



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

06

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

		Six months ended 30 June	
		2006	2005
		(unaudited)	(unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
	Turnover	199,749	112,836
	Other income	2,067	570
	Selling expenses	(30,597)	(15,697)
	Administrative expenses	(120,563)	(64,523)
	Share of results of a jointly controlled entity	–	972
	Finance costs	(217)	(168)
		<hr/>	<hr/>
	Profit before taxation	50,439	33,990
	Income tax expense	(11,381)	(7,233)
		<hr/>	<hr/>
	Profit for the period	39,058	26,757
		<hr/>	<hr/>
	Attributable to:		
	– Equity holders of the Company	34,395	23,292
	– Minority interests	4,663	3,465
		<hr/>	<hr/>
		39,058	26,757
		<hr/>	<hr/>
	Dividends	9,868	6,790
		<hr/>	<hr/>
	Earnings per share		
	– Basic	HK15.68 cents	HK12.04 cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	Notes	30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		1,610	1,610
Property, plant and equipment	8	131,096	119,645
Goodwill		2,371	2,371
		<u>135,077</u>	<u>123,626</u>
CURRENT ASSETS			
Trade receivables	9	98,946	93,944
Other receivables and prepayments		39,372	28,639
Bank balances and cash		161,486	173,251
		<u>299,804</u>	<u>295,834</u>
CURRENT LIABILITIES			
Other payables and accruals		38,720	56,337
Tax liabilities		23,960	16,860
Secured bank borrowings – due within one year		7,600	7,600
		<u>70,280</u>	<u>80,797</u>
NET CURRENT ASSETS		<u>229,524</u>	<u>215,037</u>
CAPITAL AND RESERVES			
Share capital	10	2,193	2,193
Reserves		312,171	290,934
Equity attributable to Equity Holders of the Company		<u>314,364</u>	<u>293,127</u>
Minority Interests		36,831	31,662
		<u>351,195</u>	<u>324,789</u>
NON-CURRENT LIABILITIES			
Secured bank borrowings – due after one year		803	1,205
Deferred tax liabilities		12,603	12,669
		<u>13,406</u>	<u>13,874</u>
		<u>364,601</u>	<u>338,663</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Attributable to equity holders of the Company								
	Share capital	Share premium	Special reserve	Statutory surplus reserve	Translation reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	1,800	75,064	5,760	13,224	-	80,025	175,873	13,929	189,802
Exchange difference on translation of foreign operations	-	-	-	-	3,510	-	3,510	351	3,861
Profit for the period	-	-	-	-	-	23,292	23,292	3,465	26,757
Total recognised income for the period	-	-	-	-	3,510	23,292	26,802	3,816	30,618
Issue of shares at premium	140	19,180	-	-	-	-	19,320	-	19,320
Share issue expenses	-	(70)	-	-	-	-	(70)	-	(70)
Acquired on acquisition of subsidiaries	-	-	-	-	-	1,043	1,043	4,534	5,577
Dividends	-	-	-	-	-	(9,700)	(9,700)	(540)	(10,240)
At 30 June 2005	1,940	94,174	5,760	13,224	3,510	94,660	213,268	21,739	235,007
Profit for the period – total recognised income for the period	-	-	-	-	-	35,157	35,157	6,991	42,148
Issue of shares	253	54,142	-	-	-	-	54,395	-	54,395
Share issue expenses	-	(975)	-	-	-	-	(975)	-	(975)
Acquired on acquisition of subsidiaries	-	-	-	-	-	(1,043)	(1,043)	(2,869)	(3,912)
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	(182)	(182)
New subsidiaries set up during the year	-	-	-	-	-	-	-	6,416	6,416
Transfer	-	-	-	5,697	-	(5,697)	-	-	-
Dividends	-	-	-	-	-	(7,675)	(7,675)	(433)	(8,108)
At 31 December 2005	2,193	147,341	5,760	18,921	3,510	115,402	293,127	31,662	324,789
Profit for the period – total recognised income for the period	-	-	-	-	-	34,395	34,395	4,663	39,058
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	(72)	(72)
New subsidiaries set up during the year	-	-	-	-	-	-	-	1,273	1,273
Dividends	-	-	-	-	-	(13,158)	(13,158)	(695)	(13,853)
At 30 June 2006	2,193	147,341	5,760	18,921	3,510	136,639	314,364	36,831	351,195

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	22,847	14,009
Net cash used in investing activities	(21,629)	(30,433)
Net cash (used in) from financing activities	(12,983)	13,154
Net decrease in cash and cash equivalents	(11,765)	(3,270)
Cash and cash equivalents at beginning of the period	173,251	119,409
Cash and cash equivalents at end of the period, represented by bank balances and cash	161,486	116,139

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting period beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not yet early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 "Share-based Payments" ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

3. SEGMENTAL 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 People's Republic of China (the "PRC").

4. INCOME TAX EXPENSE

The charges for both periods represent PRC Enterprises Income Tax ("EIT") for those periods.

