



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 that, 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.

Management Discussion and Analysis

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.