



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



INTERIM REPORT **2004**

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004

		For the six months ended	
		30.6.2004	30.6.2003
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover		61,927	37,086
Other operating income		376	317
Selling expenses		(3,251)	(2,884)
Administrative expenses		(30,568)	(19,137)
		<hr/>	<hr/>
Profit from operations	4	28,484	15,382
Finance costs		(318)	(299)
Share of results of jointly controlled entities		138	-
		<hr/>	<hr/>
Profit before tax		28,304	15,083
Income tax expenses	5	(5,787)	(2,563)
		<hr/>	<hr/>
Profit after tax		22,517	12,520
Minority interests		(3,142)	(804)
		<hr/>	<hr/>
Net profits for the period		19,375	11,716
		<hr/>	<hr/>
Dividends	6	5,400	8,000
		<hr/>	<hr/>
Earnings per share (HK)	7		
– Basic		16.6 cents	10.0 cents
		<hr/>	<hr/>
– Diluted		14.5 cents	8.8 cents
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CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2004

	Notes	30.6.2004 (unaudited) HK\$'000	31.12.2003 (audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		1,564	1,564
Property and equipment	8	51,946	45,902
Payment for acquisition of a jointly controlled entity		-	4,000
Interests in jointly controlled entities		4,138	-
		<u>57,648</u>	<u>51,466</u>
CURRENT ASSETS			
Trade receivables	9	34,525	33,634
Other receivables		14,393	9,986
Amount due from related companies		-	96
Bank balances and cash		47,899	30,881
		<u>96,817</u>	<u>74,597</u>
CURRENT LIABILITIES			
Other payables		17,728	21,276
Amounts due to related companies		-	977
Taxation payable		7,513	4,983
Secured bank borrowings due within one year	10	7,385	781
Convertible notes	11	12,000	12,000
		<u>44,626</u>	<u>40,017</u>
NET CURRENT ASSETS		<u>52,191</u>	<u>34,580</u>
		<u>109,839</u>	<u>86,046</u>
SHARE CAPITAL AND RESERVES			
Share capital		1,170	1,170
Reserves		85,590	66,215
		<u>86,760</u>	<u>67,385</u>
MINORITY INTERESTS		<u>10,736</u>	<u>7,594</u>
NON-CURRENT LIABILITIES			
Secured bank borrowings due after one year	10	2,342	2,733
Deferred taxation		10,001	8,334
		<u>12,343</u>	<u>11,067</u>
		<u>109,839</u>	<u>86,046</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2004*

	Share capital <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	1,170	4,590	9,813	20,000	17,726	53,299
Profit attributable to shareholders	-	-	-	-	11,716	11,716
Dividends	-	-	-	(20,000)	(8,000)	(28,000)
At 30 June 2003	1,170	4,590	9,813	-	21,442	37,015
Profit attributable to shareholders	-	-	-	-	30,370	30,370
Transfers	-	-	3,828	-	(3,828)	-
At 31 December 2003	1,170	4,590	13,641	-	47,984	67,385
Profit attributable to shareholders	-	-	-	-	19,375	19,375
At 30 June 2004	1,170	4,590	13,641	-	67,359	86,760

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2004*

	For the six months ended	
	30.6.2004	30.6.2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	20,702	11,829
Net cash (used in) from investing activities	(8,920)	16,208
Net cash from (used in) financing activities	5,236	(29,851)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	17,018	(1,814)
Cash and cash equivalents at beginning of the period	30,881	21,572
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, represented by bank balances and cash	47,899	19,758
	<hr/> <hr/>	<hr/> <hr/>

1. BASIS OF PREPARATION

On 24 June 2004, the Company became the holding company of the Group through a group reorganisation, details of which are further set out in the section headed "Corporate reorganisation" in Appendix V of the prospectus of the Company dated 30 June 2004 (the "Prospectus"). Accordingly, the condensed consolidated income statement and condensed consolidated cash flow statement have been prepared as if the current group structure had been in existence since 1 January 2003, or since the respective dates of incorporation or registration of the companies now comprising the Group where this is a shorter period. The condensed consolidated balance sheet of the Group as at 31 December 2003 have been prepared to present the assets and liabilities of the Group as at that date as if the current group structure had been in existence at that date.

