2005
Interim Report

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June 2005 (unaudited) HK$'000	30 June 2004 (unaudited) HK$'000
Turnover		**112,836**	61,927
Other operating income		**570**	376
Selling expenses		**(15,697)**	(3,251)
Administrative expenses		**(64,523)**	(30,568)
Finance costs		**(168)**	(318)
Share of results of a jointly controlled entity		**972**	138
Profit before taxation	5	**33,990**	28,304
Taxation	6	**(7,233)**	(5,787)
Profit for the period		**26,757**	22,517
Minority interest		**(3,465)**	(3,142)
Net profits attributable to shareholders		**23,292**	19,375
Attributable to			
– Equity holders of the parent		**23,292**	19,375
– Minority interests		**3,465**	3,142
Net profit for the period		**26,757**	22,517
Dividends	7	**6,790**	5,400
Earnings per share (HK)	8		
– Basic		**12.04 cents**	16.56 cents
– Diluted		**N/A**	14.48 cents

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2005

	Notes	30 June 2005 (unaudited) HK$'000	31 December 2004 (audited) HK$'000
NON-CURRENT ASSETS			
Investment properties		1,564	1,564
Property, plant and equipment	9	97,359	70,896
Interest in a jointly controlled entity		5,287	4,315
		104,210	76,775
CURRENT ASSETS			
Trade receivables	10	41,082	45,364
Other receivables and prepayments		16,972	9,773
Bank balances and cash		116,139	119,409
		174,193	174,546
CURRENT LIABILITIES			
Other payables and accruals		13,691	29,411
Taxation payable		12,969	11,121
Secured bank borrowings – due within one year		7,385	7,385
		34,045	47,917
NET CURRENT ASSETS		140,148	126,629
TOTAL ASSETS LESS CURRENT LIABILITIES		244,358	203,404
SHARE CAPITAL AND RESERVES			
Share capital	11	1,940	1,800
Reserves		207,818	174,073
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		209,758	175,873
MINORITY INTEREST		21,388	13,929
TOTAL EQUITY		231,146	189,802
NON-CURRENT LIABILITIES			
Secured bank borrowings – due after one year		1,562	1,952
Deferred taxation		11,650	11,650
		13,212	13,602
		244,358	203,404

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Attributable to equity holders of the parent							
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Statutory surplus reserve HK$'000	Accu-mulated profits HK$'000	Total HK$'000	Minority interest HK$'000	Total HK$'000
At 1 January 2004	1,170	–	4,590	13,641	47,984	67,385	7,594	74,979
Profit for the period	–	–	–	–	19,375	19,375	3,142	22,517
At 30 June 2004	1,170	–	4,590	13,641	67,359	86,760	10,736	97,496
Issue of shares	450	67,050	–	–	–	67,500	–	67,500
Share issue expenses	–	(14,206)	–	–	–	(14,206)	–	(14,206)
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	11,820	–	–	–	12,000	–	12,000
Released on disposal of a subsidiary	–	–	–	(5,209)	5,209	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	(257)	(257)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	1,104	1,104
Purchase of addition interest in subsidiaries	–	–	–	–	–	–	(1,038)	(1,038)
Profit for the period	–	–	–	–	29,219	29,219	4,329	33,548
Transfer	–	–	–	4,792	(4,792)	–	–	–
Dividends (note 7)	–	–	–	–	(5,400)	(5,400)	(945)	(6,345)
At 31 December 2004	1,800	63,494	5,760	13,224	91,595	175,873	13,929	189,802
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
Profit for the period	–	–	–	–	23,292	23,292	3,465	26,757
Dividends (note 7)	–	–	–	–	(9,700)	(9,700)	(540)	(10,240)
At 30 June 2005	**1,940**	**82,604**	**5,760**	**13,224**	**106,230**	**209,758**	**21,388**	**231,146**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	For the six months ended	
	30.6.2005	30.6.2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Net cash from operating activities	**14,009**	20,702
Net cash used in investing activities	**(30,433)**	(8,920)
Net cash from financing activities	**13,154**	5,236
Net (decrease) increase in cash and cash equivalents	**(3,270)**	17,018
Cash and cash equivalents at beginning of the period	**119,409**	30,881
Cash and cash equivalents at end of the period, represented by bank balances and cash	**116,139**	47,899

Notes to the Condensed Financial Statements

For the six months ended 30 June 2005

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 (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard (the "HKAS") 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 under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, 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 1 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:

(i) *"Business Combinations"*

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

Goodwill

The Group has applied the relevant transition provision in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. As a result of this change in accounting policy, no amortization of goodwill has been charged in the current period. Comparative figures for 2004 are not required to be restated.

