19th April, 2006 and are signed on its behalf by:

Fu Wai Chung
DIRECTOR

Lo Yat Fung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2005

	Attributable to equity holders of the Company									
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 (Note i)	**Statutory surplus reserve** HK$'000 (Note ii)	**Translation reserve** HK$'000	**Convertible notes reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1st January, 2004 – as originally stated	1,170	–	4,590	13,641	–	–	47,984	67,385	–	67,385
Effect of changes in accounting policy (see note 3)	–	–	–	–	–	1,310	(961)	349	7,594	7,943
At 1st January, 2004 – as restated	1,170	–	4,590	13,641	–	1,310	47,023	67,734	7,594	75,328
Profit for the year – total recognised income for the year	–	–	–	–	–	–	37,985	37,985	7,471	45,456
Issue of shares	450	67,050	–	–	–	–	–	67,500	–	67,500
Transaction costs attributable to issue of issues	–	(3,946)	–	–	–	–	–	(3,946)	–	(3,946)
Capitalisation	–	(1,170)	–	–	–	–	–	(1,170)	–	(1,170)
Surplus arising from Group Reorganisation	–	–	1,170	–	–	–	–	1,170	–	1,170
Issue of share on conversion of convertible notes	180	13,130	–	–	–	(1,310)	–	12,000	–	12,000
Released on disposal of a subsidiary	–	–	–	(5,209)	–	–	5,209	–	(257)	(257)
New subsidiaries set up during the year	–	–	–	–	–	–	–	–	66	66
Transfer	–	–	–	4,792	–	–	(4,792)	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(945)	(945)
Dividends declared	–	–	–	–	–	–	(5,400)	(5,400)	–	(5,400)
At 31st December, 2004 – as restated	1,800	75,064	5,760	13,224	–	–	80,025	175,873	13,929	189,802
Exchange differences on translation of foreign operations	–	–	–	–	3,510	–	–	3,510	351	3,861
Profit for the year	–	–	–	–	–	–	58,449	58,449	10,456	68,905
Total recognised income for the year	–	–	–	–	3,510	–	58,449	61,959	10,807	72,766
Issue of shares by private placing under general mandate (note 25)	393	73,322	–	–	–	–	–	73,715	–	73,715
Transaction costs attributable to issue of new issues	–	(1,045)	–	–	–	–	–	(1,045)	–	(1,045)
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	(182)	(182)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,665	1,665
New subsidiaries set up during the year	–	–	–	–	–	–	–	–	6,416	6,416
Transfer	–	–	–	5,697	–	–	(5,697)	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(973)	(973)
Dividends declared	–	–	–	–	–	–	(17,375)	(17,375)	–	(17,375)
At 31st December, 2005	2,193	147,341	5,760	18,921	3,510	–	115,402	293,127	31,662	324,789

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.

Consolidated Cash Flow Statement

For the year ended 31st December, 2005

	NOTES	2005 HK$'000	2004 HK$'000 (restated)
Profit before taxation		**88,303**	59,296
Adjustments for:			
Finance cost		**549**	1,134
Amortisation of goodwill of jointly controlled entities		**–**	172
Interest income		**(1,040)**	(52)
Depreciation of property, plant and equipment		**17,977**	8,198
Impairment on trade receivables		**374**	86
Gain on disposal of a subsidiary		**–**	(1,025)
Share of result of jointly controlled entities		**(721)**	(487)
Net loss on disposal of property, plant and equipment		**3**	61
Listing expenses		–	10,260
Operating cash flows before movements in working capital		**105,445**	77,643
Increase in trade and other receivables		**(56,270)**	(24,547)
Increase in payables and accruals		**19,900**	21,040
Net cash from operating activities		**69,075**	74,136
Interest paid		**(549)**	(785)
PRC Income tax paid		**(13,627)**	(3,117)
NET CASH FROM OPERATING ACTIVITIES		**54,899**	70,234
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(63,508)**	(33,698)
Acquisition of subsidiaries	28	**(208)**	–
Interest received		**1,040**	52
Proceeds from disposal of property, plant and equipment		**238**	74
Acquisition of additional interest in subsidiaries		**(182)**	(1,037)
Disposal of a subsidiary	27	**–**	(92)
Repayment from directors		**–**	96
NET CASH USED IN INVESTING ACTIVITIES		**(62,620)**	(34,605)
FINANCING ACTIVITIES			
Net proceeds on issue of shares		**72,670**	53,294
New bank borrowings raised		**6,796**	6,604
Contribution from minority shareholders		**6,416**	1,104
Dividends paid		**(17,375)**	(5,400)
Repayment of bank borrowings		**(7,600)**	(781)
Dividends paid to minority shareholders		**(973)**	(945)
Repayment to related companies		**–**	(977)
NET CASH FROM FINANCING ACTIVITIES		**59,934**	52,899
NET INCREASE IN CASH AND CASH EQUIVALENTS		**52,213**	88,528
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**119,409**	30,881
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,629**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**173,251**	119,409

