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Hopefluent Group Holdings Limited

合富輝煌集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 733)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The board of directors (the “Directors” or “Board”) of Hopefluent Group Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2011, together with comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Turnover	3	1,611,013	1,327,796
Other income		6,691	4,979
Selling expenses		(1,073,235)	(742,979)
Administrative expenses		(350,613)	(328,380)
Other expenses		(4,368)	(3,483)
Share of losses of an associate		(1,298)	—
Finance costs	5	(3,091)	(3,006)
Profit before tax		185,099	254,927
Income tax expense	6	(50,304)	(78,584)
Profit for the year	7	134,795	176,343
Other comprehensive income			
Exchange differences arising on translation		37,320	24,825
Total comprehensive income for the year		172,115	201,168
Profit for the year attributable to:			
Owners of the Company		134,274	171,494
Non-controlling interests		521	4,849
		134,795	176,343
Total comprehensive income attributable to:			
Owners of the Company		171,062	195,330
Non-controlling interests		1,053	5,838
		172,115	201,168
Earnings per share	9		(restated)
— Basic		HK29.3 cents	HK41.5 cents
— Diluted		HK29.0 cents	HK41.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		34,439	33,021
Property, plant and equipment		299,209	252,767
Goodwill		15,781	15,608
Interest in an associate		141,825	137,230
		<hr/> 491,254 <hr/>	<hr/> 438,626 <hr/>
CURRENT ASSETS			
Accounts receivables	<i>10</i>	467,535	307,298
Other receivables and prepayment		50,833	66,658
Held for trading investments		453	1,234
Bank balances and cash		329,875	396,508
		<hr/> 848,696 <hr/>	<hr/> 771,698 <hr/>
CURRENT LIABILITIES			
Payables and accruals	<i>11</i>	127,188	134,808
Tax liabilities		63,569	64,497
Bank borrowings		53,457	40,235
		<hr/> 244,214 <hr/>	<hr/> 239,540 <hr/>
NET CURRENT ASSETS		<hr/> 604,482 <hr/>	<hr/> 532,158 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,095,736 <hr/>	<hr/> 970,784 <hr/>
CAPITAL AND RESERVES			
Share capital		4,593	3,805
Share premium and reserves		1,038,189	919,759
		<hr/> 1,042,782 <hr/>	<hr/> 923,564 <hr/>
Equity attributable to owners of the Company		1,042,782	923,564
Non-controlling interests		28,765	25,573
		<hr/> 1,071,547 <hr/>	<hr/> 949,137 <hr/>
TOTAL EQUITY		<hr/> 1,071,547 <hr/>	<hr/> 949,137 <hr/>
NON-CURRENT LIABILITY			
Deferred tax liabilities		24,189	21,647
		<hr/> 1,095,736 <hr/>	<hr/> 970,784 <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi (“RMB”). The directors selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

Amendments to HKFRSs HKAS 24 (as revised in 2009)	Improvements to HKFRSs issued in 2010 Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets ¹
Amendments to HKFRS 7 and HKFRS 9	Disclosures — Offsetting Financial Assets and Financial Liabilities ² Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ⁵
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets ⁴
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁶
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 January 2012.

⁵ Effective for annual periods beginning on or after 1 July 2012.

⁶ Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future is not expected to have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. Except for HKFRS 12, the directors anticipate that the adoption of the remaining standards in the future will not have significant impact to the Group.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may not affect the amounts reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. If the presumption is not rebutted, deferred tax regarding the Group's investment properties will be measured on the basis that the carrying amounts are to be recovered through sale.

The directors of the Company anticipate that the application of other new or revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. TURNOVER

Turnover represents agency commission and services income received and receivable from outside customers for the sales of properties in the PRC net of business tax and other taxes. An analysis of the Group's revenue for the year is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Agency commission	1,567,669	1,291,020
Service income	142,061	114,542
Less: Business tax and other taxes	(98,717)	(77,766)
	<u>1,611,013</u>	<u>1,327,796</u>

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group is organised into three business divisions including primary property real estate agency services, secondary property real estate agency services and property management services which form the Group's three operating segments. Primary property real estate agency is the provision of first hand real estate services to property developers. Secondary property real estate agency is the provision of real estate services to individuals or companies. Property management is the provision of building management services to property owners.