(ii) *Owner-occupied leasehold interest in land*

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and is stated at cost less depreciation and amortisation at the balance sheet date. In the current period, 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. Where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

(iii) Investment properties

In previous periods, the Group's investment properties 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 revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. In the current period, 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 the profit or loss for the period in which they arise. The Group has also applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. Because the Group did not have any investment property revaluation reserve at 1 January 2005, the adoption of HKAS 40 did not result in any transfer between the reserve accounts.

The Group has not early applied the following new standards or 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 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – Int 4	Determining whether an Arrangement Contains a Lease
HKFRS – Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

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 period are as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Goodwill no longer amortised	**94**	–
Increase in profit for the period	**94**	–

Analysis of increase in profit for the period by line items presented according to their functions:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Decrease in administrative expenses	**94**	–
	94	–

The application of the new HKFRSs has had no effect to the Group's equity at 1 January 2004 and 2005.

4. 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 PRC.

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Depreciation and amortisation	**5,729**	2,996
Interest income	**(209)**	(24)
Rental income	**(260)**	(240)

6. TAXATION

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprises Income Tax	**7,233**	4,120
	7,233	4,120
Deferred tax:		
Current year	**–**	1,667
	7,233	5,787

Enterprises Income Tax 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 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.

For the periods ended 30 June 2005 and 30 June 2004, subsidiaries in Hong Kong had no assessable profits.

7. DIVIDENDS

On 21 September 2005, the Directors have resolved to declare an interim dividend of HK3.5 cents per share for the six months ended 30 June 2005. The interim dividend will be payable on or about 3 November 2005 to shareholders whose names appear on the register of members of the Company on 26 October 2005.

Interim dividend of HK3 cents per share was paid for the six months ended 30 June 2004.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the equity holders of the parent for the periods is based on the following data:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Earnings:		
Net profit attributable to the equity holders of the parent for the period for the purpose of basic earnings per share	**23,292**	19,375
Effect of dilutive potential ordinary shares: Interest on convertible notes	**N/A**	180
Net profit attributable to the equity holders of the parent	**N/A**	19,555
	2005	2004
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	**193,386,301**	117,000,000
Effect of dilutive potential ordinary shares: Convertible notes	**–**	18,000,000
Weighted average number of shares for the purposes of diluted earnings per share	**N/A**	135,000,000

No diluted earnings per share for the six months ended 30 June 2005 have been presented as there were no potential ordinary shares outstanding during the period.

9. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the six months ended 30 June 2005, the Group spent approximately HK$29,450,000, mainly on leasehold improvement and equipment of offices and branches.

10. 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:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
0 – 30 days	**19,988**	26,024
31 – 60 days	**13,445**	6,893
61 – 90 days	**5,469**	7,381
Over 90 days	**2,180**	5,066
	41,082	45,364

11. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2005 and 30 June 2005	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 as a result of share placement	14,000,000	140
Ordinary shares of HK$0.01 each at 30 June 2005	194,000,000	1,940

12. PLEDGE OF ASSETS

At 30 June 2005, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK$19 million to banks to secure bank borrowings of the Group.

13. POST BALANCE SHEET EVENT

On 10 August 2005, Sino Estate Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into the acquisition agreement with Rich People Investments Limited pursuant to which Sino Estate would acquire a further 40% interest in Asia Asset Property Services Limited at a consideration of HK$4 million to be settled in cash. Upon the completion of the acquisition, Asia Asset Property Services Limited will become a 80%-owned subsidiary of the Company.

BUSINESS REVIEW

The Group reported excellent performance during the period under review. Its total turnover reached HK$112.8 million, representing an increase of 82% over the HK$61.9 million reported in the corresponding period last year. Net profit increased 20% to HK$23.3 million (2004: HK$19.3 million). Net profit margin decreased from last year's 31% to 21% this year. This was the result of the robust growth of secondary real estate agency service, which led to the vast increase in its business proportion and consequently diluted the overall profit margin.