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed by the Group's audited financial information for the year ended 31 December 2003 as set out in the accountants' report included in the Prospectus.

3. SEGMENTAL INFORMATION

The Group is principally engaged in property brokering services in the PRC.

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 and majority of the assets of the Group are located in the PRC.

4. PROFIT FROM OPERATIONS

Six months ended 30 June	
2004	2003
HK\$'000	HK\$'000

Profit from operations has been arrived at after charging (crediting):

Depreciation and amortisation	2,996	1,425
Interest income	(24)	(13)
Rental income	(240)	(138)
	<u>2,732</u>	<u>1,274</u>

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	-	-
PRC income tax	<u>4,120</u>	<u>2,221</u>
	4,120	2,221
Deferred tax		
Current year	<u>1,667</u>	<u>342</u>
	<u>5,787</u>	<u>2,563</u>

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

Subject to the approval by the relevant tax authority, certain of the Group's subsidiaries in the PRC are only required to pay the PRC income tax on predetermined tax rate at 2% to 4% on turnover during the period (six months ended 30 June 2003: 3% to 4%). The predetermined tax rate is agreed and determined between such enterprises and the PRC tax bureau of local government and is subject to annual review and renewal.

For the periods ended 30 June 2004 and 30 June 2003, subsidiaries in Hong Kong had no assessable profits.

The charge for the periods can be reconciled to the profit per the income statement as follows:

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	<u>28,304</u>	<u>15,083</u>
Tax at the applicable rate of 33%	9,340	4,977
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	(3,765)	(2,623)
Tax effect of tax loss not recognised	<u>212</u>	<u>209</u>
Tax charge for the period	<u>5,787</u>	<u>2,563</u>

6. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation. However, for the six months ended 30 June 2003, dividends were paid by a subsidiary to its then shareholders prior to the Group Reorganisation.

The rates of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

On 23 September 2004, the Directors have resolved to declare an interim dividend of HK3 cents per share for the six months ended 30 June 2004. The interim dividend will be payable on or about 3 November 2004 to shareholders whose names appear on the register of members of the Company on 21 October 2004.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
<i>Earnings:</i>		
Earnings for the purpose of basic earnings per share (net profit for the period)	19,375	11,716
<i>Effect of dilutive potential ordinary shares:</i>		
Interest on convertible notes	<u>180</u>	<u>180</u>
Earnings for the purpose of diluted earnings per share	<u>19,555</u>	<u>11,896</u>
<i>Number of shares:</i>		
Number of shares for the purpose of basic earnings per share	117,000,000	117,000,000
<i>Effect of dilutive potential ordinary shares:</i>		
Convertible notes	<u>18,000,000</u>	<u>18,000,000</u>
Weighted average number of shares for the purposes of diluted earnings per share	<u>135,000,000</u>	<u>135,000,000</u>

8. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the period, the Group spent approximately HK\$9,002,000, mainly on leasehold improvement of offices and branches.

9. TRADE RECEIVABLES

The Group allows its customers with credit period normally ranging from 30 to 90 days.

The aging analysis of trade receivables is as follows:

	30.6.2004	31.12.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	19,684	24,587
31 – 60 days	5,937	6,689
61 – 90 days	4,060	2,130
Over 90 days	4,844	228
	34,525	33,634

10. BORROWINGS

During the period, the Group obtained new bank loans in the amount of approximately HK\$6.6 million. The loans bear interest at market rates and have fixed terms of repayment.

11. CONVERTIBLE NOTES

A subsidiary issued convertible notes in February 2002. The convertible notes are unsecured and bear interest at 3% per annum payable quarterly in arrears. The convertible notes shall automatically be converted into ordinary shares of the Company in aggregate equivalent to 10% of the issued share capital of the Company as enlarged by the conversion of convertible notes upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("Listing Shares") before over-allotment option. The value of the Listing Shares, based on their offer price offered in the Prospectus, to be issued and allotted upon conversion shall not be less than HK\$14,500,000. In the event that such value is less than HK\$14,500,000, the notes issuer undertakes to pay a sum equal to the amount of short fall within seven days from the date of listing of the Company's share on The Stock Exchange of Hong Kong Limited.