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2011

	Primary property real estate agency <i>HK\$'000</i>	Secondary property real estate agency <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>966,195</u>	<u>510,625</u>	<u>134,193</u>	<u>1,611,013</u>
Segment profit	<u>194,400</u>	<u>14,662</u>	<u>2,188</u>	211,250
Other income				6,691
Central administrative costs				(28,453)
Share of losses of an associate				(1,298)
Finance costs				<u>(3,091)</u>
Profit before tax				185,099
Income tax expense				<u>(50,304)</u>
Profit for the year				<u>134,795</u>

For the year ended 31 December 2010

	Primary property real estate agency <i>HK\$'000</i>	Secondary property real estate agency <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>762,774</u>	<u>457,127</u>	<u>107,895</u>	<u>1,327,796</u>
Segment profit	<u>220,022</u>	<u>47,534</u>	<u>558</u>	268,114
Other income				4,979
Central administrative costs				(15,160)
Finance costs				<u>(3,006)</u>
Profit before tax				254,927
Income tax expense				<u>(78,584)</u>
Profit for the year				<u>176,343</u>

5. FINANCE COSTS

The amount represents interest on bank borrowings wholly repayable within five years.

6. INCOME TAX EXPENSE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
PRC Enterprises Income Tax ("EIT")	49,297	77,724
Deferred tax	1,007	860
	<u>50,304</u>	<u>78,584</u>

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Certain of the Group's subsidiaries operating in the PRC are required to pay the PRC income tax on a deemed profit basis at a predetermined tax rate of 2.5% to 5.0% (2010: 2.5% to 6.0%) on turnover during the current year. The predetermined tax rate is agreed and determined between each PRC subsidiary and respective 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 consolidated financial statements as the Group has no assessable profits in Hong Kong for both years.

7. PROFIT FOR THE YEAR

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	61,487	49,565
Impairment on accounts receivables	439	4,088
Loss on fair value changes of held for trading investments (included in administrative expenses)	667	317
Loss on disposal and write-off property, plant and equipment (included in administrative expenses)	782	203
and after crediting:		
Bank interest income (included in other income)	1,338	1,050
Net rental income in respect of premises, net of negligible outgoings (included in other income)	2,614	1,286
	<u>2,614</u>	<u>1,286</u>

8. DIVIDENDS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2011 Interim — HK3.5 cents per share (2010: 2010 Interim — HK4 cents per share)	16,077	13,790
2010 Final — HK11 cents per share (2010: 2009 Final — HK9 cents per share)	42,038	26,640
	<u>58,115</u>	<u>40,430</u>

The final dividend of HK5.5 cents in respect of the year ended 31 December 2011 (2010: final dividend of HK11 cents in respect of the year ended 31 December 2010) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

Earnings

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u>134,274</u>	<u>171,494</u>

Number of shares

	2011 <i>'000</i>	2010 <i>'000</i> (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	458,891	413,422
Effect of dilutive potential ordinary shares — Share options	<u>3,566</u>	<u>3,211</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>462,457</u>	<u>416,633</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2011 and 2010 have been adjusted for the bonus issue on 9 June 2011 and 4 October 2010 respectively.

10. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 30 to 120 days to its customers. The aged analysis of accounts receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Accounts receivables		
0–30 days	195,445	129,478
31–60 days	154,234	64,159
61–90 days	74,543	64,625
91–120 days	29,542	35,095
121–180 days	<u>13,771</u>	<u>13,941</u>
	<u>467,535</u>	<u>307,298</u>

11. PAYABLES AND ACCRUALS

The payables and accruals mainly comprise deposits received, receipts in advance, accrued salary and other sundry creditors.

BUSINESS REVIEW

The PRC property market experienced many challenges in 2011. The property market underwent substantial consolidation, under the influence of an uncertain global economy, austerity measures launched by the PRC Central Government along with a notable decline in consumer confidence. In response, the overall operations of the Group underwent restructuring. Fortunately, the Group has built a strong business foundation in first-tier cities, plus our stable development strategy and strong branding, we managed to take advantage of market trends and tap opportunities in second- and third-tier cities. During the year, the Group expanded its market share and became a nationwide property agency. Despite market volatility during the year, the Group recorded a relatively stable performance.

For the year ended 31 December 2011, the Group recorded a turnover of HK\$1,611 million, up by 21% against HK\$1,328 million in 2010. Profit attributable to shareholders was HK\$134.3 million (2010 profit attributable to shareholders: HK\$171.5 million). Basic earnings per share were HK29.3 cents (2010 basic earnings per share restated: HK41.5 cents). The Board recommended the payment of a final dividend of HK5.5 cents per share for the year ended 31 December 2011 (2010: HK11 cents). The final dividend will be paid in form of scrip but the shareholders can choose to receive such dividend in cash. (An interim dividend of HK3.5 cents per share for the six months ended 30 June 2011 was paid.)