EIT is provided on the estimated assessable profits of the Group's subsidiaries in the PRC in accordance with the laws and regulations in the PRC at 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 6.8% on turnover during the period (six months ended 30 June 2005: 2% to 6.8%). The predetermined tax rate is agreed and determined between such enterprises and the PRC tax bureau of local government and is subject to annual review and renewal.

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

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	11,122	5,729
Impairment on trade receivables	532	112
Interest income	(1,016)	(209)
Rental income	(339)	(260)
	10,309	5,372

6. DIVIDENDS

On 19 September 2006, the Directors have resolved to declare an interim dividend of HK4.5 cents per share for the six months ended 30 June 2006. The interim dividend will be payable on or about 2 November 2006 to shareholders whose names appear on the register of members of the Company on 25 October 2006.

Interim dividend of HK3.5 cents per share was paid for the six months ended 30 June 2005.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the profit for the period attributable to equity holders of the Company of approximately HK\$34,395,000 (1 January 2005 to 30 June 2005: HK\$23,292,000) and on 219,300,000 (1 January 2005 to 30 June 2005: 193,386,301) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2006 have been presented as there were no potential ordinary shares outstanding during the period.

8. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the six months ended 30 June 2006, the Group spent approximately HK\$22,573,000, mainly on leasehold improvement and equipment of offices and branches.

9. TRADE RECEIVABLES

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

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

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
0 – 30 days	35,732	51,539
31 – 60 days	40,332	14,392
61 – 90 days	13,086	12,733
91 – 120 days	4,447	10,049
Over 120 days	5,349	5,231
	98,946	93,944

10. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 January 2005, 31 December 2005 and 30 June 2006	8,000,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 January 2005	180,000,000	1,800
Issue of shares by private placement under general mandate	39,300,000	393
Ordinary shares of HK\$0.01 each at 31 December 2005 and 30 June 2006	219,300,000	2,193

11. PLEDGE OF ASSETS

At 30 June 2006, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK\$31.5 million to banks to secure bank borrowings of the Group.

BUSINESS REVIEW

In the first half of 2006, there were both challenges and opportunities in the property market in Mainland China. The Chinese Government introduced series of macroeconomic austerity measures, which created pressure on the market as well as buying sentiment. During the period, the Group diligently followed its set expansion strategy including actively developing both primary and secondary real estate agency service businesses in major cities and enhancing its complimentary services. Thus it recorded satisfactory results. In the six months ended 30 June 2006, the Group's turnover was HK\$199,700,000, 77% more than the HK\$112,800,000 it made in the same period last year. Profit attributable to shareholders increased by 48% from HK\$23,300,000 in the last corresponding period to HK\$34,400,000. Basic earnings per share were HK15.68 cents (2005: HK12.04 cents).

During the review period, primary property real estate agency service business continued to be the Group's major revenue source, bringing in turnover of HK\$119,500,000 and accounting for 57% of the Group's total turnover (2005: 68%). As for secondary property real estate agency service business, it generated turnover of HK\$75,900,000 and accounted for 36% (2005: 31%) of the Group's total turnover. The remaining 7% was derived from the Group's other businesses. By regions, Guangzhou contributed 67% of the Group's total turnover and about 33% came from outside Guangzhou.

Primary Property Real Estate Agency Service

During the six-month period, the Group was the sole agent of around 100 property projects and handled transactions of amount totaling approximately HK\$10 billion, and over 14 million sq ft in total floor area were sold. Among them, more than 20 projects, including Vanke Golden Home (萬科金色家園), reported encouraging sales. The Group continued to be the sole agent of continuing property projects.

The Group continued to be the leading provider of primary property real estate agency service in Guangzhou and Dongguan, boasting the highest total sales and number of transactions among all players. Trusted by developers, the Group was appointed the sole agent for many quality property projects, including Favorview Palace (匯景新城), Everbright Riverside (光大花園), Citic Post Chateau (中信君庭), Park Rise (鵝園), Whampoa Garden (黃埔花園) and JunLin TianXia (君林天下) in Guangzhou, and Gemdale Green Town (金地格林小城), Dong Jun Palace (東駿豪苑) and Vanke City Golf Garden (萬科城市高爾夫花園) in Dongguan. And sales in Guangzhou alone accounted for 54% of the Group's primary property sales, while sales from outside Guangzhou accounted for 46%.

Apart from Guangzhou and Dongguan, the Group has been actively expanding its primary property real estate agency service business to other regions. During the review period, the Group was appointed as the sole agent of a number of property projects in Foshan, including Vanke Wonderland (萬科四季花城), Vanke Golden Home (萬科金色家園), Upper East Side Villa (桂畔上東別墅) and Asia International Furniture City (亞洲國際傢俱城). In Shanghai, the market is recovering from the impacts of government austerity measures, as reflected in the stabilizing property prices and transaction volume. The Group had a good start in the adjusted Shanghai primary property market and is confident of the prospects of the market.

The Group currently has offices in 17 cities across China. During the review period, new offices were set up in Hunan, Jinan, Hefei, Kunming, Chongqing, Dalian and Urumqi.