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. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

Under 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, 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 ("SSAP") 27 Accounting for Group Reconstructions issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of the Group are the provision of real estate agency services and estate management services in the PRC. The principal activities of the Company's subsidiaries are set out in note 35.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Business Combinations *(Continued)*

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. With respect to goodwill arising on acquisition of a jointly controlled entity previously capitalised on the balance sheet, the Group on 1st January, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$172,000 with a corresponding decrease in the cost of goodwill (see Note 19). The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisition after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see Note 3 for the financial impact). The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill arising on acquisition after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

Financial Instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible loan notes

The principal impact of HKAS 32 on the Group is in relation to convertible loan notes issued by a wholly-owned subsidiary of the Company that contain both liability and equity components. Previously, convertible loan notes were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated in order to reflect the increase in effective interest on the liability component (see Note 3 for the financial impact). The convertible loan notes were fully converted into ordinary shares of the Company during 2004.

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. However, there has been no material effect on results for the current year.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Cost of equity transactions

Under HKAS 32, the Company records transaction costs of any equity transaction as a deduction from equity. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Transaction costs that relate jointly to more than one transaction (for example, costs of a concurrent offering of some shares and a stock exchange listing of other shares) are allocated to these transactions using a basis of allocation that is rational and consistent with similar transactions.

On applying HKAS 32, an adjustment of approximately HK$10,260,000 relating to listing expenses has been reversed from share premium and included in the profit for the year ended 31st December, 2004.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current years, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. Since the allocation between the land and buildings elements cannot be made reliably, the Group has continuously accounted for the leasehold interests in land as property, plant and equipment. There has been no material effect on results for the current year and prior accounting years.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. This change in accounting policy has had no material effect on results for the current year and prior accounting years.

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. The application of the interpretation has had no major impact on current year and prior year figures.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the year are as follows:

	2005 HK$'000	2004 HK$'000
Listing expenses	–	(10,260)
Increase in effective interest expense on the liability component of convertible loan notes	–	(349)
Decrease in share of results of jointly controlled entities	(101)	(125)
Increase in income tax expenses	101	125
Non-amortisation of goodwill	109	–
Increase (decrease) in profit for the year	109	(10,609)

The cumulative effects of the application of the new HKFRSs on 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (originally stated) HK$'000	Adjustments HK$'000	As at 31st December, 2004 (restated) HK$'000	Adjustments HK$'000	As at 1st January, 2005 (restated) HK$'000
Impact of HKAS 1:					
Minority interests	–	13,929	13,929	–	13,929
Impact of HKAS 32:					
Share premium	63,494	11,570	75,064	–	75,064
Retained profits	91,595	(11,570)	80,025	–	80,025
Total effects on equity	155,089	13,929	169,018	–	169,018
Minority interests	13,929	(13,929)	–	–	–

The financial effects of the application of the new HKFRSs to the Group's equity and other balance sheet items on 1st January, 2004 are summarised below:

	As originally stated HK$'000	Adjustments HK$'000	As restated HK$'000
Impact of HKAS 1:			
Minority interests	–	7,594	7,594
Impact of HKAS 32:			
Convertible notes reserve	–	1,310	1,310
Retained profits	47,984	(961)	47,023
Total effects on equity	47,984	7,943	55,927
Minority interests	7,594	(7,594)	–

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.

[2] Effective for annual periods beginning on or after 1st January, 2006.

[3] Effective for annual periods beginning on or after 1st December, 2005.

[4] Effective for annual periods beginning on or after 1st March, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment properties which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary and jointly controlled entity at the date of acquisition.