The convertible notes had been subsequently converted into 18,000,000 ordinary shares of the Company upon its listing on 15 July 2004.

12. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of HK\$15,085,000 to banks to secure bank borrowings of the Group.

13. POST BALANCE SHEET EVENT

On 13 July 2004, 45,000,000 new shares were issued at an issue price of HK\$1.50 each prior to the listing of the Company's shares on the Main Board of the SEHK on 15 July 2004. On 15 July 2004, the Company issue 18,000,000 new shares upon the conversion of the convertible notes as described in note 11.

BUSINESS REVIEW

Benefited from the improving living standard in China and the steady growth of its real estate market, the Group recorded excellent performance during the period under review. Its total turnover reached HK\$61.9 million, representing an increase of 67% over HK\$37 million reported in the corresponding period last year. Net profit increased by 65% to HK\$19.3 million (2003: HK\$11.7 million). During the period, the net profit margin remained satisfactory. For this, the Group maintained economies of scale by taking on more primary property projects with its operational expenses basically remained as fixed nature.

During the period under review, primary property real estate agency service remained as a major income driver of the Group, contributing 71% to its turnover (2003: 57%). Turnover generated from this sector reached HK\$43.8 million from HK\$21.2 million last year with an increase of 106%. In addition to the primary property real estate agency service, the Group also expanded its service to the secondary property market. This segment contributed 25% (2003: 29%) to the Group's turnover for the period in 2004 to reach HK\$15.3 million (2003: HK\$10.8 million).

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

Primary Property Real Estate Agency Business

The high-flying economy in China in terms of continuously rising level of national income and consumption power of the Chinese population were all contributing factors to the satisfactory results of the Group's primary property real estate agency business. During the period, the Group, being the sole sales agent of more than 35 primary property projects, had sold properties of a total floor area of over 8.5 million sq.ft.

In the first half of 2004, the sales of the widely popular projects, such as Hui Jing New City (匯景新城), Guang Da Garden (光大花園), Nanguo Olympic Garden (南國奧園), Dongguan Jiang Nan Garden (東莞江南世家) and Tianjin Olympic Garden (天津奧園), received overwhelming result despite upward adjustments in property price. This was also reflected by the unmet demand over supply at certain times. New projects launched this year recorded outstanding results as well. Over 90% of the 400 units of Wonderland (四季花城) launched by Wanke Group (萬科集團) were sold on the first day of sale. The number of units sold of Mainland Lake Garden (美林湖畔花園) in Guangzhou exceeded 1,100 during the 7-day Labour Day holiday in May for which the Group achieved sales record of residential property in Guangzhou over that period.

The Group also set up branch offices in Tianjin, Foshan and Dongguan in order to expand its presence other than Guangzhou. Its Wuhan branch in Hubei is expected to start full operation soon. Leveraging the Group's long-term relationship with major property developers across the country, the Groups successfully seized sole distribution right of a number of sizable property projects including in Foshan, Tianjin and Dongguan. The turnover generated outside Guangdong constituted 33% of the Group's turnover.

Secondary Property Real Estate Agency Business

Armed with an optimum brand reputation, the Group has actively developed its secondary property real estate agency business in recent years and achieved satisfactory results. It completed over 2,500 transactions during the period and increased the number of branches in Guangzhou from 21 last year to 26 this year. The turnover from this sector increased by about 42% to HK\$15.3 million compared with HK\$10.8 million of the previous period.

PROSPECTS

Looking ahead, the Group expects to see continuous steady growth of the real estate market in China. To grasp the robust market opportunities, the Group will further enhance its brand recognition "Hopefluent" through organizing various marketing activities, including exhibitions and seminars in both Hong Kong and the PRC.

In the primary property real estate market, the Group will continue to expand its agency business into other provinces. The Group plans to set up new branches in cities including Beijing, Shanghai, Changsha, Jinan and Nanning to boost its agency and consultancy business. Currently, the Group has around 70 agency service projects now on hand.

To target for the promising secondary property real estate market, the Group had opened 26 branches in Guangzhou up till the mid of September 2004. To match its business growth in line with that of the secondary real estate market, the Group plans to further increase the number of its branches in Guangzhou to 50 this year. Moreover, the Group also intends to expand the business to outside Guangzhou and has already established a branch for secondary property market in Foshan. In Shanghai, the Group will develop both the primary and secondary markets and target to open three new branches there this year.