During the period under review, primary property real estate agency service remained as a major income driver of the Group. Accounting for 68% of the Group's total turnover (2004: 71%), the revenue generated from this sector reached HK$81 million, an increase of 64% over the same period last year. The Group also actively expanded its secondary property real estate agency service operation during the period. Turnover from this segment recorded a substantial growth of 143% from HK$15.3 million in the corresponding period in 2004 to HK$37.3 million in 2005, accounting for 31% of the Group's total turnover (2004: 25%).

During the review period, the Group's selling expenses in advertising and commission increased as a result of the expansion of secondary real estate agency service. In addition, the administration expenses in salary and rental also increased, as the number of branches increased from 26 as at 30 June 2004 to 97 as at 30 June 2005 and staff increased from about 900 as at 30 June 2004 to about 2,000 as at 30 June 2005.

Primary Property Real Estate Agency Business

The PRC economy maintained overall healthy growth in the first half of 2005. The rising national income, improving living standard and growing demand for better living environment all contributed to the robust growth of the property market. Although the Chinese government implemented marcoeconomic austerity measures, their impact was minimal on southern cities like Guangzhou where the property market was user driven. The Group's effort in expanding its primary property real estate agency service in various cities also helped in generating satisfactory return. During the period, the Group, being the sole agent of more than 68 primary property projects, sold property of a total floor area over 10 million sq.ft.

In the first half of 2005, sales of widely popular projects, such as Hui Jing New City (匯景新城), Guang Da Garden (光大花園), Citic Garden (中信君庭), Wonderland (萬科四季花城), Dongguan Jiang Nan Garden (東莞江南世家), Dongguan Goldfield Ge Lin City (東莞金地格林小城), Shunde Santo Bay (順德聖淘灣) and Asia International Furniture Material City (亞洲國際傢俱材料城) etc., remained strong despite upward adjustments in property prices. The sales value of Hui Jing New City (匯景新城) exceeded HK$500 million and new projects launched this year recorded outstanding results as well.

To expand its presence in China, in addition to Guangzhou, Hopefluent also set up offices in Beijing, Shandong, Henan and Nanjing during the period. Currently, the Group has market presence in 14 cities. Revenue generated outside Guangzhou constituted 39% of the Group's turnover.

Secondary Property Real Estate Agency Business
Sharing the same robust trend of the primary property market, the number of transactions in the secondary property market also experienced brisk growth. To seize market opportunities, the Group drew full reference from its existing customer base and increased the number of branches from 59 in 2004 to 104 in 2005, of which 93 branches were in Guangzhou, 2 and 9 branches were in Foshan and Shanghai respectively. During the reporting period, our secondary property real estate agency service developed rapidly. The Group delivered an outstanding record boasting over 5,300 secondary property transactions in the first half this year.

PROSPECTS
Looking ahead, boosted by the remarkable growth of the Chinese economy and the immense business opportunities presented by the impending 2008 Beijing Olympics, the Group sees continuous steady development for the property market in the PRC. The recent revaluation of the Renminbi has also incited investment sentiments, impacting positively on the overall property market.

In the primary property market, the Group will proactively expand its business. It plans to set up new branches in cities including Anhui, Hunan and Kunming in the coming six months to secure more agency business and consultancy contracts in these regions. Currently, the Group has approximately 110 projects on hand.

Targeting the potential rich secondary property market, Hopefluent will increase the number of branches in Guangzhou to approximately 120 this year to enhance its competitiveness. In addition to Guangzhou, the Group also plans to expand its secondary property business into Dongguan and Nanning in the second half this year making the best use of its well–established primary property market customer base.

Other than focusing on developing its primary and secondary property real estate agency services, the Group will actively develop other businesses that promise synergy. 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 mainly engages in property development in Guangzhou and Shanghai, providing property management services. Currently, this company runs over 20 property agency and management projects in Guangzhou, Shanghai and Wuhan, etc, and manages approximately 10,000 units, including Moon Lake Villa and Garden View Tower in Shanghai and Liana's Bay and Whampoa Garden in Guangzhou, etc. The Directors believe that the business of Asia Asset can help foster closer ties between the Group and various property developers, which can enhance the development of its primary and secondary property real estate agency services.