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of a jointly controlled entity (which is accounted for using the equity method) is included in the cost of the investment of the relevant jointly controlled entity.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interest in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of a jointly controlled entity is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in a jointly controlled entity are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entity, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in jointly controlled entities *(Continued)*

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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, planning consultancy and property management services income is recognised when the services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rates applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 arise from 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 when 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.

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.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Trade receivables and other receivables

Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value. Bank deposits are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including bank and other borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Convertible loan notes

Convertible loan notes issued by New Ideas Holdings Limited ("New Ideas") that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the loan notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to value assigned to these components. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the financial statements are disclosed below:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation.

The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year in which the estimate is changed and the future period.

Estimated impairment on trade and other receivables and prepayment

Management regularly reviews the recoverability and/or aging of trade receivables, other receivables and prepayment. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment is required, the Group takes into consideration the aging status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised based on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, bank balances, trade receivables and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 is the carrying amount of trade receivables as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures of each customer to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings.

Foreign exchange risk

The Group mainly operates in the People's Republic of China (the "PRC") with most of the transactions denominated and settled in Renminbi ("RMB"). Hence, the Group considers it has no material foreign exchange risk. However, RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

Interest rate risk

The Group's interest rate risk relates to its short-term bank deposits and fixed-rate borrowings. However, the management considered the risk is insignificant to the Group.

7. TURNOVER

Turnover represents agency commission and services income received and receivable from outsider customers for the sales of properties in the PRC less business tax and surcharges and is analysed as follows:

	2005 **HK$'000**	2004 HK$'000
Agency commission and service income	**326,816**	170,540
Less: Business tax and surcharges	**(16,621)**	(8,297)
	310,195	162,243

8. 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.

9. FINANCE COSTS

	2005 **HK$'000**	2004 HK$'000 (restated)
Interest on bank borrowing wholly repayable within five years	**549**	500
Effective interest on convertible notes	**–**	634
	549	1,134

10. INCOME TAX EXPENSE

	2005 **HK$'000**	2004 HK$'000 (restated)
The expense comprises:		
PRC income tax	**18,620**	10,524
Deferred taxation (note 26)	**778**	3,316
	19,398	13,840

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%.

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 6.8% on turnover during the year (2004: 2% 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.

In addition, pursuant to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are entitled to exemption from PRC enterprise income tax for the first one to two years commencing from their incorporation while subject to annual review and renewal by the PRC tax bureau of local government.

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

10. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit per the income statement as follows:

	2005 HK$'000	2004 HK$'000 (restated)
Profit before taxation	**88,303**	59,296
Tax at the applicable rate of 33%	**29,140**	19,568
Tax effect of share of results of jointly controlled entities	**(238)**	(161)
Tax effect of expenses not deductible for tax purpose	**696**	3,385
Tax effect of incomes not taxable for tax purpose	**(153)**	–
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	**(9,426)**	(11,556)
Effect of tax concessions granted to certain PRC subsidiaries	**(981)**	–
Tax effect of loss not recognised	**199**	1,641
Tax effect of different tax rate operating in different jurisdiction	**124**	–
Others	**37**	963
Income tax expense	**19,398**	13,840

Details of deferred taxation are set out in note 26.

11. PROFIT FOR THE YEAR

	2005 HK$'000	2004 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration, including retirement benefits scheme contribution (note 12)	**6,173**	3,978
Other staff costs	**111,775**	47,020
Other retirement benefits scheme contributions	**2,827**	1,308
Total staff costs	**120,775**	52,306
Auditors' remuneration	**1,120**	880
Depreciation of property, plant and equipment	**17,977**	8,198
Impairment on trade receivables	**374**	86
Net loss on disposal of property, plant and equipment	**3**	61
Share of tax of jointly controlled entities	**101**	125
and after crediting:		
Bank interest income	**1,040**	52
Net rental income in respect of premises, net of outgoings of HK$20,000 (2004: HK$20,000)	**180**	305

12. DIRECTORS' EMOLUMENTS

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

For the year ended 31st December, 2005

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Tsao Kwong Yung, Peter HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Total HK$'000
Fees	**–**	**–**	**–**	**–**	**155**	**60**	**120**	**90**	**425**
Salaries and other benefits	**1,800**	**1,300**	**1,300**	**1,300**	**–**	**–**	**–**	**–**	**5,700**
Retirement benefit scheme contributions	**12**	**12**	**12**	**12**	**–**	**–**	**–**	**–**	**48**
Total emoluments	**1,812**	**1,312**	**1,312**	**1,312**	**155**	**60**	**120**	**90**	**6,173**