The Group believes, with a clear and well-directed development plan, it will be able to capitalize on the emerging opportunities from the ever-growing China market and maximize returns to shareholders.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee"), comprising the three existing independent non-executive directors, with written terms of reference in compliance with the Code of Best Practice, as set out in Appendix 14 to the Listing Rules. The Committee has reviewed the unaudited interim results for the six months ended 30 June 2004 including the accounting, internal control and financial reporting issues. At the request of the Directors, the Group's external auditors, Deloitte Touche Tohmatsu, has carried out a review of the unaudited interim financial statements for the six months ended 30 June 2004 in accordance with the Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports" issued by HKICPA.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2004, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK\$47.8 million (31 December 2003: HK\$30.8 million) and 2.17 (31 December 2003: 1.86) respectively. Total borrowings amounted to approximately HK\$21.7 million (31 December 2003: HK\$15.5 million), comprising secured bank loans and convertible notes. The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 14.1% (31 December 2003: 12.3%). The Group's borrowings are primarily denominated in Hong Kong Dollars and Renminbi. The Group had no material contingent liabilities as at 30 June 2004.

PLEDGE OF ASSETS

At 30 June 2004, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of HK\$15,085,000 to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

As at 30 June 2004, the Group had approximately 900 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

CAPITAL STRUCTURE

Upon listing of shares of the Company on SEHK since the Listing Date, the capital structure of the Company comprises 180,000,000 shares of HK\$0.01 each as a result of the Share Offer, the Capitalisation Issue and the conversion of the Notes as stated in the Prospectus of the Company.

USE OF PROCEEDS

The Group raised approximately net proceeds of HK\$52 million for the new issue of shares as stated in the Prospectus. These net proceeds are earmarked to be used in the ways as planned in the Prospectus.

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

Following completion of the Share Offer and the Capitalisation Issue as stated in the Prospectus of the Company, the interests of the directors, chief executives and their associates in the share capital of the Company or its associated corporations (within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code") in the Listing Rules were as follows:-

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

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

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

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

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

All interests in shares stated above represent long position.

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

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

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

Save as disclosed above, as at the date of this report, 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors and chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares in/or debt securities, including debentures of the Company or any other body corporate.

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

Following completion of the Share Offer, the Capitalisation Issue and the conversion of the Notes as stated in the Prospectus of the Company, 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 (<i>Note 1</i>)	91,800,000	51.000%
Mr. Fu (<i>Note 2</i>)	99,900,000	55.500%
Elm Vale Ltd	17,325,000	9.625%
Pan Asia (Cayman) and Pan Asia Fund II (<i>Note 3</i>)	18,000,000	10.000%

Notes:

- These 91,800,000 shares are registered in the name of Fu's Family Limited, the entire issued share capital of which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan and 15% by Ms. Fu Man. Under the SFO, Mr. Fu is deemed to be interested in all the shares registered in the name of Fu's Family Limited.
- Apart from his interest in Fu's Family Limited, Mr. Fu is also interested in the entire issued share capital of China-net Holding Ltd. which holds 8,100,000 shares. Under the SFO, Mr. Fu is deemed to be interested in these 8,100,000 shares held by China-net Holding Ltd..
- The entire issued share capital of Elm Vale Ltd. is held by Pan Asia Special Opportunities Fund (Cayman) ("Pan Asia (Cayman)").

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

All the interests in shares stated above represent long position.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 October 2004 to 21 October 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the abovementioned interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:30 p.m. on 18 October 2004.

SHARE OPTION

No option has been granted under the company's share option scheme since its adoption.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE OF BEST PRACTICE AND MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE") OF THE LISTING RULES

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not at any time since the Listing Date, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

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

By Order of the Board of Directors
FU Wai Chung
Chairman

Hong Kong, 23 September 2004

Deloitte.

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INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF HOPEFLUENT GROUP HOLDINGS LIMITED (the “Company”)

(incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 8.

Directors’ responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 “Engagements to Review Interim Financial Reports” (“SAS 700”) issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquires of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2004.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the six months ended 30 June 2003 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 September 2004