Armed with a unique business model and boasting brilliant prospects, the Group appealed to some renowned institutional investors. In January 2005, the Group issued 14 million new shares to Value Partners Limited, which became one of the strategic investors of Hopefluent. Value Partners further increased its shareholding afterwards. Currently, it holds 12% interests in the Group. It shows that our strengths are widely recognized by these renowned institutional investors.

The Group believes, with its profound industry experience and well-directed development plan, it will be able to capitalize on the emerging opportunities in the ever-growing China market, and achieve outstanding results and maximize returns to its 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 2005 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2005, 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$116.1 million (31 December 2004: HK$119.4 million) and 5.12 (31 December 2004: 3.64) respectively. Total borrowings amounted to approximately HK$8.9 million (31 December 2004: HK$9.3 million), comprising secured bank loans. The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 3.2% (31 December 2004: 3.7%). The Group's borrowings are primarily denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2005.

PLEDGE OF ASSETS

At 30 June 2005, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK$19 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 2005, the Group had approximately 2,000 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.

CAPITAL STRUCTURE

Upon listing of shares of the Company on the Stock Exchange since 15 July 2004, 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. In January 2005, the number of issued shares was increased to 194,000,000 after the top-up subscription exercised by the existing shareholder of the Company for 14,000,000 the then new shares at HK$1.38 each following the placing of existing shares to investors not connected with the Company and its connected persons.

USE OF PROCEEDS

The Group raised approximately net proceeds of HK$52 million from the new issue of shares at the time of its listing on the Stock Exchange in July 2004 as stated in the Prospectus. These net proceeds have been used in the ways as planed in the Prospectus.

In January 2005, the Group raised approximately net proceeds of HK$19 million from the 14,000,000 new shares issued to investors not connected with the Company and its connected persons. These net proceeds are used as working capital of the Group.

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 2005, 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	92,000,000 *(Note 1)*	47.42%
	Corporate	6,100,000 *(Note 2)*	3.14%
Lo Yat Fung ("Mr. Lo")	Corporate	6,100,000 *(Note 3)*	3.14%

Note 1: These 92,000,000 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 6,100,000 shares are registered in the name of China-net Holding Ltd. which is wholly held by Mr. Fu.

Note 3: These 6,100,000 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 30 June 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.

Subsequent to 30 June 2005, the total deemed corporate interests of Mr. Fu and Mr. Lo reduced to 49.1% and 1.6% respectively following the sale of 3,000,000 shares by each of them to an investor not connected with the Company and its connected persons.

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 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)*	92,000,000	47.42%
Mr. Fu *(Note 2)*	98,100,000	50.57%
Elm Vale Ltd	15,055,000	7.76%
Pan Asia Special Opportunities Fund (Cayman) *(Note 3)*	15,055,000	7.76%
Value Partners Limited *(Note 4)*	23,112,000	11.91%
Cheah Cheng Hye *(Note 5)*	23,112,000	11.91%

Notes:

1. These 92,000,000 shares are registered in the name of Fu's Family Limited, the entire issued share capital of which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan and 15% by Ms. Fu Man. Under the SFO, Mr. Fu is deemed to be interested in all the shares registered in the name of Fu's Family Limited.

2. Apart from his interest in Fu's Family Limited, Mr. Fu is also interested in the entire issued share capital of China-net Holding Ltd. which holds 6,100,000 shares. Under the SFO, Mr. Fu is deemed to be interested in these 6,100,000 shares held by China-net Holding Ltd..

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

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 31.58% interest in Value Partners Limited.

All the interests in shares stated above represent long position.

Save as disclosed above, as at 30 June 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.

Subsequent to 30 June 2005, Value Partners Limited increased its shareholding in the Group to 12%.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 October 2005 to 26 October 2005, 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 21 October 2005.

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 ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

On 1 January 2005, the Code of Best Practice was replaced by the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 of the Listing Rules.

During the period, the Company is committed to achieve high standards of corporate governance and has been regularly reviewing and enhancing the corporate governance practices of the Group including, amongst others, to set up the remuneration committee to monitor the Group's remuneration policy. In addition, the Directors will propose certain amendments to be made to the articles of association for approval by the shareholders at the next general meeting of the Company to comply with the code provision that every director should be subject to retirement by rotation at least once every three years.

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 2005 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, 21 September 2005