For the year ended 31st December, 2004

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Tsao Kwong Yung, Peter HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Total HK$'000
Fees	–	–	–	–	400	30	70	500
Salaries and other benefits	1,030	959	548	900	–	–	–	3,437
Retirement benefit scheme contributions	13	11	8	9	–	–	–	41
Total emoluments	1,043	970	556	909	400	30	70	3,978

The Group also provided rent-free accommodation to Mr. Fu Wai Chung, the executive director for the year ended 31st December, 2005. The annual rateable value of the properties involved, which are owned by the Group, are HK$678,000 (2004: HK$678,000) respectively.

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.

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four directors for the year ended 31st December, 2005 (2004: four), whose emoluments are included in the above. The emoluments of the remaining individual were as follows:

	2005 HK$'000	2004 HK$'000
Salaries and other benefits	**471**	609
Retirement benefits scheme contributions	**2**	2
	473	611

14. DIVIDENDS

On 19th April, 2006, the Directors have resolved to recommend to shareholders to declare a final dividend of HK6 cents per share for the year ended 31st December, 2005. The final dividend will be payable on or about 19th June, 2006 to shareholders whose names appear on the register of members of the Company on 1st June, 2006.

15. EARNINGS PER SHARE

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

	2005 **HK$'000**	2004 HK$'000 (restated)
Earnings:		
Net profit for the year attributable to equity holders of the Company and earnings for the purpose of basic earnings per share	**58,449**	37,985
Effect of dilutive potential ordinary shares: Interest on convertible notes	**–**	634
	58,449	38,619
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share (Note)	**198,494,795**	146,508,197
Effect of dilutive potential ordinary shares: Convertible notes	**–**	9,590,164
Weighted average number of shares for the purposes of diluted earnings per share	**198,494,795**	156,098,361

Note: The weighted average number of shares are computed assuming that the Group Reorganisation was effective on 1st January, 2004.

15. EARNINGS PER SHARE *(Continued)*

The adjustment to basic and diluted earnings per share, arising from the changes in accounting policies shown in note 3, is as follows:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2005	2004	**2005**	2004
Reconciliation of earnings per share:				
Reported figure before adjustment	**29.3**	33.2	**N/A**	31.3
Adjustment arising from the adoption of HKAS 32 and HKAS 39	**–**	(7.3)	**N/A**	(6.6)
Adjustment arising from the adoption of HKFRS 3	**0.1**	–	**N/A**	–
Restated	**29.4**	25.9	**N/A**	24.7

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2004 and 2005	1,564
Exchange adjustments	46
At 31st December, 2005	1,610

Investment properties were valued at their fair value at 31st December, 2005 on an open market value basis by BMI Appraisals Limited, an independent firm of professionally qualified valuers. BMI Appraisals Limited is a member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. No valuation surplus/deficit arises from the valuation as at 31st December, 2005.

All of the above Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises of leasehold land situated in the PRC under medium term land use rights.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st January, 2004	33,710	4,095	15,565	2,737	56,107
Additions	–	19,359	7,787	6,552	33,698
Disposals	–	–	(3)	(238)	(241)
Disposal of a subsidiary	–	–	(1,597)	(198)	(1,795)
At 31st December, 2004	33,710	23,454	21,752	8,853	87,769
Exchange adjustment	982	682	631	258	2,553
Additions	16,298	25,992	14,754	6,464	63,508
Disposals	–	–	(309)	–	(309)
Acquired on acquisition of subsidiaries	–	295	446	655	1,396
At 31st December, 2005	50,990	50,423	37,274	16,230	154,917
DEPRECIATION					
At 1st January, 2004	3,175	1,156	4,923	951	10,205
Provided for the year	758	2,718	3,750	972	8,198
Eliminated on disposals	–	–	(2)	(104)	(106)
Disposal of a subsidiary	–	–	(1,263)	(161)	(1,424)
At 31st December, 2004	3,933	3,874	7,408	1,658	16,873
Exchange adjustment	115	112	215	48	490
Provided for the year	1,650	8,115	6,010	2,202	17,977
Eliminated on disposals	–	–	(68)	–	(68)
At 31st December, 2005	5,698	12,101	13,565	3,908	35,272
CARRYING VALUES					
At 31st December, 2005	45,292	38,322	23,709	12,322	119,645
At 31st December, 2004	29,777	19,580	14,344	7,195	70,896