The Group also offered initial project planning services to more than 40 property projects. In addition to major cities like Guangzhou, Shanghai and Beijing, the Group's business network spans more than 20 cities including Huhehot in Inner Mongolia, Sanya in Hainan and Urumqi in Xinjiang.

Secondary Property Real Estate Agency Service

During the period under review, the Group's secondary property real estate agency service business continued to expand. The number of secondary property agency service branches grew from 104 at the end of June 2005 to approximately 180 to date, achieving the full year target set by the Group at the beginning of the year. Guangzhou remained the core development base of the Group served by 153 branches. Hopefluent is currently the largest secondary property real estate agent with the most branches in Guangzhou. It also has 15, 9 and 5 branches in Shanghai, Nanning and Foshan respectively.

In the first six months of this year, the Group handled over 9,000 secondary property transactions, approximately 70% more when compared to 5,300 transactions in the corresponding period last year. The rapid growth in the number of transactions is a reflection of the flourishing secondary property market in China, particularly in Guangzhou.

Other Businesses

As for its property management business, the Group provided quality property management services to over 30 residential and commercial projects and shopping arcades during the period under review. More than 20,000 units occupying a total gross floor area of over 10,000,000 sq. ft were involved. The Group also provided to customers a range of other real estate related services including mortgage referral, property valuation and property auction, etc.

PROSPECTS

In the past two years, the Chinese Government had launched rounds of macroeconomic austerity measures including land, taxation and credit policies to curb property speculation and clamp property price rise, thereby foster a more orderly property market. These measures are paying off. The policies implemented have optimized the overall management and sales practices of the property market, making it more transparent and giving both developers and buyers a better system to follow.

Concerned with the impact of the macroeconomic control measures, buyers have been very cautious, adopting a wait-and-see attitude towards the market. With the Government having spelt out in detail its different policies, buyer jittery has been cleared. Sentiment in the property market in Mainland China has turned for the better, and the market has ample supply adequate for meeting growing demand. With more than 180 projects on hand, the Group expects satisfactory growth for its primary property real estate agency service business in the second half of the year. It will continue to expand its business footprint to cover cities including Xian in Shaanxi, Taiyuan in Shanxi and Nanchang in Jiangxi. It targets to increase its primary property real estate agency service base to 20 cities by the end of the year.

Regarding the secondary real estate agency service business, in the past few months, the market had been adjusting to and absorbing the impact of the Government imposing tax on transfer of secondary properties. Buying power that had built up during that period is gradually released and more active transactions are registered. The Group expects sound performance from its secondary property real estate agency service business in the fourth quarter of the year. Furthermore, the Group will seek to consolidate its operation in Guangzhou, its key development base, and expand business in other regions heeding conditions in specific localities. It targets to bring the number of service branches to more than 200.

Looking to the future, riding on its solid business foundation and extensive industry experience, Hopefluent will continue its dual focus on primary and secondary property real estate agency service businesses and strive to provide customers with premium quality agency services and consultancy. Our goal is to actively expand our market share, maintain stable growth and ultimately bring the satisfactory returns to shareholders.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee"), comprising the three existing independent non-executive directors, which has reviewed the unaudited interim results for the six months ended 30 June 2006 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, 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\$161.5 million (31 December 2005: HK\$173.3 million) and 4.27 (31 December 2005: 3.66) respectively. Total borrowings amounted to approximately HK\$8.4 million (31 December 2005: HK\$8.8 million), comprising secured bank loans. The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 1.9% (31 December 2005: 2.1%). The Group's borrowings are primarily denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2006.

PLEDGE OF ASSETS

At 30 June 2006, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK\$31.5 million to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

As at 30 June 2006, the Group had approximately 5,200 full time employees. Around 7 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

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

As at 30 June 2006, 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	94,902,000 (Note)	43.27%

Note: These 94,902,000 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 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 30 June 2006, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code of the Listing Rules.

Subsequent to 30 June 2006, the total deemed corporate interests of Mr. Fu increased to 43.42% due to acquisition of shares by Fu's Family Limited.

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

As at 30 June 2006, 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)	94,902,000	43.27%
Mr. Fu (Note 2)	94,902,000	43.27%
Value Partners Limited (Note 3)	23,738,000	10.82%
Cheah Cheng Hye (Note 4)	23,738,000	10.82%

Notes:

1. These 94,902,000 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. Value Partners Limited is in its capacity as an investment manager. The shares are held by the funds under its management.
4. 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 30 June 2006, the Company had not been notified of any person's interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

Subsequent to 30 June 2006, Fu's Family Limited increased its shareholding in the Company to 43.42%.

Subsequent to 30 June 2006, Value Partners Limited increased its shareholding in the Company to 11.04%.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 October 2006 to 25 October 2006, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 20 October 2006.

SHARE OPTION

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

During the six months ended 30 June 2006, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Subsequent to the publication of the Corporate Governance Report in the 2005 annual report, a new set of articles of association has been adopted in the annual general meeting on 1 June 2006 in order to comply with the Code, especially the director retirement requirements under the Code.

Further Information About Chairman and Chief Executive Officer

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

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

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

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code for the period ended 30 June 2006 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

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

Hong Kong, 19 September 2006