During the year under review, the Group's primary and secondary property real estate agency service businesses brought in a turnover of HK\$966.2 million and HK\$510.6 million respectively, accounting for 60% and 32% of the Group's total turnover. The remaining 8% or HK\$134.2 million was derived from property management business. By geographic location, Guangzhou contributed about 48% of the Group's total turnover and about 52% came from outside Guangzhou.

Primary Property Real Estate Agency and Consultancy Services

During the year under review, the Group handled approximately 98,900 primary property transactions involving a total gross floor area of about 10 million square meters with a total transaction value of about HK\$94.5 billion, an increase of around 26% compared to approximately HK\$75.0 billion last year. In 2011, the Group was agent for more than 500 projects and about 440 of them contributed turnover to the Group amounting to approximately HK\$966.2 million, a 27% rise when compared to HK\$762.8 million in 2010. By geographic location, Guangzhou accounted for about 34% of the total turnover from the primary property real estate agency service business and about 66% came from outside Guangzhou.

During the year, the Group continued to expand its property real estate agency business in the primary market, and proactively explored opportunities in other cities. Riding on its strong brand and highly professional agency service, the Group continued to enlarge its market share in districts that have outstanding development potential including Anhui, Guizhou, Hunan and Shandong provinces and the group has achieved remarkable success. Although first- and second-tier cities were affected by the austerity measures to a larger extent, the negative news has been gradually absorbed by the market and since the demand for property remained strong, the transaction volume in first- and second-tier cities began to revive in the fourth quarter of 2011. Through our comprehensive network, the Group has strived to expand its coverage into other regions during the year under review, with the aim to further increase its market share and become one of the leading real estate agency businesses within the PRC's primary property market.

During the year, the Group continued to work closely with major property developers and was appointed as the sole agency for substantial amount of projects with excellent sales. Noteworthy among these are the Guangzhou luxury residential projects: Riviera, Virtue Court and Favorview Palace, Asian Games City, The Agile Cambridgeshire, and City of Poly, as well as others nearby including Dongguan Vanke Rainbow Park and Foshan Citic Lake. Major projects in other locations where the Group has secured sole agency are Hefei Evergrande City, Shanghai Pudong Star River, Tianjin Rhine Town, Zhengzhou Tuscany, and Guiyang Skyfame City, etc. This success is tangible recognition by both customers and developers alike of the Group's professional sales and service capabilities.

Another strength of the Group is its comprehensive initial project consultancy services to property developers spanning the entire planning process from professional advice on location and market positioning to marketing strategies and sales. During the year under review, the Group provided initial project planning services to more than 100 development projects.

Secondary Property Real Estate Agency and Mortgage Referral Services

The Group's real estate agencies have handled about 51,200 secondary property transactions in 2011, a slight increase when compared to the approximately 50,100 transactions in 2010. Due to expansion of scope of business to commercial projects and the sales of primary projects, turnover from the secondary property real estate agency service increased 12% from approximately HK\$457.1 million in 2010 to approximately HK\$510.6 million. Transactions from Guangzhou contributed 75% of the total turnover from secondary property real estate agency business while 25% came from outside Guangzhou.

Compared to the primary property segment, the secondary property real estate agency service business was hit more seriously by the adverse market conditions during the year under review. In particular, the introduction of property purchase restriction measure by the government caused the sales volume of secondary property real estate to shrink dramatically. The Group quickly and decisively responded by adjusting its secondary property real estate agency service business. Apart from reducing the number of branches and staffs to control costs, the Group has taken a more active role in commercial property sales and leasing services to mobilise a wide range of client resources, while aggressively assigning its secondary property agency team to the selling of the primary property projects to broaden its sources of income.

In addition to providing property agency services, the Group also offers other property related value-added services to customers including mortgage referral service, property valuation and property auction. These services not only provide an additional income stream to the Group, but also help to strengthen its brand image and create synergies.

Property Management Service

Within its property management business, the Group has provided property management service to about 100 residential, office and commercial projects in Guangzhou, Shanghai, Tianjin and Wuhan involving more than 100,000 units covering more than 12 million square metres of total gross floor area during the year under review. This business has brought stable income and profit to the Group which would support the future expansion of the Group.

Prospects

From late 2011, the adjustment of PRC property prices have attracted more buyers to purchase properties for their own use. Stepping into the beginning of 2012, the market is expected to become more active with the transaction volume gradually picked up.