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

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold land and buildings	Over the term of the leases or 40 years
Leasehold improvements	20%
Office equipment, furniture and fixtures	20%
Motor vehicles	20%

The Group has acquired certain leasehold land and buildings and has paid the full consideration of purchase consideration, while the relevant government authorities have not issued certificates on formal title of these leasehold land and buildings to the Group. As at 31st December, 2005, the net book value of the leasehold land and buildings for which the certificate on the formal title had not been issued to the Group amounted to approximately HK$7,570,000 (2004: Nil). In the opinion of the directors, the absence of formal title to these leasehold land and buildings does not impair the value of the relevant properties to the Group. The directors also believe that formal title to these leasehold land and buildings will be granted to the Group in due course.

18. GOODWILL

	HK$'000
COST	
At 1st January, 2005	–
Arising on acquisition of subsidiaries (note 28)	668
Transfer upon acquisition of additional interest in jointly controlled entities (note 19)	1,703
At 31st December, 2005	2,371

For the purposes of impairment testing, goodwill have been allocated to the subsidiaries from which goodwill arose from as individual CGUs.

The recoverable amount of the CGUs has been determined on the basis of value in use calculations. The value in use calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 6.138%. The set of cash flows beyond the five-year period are extrapolated for further 5 years using a steady 5% growth rate, as determined by management.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2005 **HK$'000**	2004 HK$'000
Cost of unlisted investments in jointly controlled entities	–	3,828
Share of post-acquisition profits	–	487
	–	4,315

For the year ended 31st December, 2004, included in the cost of investment in jointly controlled entities is goodwill of HK$1,703,000 arising on the acquisitions of a 40% equity interest in Asia Asset Property Services Limited ("Asia Asset"), which is incorporated in Hong Kong. It is engaged in holding of two wholly-owned subsidiaries which are engaged in the provision of property management, consultancy, agency and other related services in the PRC. The movement of goodwill is set out below.

	HK$'000
COST	
At 1st January, 2004	–
Arising on acquisition of jointly controlled entities	1,875
At 31st December, 2004	1,875
Elimination of accumulated amortisation upon the application of HKFRS 3	(172)
Transfer upon acquisition of additional interest in jointly controlled entities to goodwill (note 18)	(1,703)
At 31st December, 2005	**–**
AMORTISATION	
At 1st January, 2004	–
Provided for the year	172
At 31st December, 2004	172
Elimination of accumulated amortisation upon the application of HKFRS 3	(172)
At 31st December, 2005	**–**
CARRYING VALUE	
At 31st December, 2005	**–**
At 31st December, 2004	1,703

Until 31st December, 2004, goodwill had been amortised over 5 years.

On 10th August, 2005, the Group entered into a sale and purchase agreement with Rich People Investments Limited, another shareholder of Asia Asset to acquire further 40% equity interest in Asia Asset and since then, Asia Asset became a subsidiary which is 80% owned by the Company. Details of the acquisition of this subsidiary are set out in note 28.

20. TRADE RECEIVABLES

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

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

	2005	2004
	HK$'000	HK$'000
Trade receivables		
0 – 30 days	**51,539**	26,024
31 – 60 days	**14,392**	6,893
61 – 90 days	**12,733**	7,381
91 – 120 days	**10,049**	2,519
Over 120 days	**5,231**	2,547
	93,944	45,364

The directors consider that the fair values of the Group's trade and other receivables at 31st December, 2005 approximate their corresponding carrying amounts.

21. OTHER RECEIVABLES AND PREPAYMENT

The directors consider that the fair values of other receivables at 31st December, 2005 approximate their corresponding carrying amounts.

22. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing ranging from 0.30% to 3.44% and have original maturity of three months or less. The carrying amount of these assets approximates their fair value.

23. PAYABLES AND ACCRUALS

The directors consider that the fair values of payables at 31st December, 2005 approximate their corresponding carrying amounts.

24. SECURED BANK BORROWINGS

The secured bank borrowings are interest-bearing at fixed-rates ranging from of 6.1% to 6.9% (2004: 5.31% to 6.9%) per annum and are repayable as follows:

	2005 HK$'000	2004 HK$'000
Repayable within one year	**7,600**	7,385
Repayable within one to two years	**803**	781
Repayable within two to three years	**402**	781
Repayable within three to four years	**–**	390
	8,805	9,337
Less: Amounts repayable within one year and included in current liabilities	**(7,600)**	(7,385)
Amounts repayable after one year	**1,205**	1,952

The Group's borrowings as at 31st December, 2004 and 2005 are denominated in RMB.

The fair value of the Group's bank borrowings, estimated by discounting their future cash flows at prevailing market borrowing rates at the balance sheet date, approximates their carrying amounts.

25. SHARE CAPITAL

	Number of shares	**Nominal amounts** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st January, 2004	38,000,000	380
Increase on 24th June, 2004	7,962,000,000	79,620
At 31st December, 2004 and 31st December, 2005	8,000,000,000	80,000
Issued and fully paid:		
Allotted and issued nil paid on date of incorporation and at 1st January, 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
At 31st December, 2004	180,000,000	1,800
Issue of shares by private placement under general mandate	39,300,000	393
At 31st December, 2005	219,300,000	2,193

25. SHARE CAPITAL (Continued)

The Company was incorporated in the Cayman Islands 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 additional 7,962,000,000 new shares of HK$0.01 each 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 the 10,000 shares of HK$0.01 each which were allotted and issued at nil paid in October 2002.

(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, arrangements were made for private placing to an independent private investor of 14,000,000 of HK$0.01 each in the Company held by Fu's Family Limited, a substantial shareholder of the Company, at a price of HK$1.38 per share representing a discount of approximately 1.43% to the closing market price of the Company's share on 14th January, 2005. Pursuant to a subscription agreement signed on 17th January, 2005, Fu's Family Limited subscribed for 14,000,000 new shares of HK$0.01 each in the Company at a price of HK$1.38 per share on 31st January, 2005. The proceeds were used to provide additional working capital for the Company. These new shares were issued under general mandate granted to the directors at the annual general meeting of the Company held on 24th June, 2004.

On 28th September, 2005, arrangements were made for private placing to independent private investors of 25,300,000 of HK$0.01 each in the Company held by Fu's Family Limited at a price of HK$2.15 per share representing a discount of approximately 7.53% to the closing market price of the Company's share on 27th September, 2005. Pursuant to another subscription agreement signed on 28th September, 2005, Fu's Family Limited subscribed for 25,300,000 new shares of HK$0.01 each in the Company at a price of HK$2.15 per share on 10th October, 2005. The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 25th May, 2005.

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

26. DEFERRED TAX LIABILITIES

	Revenue recognised for accounting purpose but not for tax purpose HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January 2004	5,760	2,574	8,334
Charge for the year (note 10)	664	2,652	3,316
At 1st January, 2005	6,424	5,226	11,650
Charge for the year (note 10)	449	329	778
Exchange difference	164	77	241
At 31st December, 2005	7,037	5,632	12,669

At the balance sheet date, the Group has unused tax losses of HK$2,836,000 (2004: HK$1,699,000) 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.

27. 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
Property, plant and equipment	371
Trade and other receivables	8,677
Bank balances and cash	92
Other payables and accruals	(7,696)
Tax liabilities	(1,269)
	175
Minority interest	(258)
	(83)
Gain on disposal	1,025
Total consideration	942

The consideration receivable was included in trade and other receivables in the balance sheet as at 31st December, 2004, which were fully settled in cash in 2005.

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

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

28. ACQUISITION OF SUBSIDIARIES PREVIOUSLY ACCOUNTED FOR AS JOINTLY CONTROLLED ENTITIES

On 10th August, 2005, the Group acquired an additional 40% of the issued share capital of Asia Asset for a consideration of HK$4,000,000 and thereafter, Asia Asset becomes a 80% owned subsidiary of the Group. The acquisition of the additional 40% interest is accounted for separately from the previously owned 40% interest in Asia Asset by the Group, using the cost of the transaction and fair value for the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition of the additional 40% interest was HK$668,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Fair value of acquiree's carrying amount before combination HK$'000
Net assets acquired:	
Property, plant and equipment	1,396
Trade and other receivables	9,971
Bank balances and cash	3,792
Other payables and accruals	(6,384)
Tax liability	(445)
	8,330
Minority interests	(1,665)
	6,665
Share of net assets of jointly controlled entities (excluding previously recognised goodwill of HK$1,703,000)	(3,333)
Goodwill arising from acquisition of additional interest in jointly controlled entities	668
Total consideration	4,000

The total consideration is satisfied by cash and the net cash outflow arising on acquisition are as follow:

	HK$'000
Cash consideration	4,000
Bank balances and cash acquired	(3,792)
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary	208

The goodwill arising on the acquisition of Asia Asset is attributable to the anticipated profitability of the cooperative relationship with property developer and the anticipated future operating synergies from the combination.