For its primary property real estate agency service business, riding on its successful experience and excellent track record of sales, the Group has built up close partnerships with leading developers and has gradually become the first choice of property sales agent for developers and customers to achieve a mutually beneficial situation for all parties. To date, the Group has confirmed partnerships with renowned developers and projects including Vanke, Evergrande, Poly, Gemdale, King Gold Group, Citic, Agile Property, KWG Property, Kaisa, Star River, New World China Land, Sun Hung Kai Properties and Shui On China Central Properties in 2012. The Group is also striving to secure more agency projects and to expand its coverage and market share in China.

For its secondary property real estate agency service business, the Group continues to develop its business following the general guideline of expanding its income stream while reducing expenditure. Capitalising on our abundant operating experience and extensive customer network, the Group is confident it can boost its market share and strengthen its presence in the secondary property market amid the very challenging environment.

Looking ahead, the Group remains optimistic about the long-term development prospects of the PRC property market. The Group will prudently steer the development of its operation and impose more stringent cost controls to ensure the stability of its businesses and bolster its industry leadership position. By timely adjusting its strategies to ensure it provides the best quality services, the Group strongly believes it will be able to seize opportunities in order to bring satisfactory long-term returns to its shareholders.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three existing independent non-executive directors, has reviewed the audited financial statements for the year ended 31 December 2011 including the accounting, internal controls and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, 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\$329.9 million (31 December 2010: HK\$396.5 million) and 3.48 (31 December 2010: 3.22) respectively. Total borrowings amounted to approximately HK\$53.5 million which are secured bank borrowings (31 December 2010: approximately HK\$40.2 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 3.99% (31 December 2010: 3.32%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 31 December 2011.

PLEDGE OF ASSETS

As at 31 December 2011, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK\$82 million to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

As at 31 December 2011, the Group had approximately 11,400 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

As at 31 December 2011, the total number of shares (the Shares) of HK\$0.01 each in the capital of the Company in issue was 459,338,400.

DIVIDEND

The Board of Directors has decided to recommend the payment of a final dividend of HK5.5 cents per share (the "Proposed Final Dividend") (2010: HK11 cents per share) for the year ended 31 December 2011. Including the interim dividend of HK3.5 cents per share paid on 3 October 2011, the total dividend for the year ended 31 December 2011 will amount to HK9 per share (2010: HK15 cents per share).

The Proposed Final Dividend will be paid in the form of a scrip dividend with shareholders of the Company (the "Shareholders") being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) Shareholders' approval of the Proposed Final Dividend at the Company's forthcoming annual general meeting (the "2012 AGM"); and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. The Proposed Final Dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about 29 June 2012 (Friday) to the Shareholders whose names appear on the register of members of the Company on 24 May 2012 (Thursday) ("the Record Date for Dividend").

On condition that the Proposed Final Dividend is approved by the Shareholders at the 2012 AGM, a circular containing details of the Scrip Dividend Scheme and the relevant election form will be despatched to the Shareholders of the Company as soon as practicable after the Record Date for Dividend.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

- (i) from 14 May 2012 (Monday) to 16 May 2012 (Wednesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2012 Annual General Meeting. In order to be eligible to attend and vote at the 2012 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration 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 for registration no later than 4:30 p.m. on 11 May 2012 (Friday); and
- (ii) from 22 May 2012 (Tuesday) to 24 May 2012 (Thursday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the Proposed Final Dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration 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 for registration no later than 4:30 p.m. on 21 May 2012 (Monday).

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

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

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not during the year ended 31 December 2011 in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except the following deviation (Code Provision A.2.1):

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 monitored by the executive directors as well as the senior management.

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

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 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation for the support of our customers and shareholders. Thanks also to the staff members of the Group for their commitment and dedicated services throughout the year.

PUBLICATION OF DETAILED ANNUAL RESULTS ON STOCK EXCHANGE’S WEBSITE

The 2011 annual report containing all the information required by the Listing Rules will be released on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hopefluent.com) and dispatched to shareholders in due course.

2012 ANNUAL GENERAL MEETING

It is proposed that the 2012 Annual General Meeting of the Company will be held on 16 May 2012 (Wednesday). A notice convening the 2012 Annual General Meeting will be released on the websites of the Stock Exchange and the Company and will be dispatched to the shareholders of the Company accordingly.

By Order of the Board of Directors
FU Wai Chung
Chairman

Hong Kong, 22 March 2012

As at the date of this announcement, 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.