Asia Asset contributed HK$11,947,000 revenue and HK$201,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

28. ACQUISITION OF SUBSIDIARIES PREVIOUSLY ACCOUNTED FOR AS JOINTLY CONTROLLED ENTITIES (CONTINUED)

If the acquisition had been completed on 1st January, 2005, total contribution to group revenue for the year would have been HK$322,737,000, and to the profit for the year would have been HK$71,161,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2005, nor is it intended to be a projection of future results.

29. PLEDGE OF ASSETS

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

	2005 **HK$'000**	2004 HK$'000
Investment properties	**1,610**	1,564
Leasehold land and buildings	**29,863**	29,777
	31,473	31,341

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises of approximately HK$15,167,000 (2004: HK$6,642,000).

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

	2005 **HK$'000**	2004 HK$'000
Within one year	**20,591**	10,652
In the second to fifth year inclusive	**28,655**	16,152
After five years	**678**	–
	49,924	26,804

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 to five years and rentals are fixed for an average term of three to five years.

30. OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessor

Property rental income earned during the year was approximately HK$200,000 (2004: HK$325,000). 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:

	2005 HK$'000	2004 HK$'000
Within one year	128	337
In the second to fifth years inclusive	385	306
After five years	57	–
	570	643

31. CAPITAL COMMITMENTS

	2005 HK$'000	2004 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	4,077	–

32. 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.

32. 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 8.21% 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 and 31st December, 2005 under the Scheme. No options were granted, exercised, cancelled or lapsed during the year.

33. 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 the lower of HK$1,000 or 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.

34. RELATED PARTY DISCLOSURE

Other than those disclosed above, during the year, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	2005 HK$'000	2004 HK$'000
Fair International Limited	Rental expenses paid by the Group (note a)	**240**	240

Notes:

(a) Mr. Fu Wai Chung has beneficial interests in this company.

Compensation of key management personnel

The remuneration of key management during the year are as follows:

	2005 HK$'000	2004 HK$'000
Short term benefits	**6,125**	3,937
Post-employment benefits	**48**	41
	6,173	3,978

The remuneration of directors and key executives was determined by the board of directors having regard to the performance of individuals and market trends.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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	Place of operation
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	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	The PRC
Hopefluent (BVI) Limited	8th August, 2002 British Virgin Islands ("BVI")	N/A	US$100	100%	Investment holding	Hong Kong
Sino Estate Holdings Limited	6th November, 2003 BVI	N/A	US$100	100%	Investment holding	Hong Kong
Guangzhou Hope Profits Properties Agency Limited	16th March, 1998 The PRC	Registered	HK$16,000,000	95.23%	Provision of real estate agency services in the PRC	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	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	The PRC
Hopefluent Properties Limited	7th September, 2001 Hong Kong	Ordinary	HK$100	100%	Provision of real estate agency services in the PRC	The PRC
Hopefluent Promotion Limited	5th October, 2001 Hong Kong	Ordinary	HK$100	100%	Provision of advertising and marketing services in the PRC	The PRC
New Ideas Holdings Limited	11th May, 2001 Hong Kong	Ordinary	HK$100,000	100%	Investment holding	Hong Kong

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (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	Place of operation
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	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	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	The PRC
Shanghai Hope Realty Consultancy Limited	29th October, 2004 The PRC	Registered	RMB1,000,000	75.48%	Provision of real estate agency services in the PRC	The PRC
Shanghai Hopefluent Real Properties Consultancy Limited	19th October, 2004 The PRC	Registered	RMB1,000,000	78.24%	Provision of real estate agency services in the PRC	The PRC
Asia Asset Property Services Limited	27th February, 1998 Hong Kong	Ordinary	HK$5,323,000	80%	Investment holding	Hong Kong
Asia Asset Property Services (Shanghai) Co., Ltd	10th August, 1998 The PRC	Registered	US$400,000	80%	Provision of estate management services in the PRC	The PRC
Asia Asset Property Services (Guangzhou) Co., Ltd	5th August, 1999 The PRC	Registered	RMB2,000,000	80%	Provision of estate management services in the PRC	The PRC
Asia Asset Property Services (Wuhan) Co., Ltd	26th June, 1995 The PRC	Registered	HK$5,000,000	80%	Provision of estate management services in the PRC	The PRC
Beijing Hopefluent Real Properties Consultancy Limited	19th May, 1995 The PRC	Registered	RMB2,000,000	64.44%	Provision of real estate agency services in the PRC	The PRC
Bola Realty Financing (Guangzhou) Limited	7th August, 2002 The PRC	Registered	RMB3,000,000	64.44%	Provision of morgage referral services in the PRC	The PRC

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (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	Place of operation
Guangdong Hopefluent Real Properties Consultancy Limited	11th August, 2005 The PRC	Registered	RMB5,000,000	95.23%	Provision of real estate agency services in the PRC	The PRC
Guangzhou Bang Lin Real Estate Appraisal Limited	28th February, 2005 The PRC	Registered	RMB3,200,000	64.44%	Provision of property valuation services in the PRC	The PRC
Jinan Hopefluent Real Properties Consultancy Limited	8th April, 2005 The PRC	Registered	RMB2,010,000	84.52%	Provision of real estate agency services in the PRC	The PRC
Anhui Hopefluent Real Properties Consultancy Limited	9th September, 2005 The PRC	Registered	RMB1,000,000	73.64%	Provision of real estate agency services in the PRC	The PRC
Jun Hua Auction (Guangzhou) Limited	20th August, 2004 The PRC	Registered	RMB5,000,000	76.18%	Provision of property auciton services in the PRC	The PRC
Nanning Hopefluent Real Properties Consultancy Limited	3rd December, 2000 The PRC	Registered	RMB100,000	55.23%	Provision of real estate agency services in the PRC	The PRC
Hunan Hopefluent Real Properties Consultancy Limited	4th August, 2005 The PRC	Registered	RMB3,000,000	73.64%	Provision of real estate agency services in the PRC	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.

The above table lists the subsidiaries of the Group as at 31st December, 2005 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

36. SUMMARISED BALANCE SHEET OF THE COMPANY

	2005 HK$'000	2004 HK$'000 (restated)
NON-CURRENT ASSET		
Investments in subsidiaries	**67,385**	67,385
CURRENT ASSET		
Amounts due from subsidiaries	**119,352**	53,908
Bank balances and cash	**19,185**	12,406
	138,537	66,314
CURRENT LIABILITY		
Other payable	**–**	(1,191)
NET CURRENT ASSETS	**138,537**	65,123
	205,922	132,508
Share capital (note 25)	**2,193**	1,800
Reserves	**203,729**	130,708
	205,922	132,508

Summary of Financial Information

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

	For the year ended 31st December,				
	2001 HK$'000	2002 HK$'000 (restated)	2003 HK$'000 (restated)	2004 HK$'000 (restated)	**2005** **HK$'000**
RESULTS					
Turnover	51,083	66,780	98,517	162,243	**310,195**
Profit before taxation	34,772	40,417	41,748	59,296	**88,303**
Taxation (charge) credit	(7,581)	(6,861)	3,122	(13,840)	**(19,398)**
Profit for the year	27,191	33,556	44,870	45,456	**68,905**
Attributable to:					
Equity holders of the Company	26,043	31,308	41,562	37,985	**58,449**
Minority interests	1,148	2,248	3,308	7,471	**10,456**
	27,191	33,556	44,870	45,456	**68,905**

	At 31st December,				
	2001 HK$'000 (restated)	2002 HK$'000 (restated)	2003 HK$'000 (restated)	2004 HK$'000 (restated)	**2005** **HK$'000**
ASSETS, LIABILITIES					
Total assets	75,661	112,344	126,063	251,321	**419,460**
Total liabilities	(34,685)	(54,399)	(50,735)	(61,519)	**(94,671)**
Total equity	40,976	57,945	75,328	189,802	**324,789**
Attributable to:					
Equity holders of the Company	39,107	54,172	67,734	175,873	**293,127**
Minority interests	1,869	3,773	7,594	13,929	**31,662**
	40,976	57,945	75,328	189,802	**324,789**

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.

Prior periods have been adjusted to reflect the change in accounting policy as described in note 3 to the financial statements.