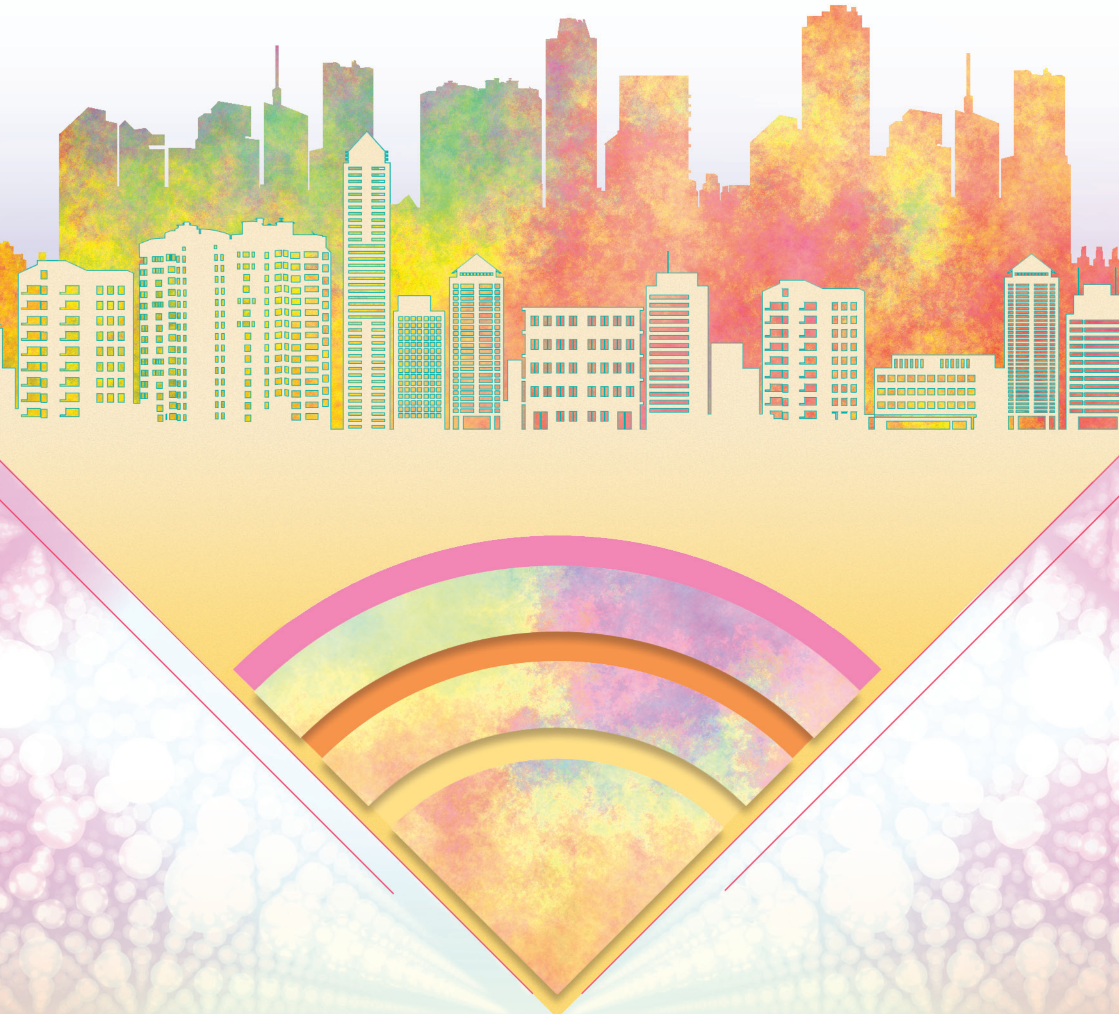
Hopefluent Group Holdings Limited

合富輝煌集團控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 733



Interim Report **2018**

The board of directors (the "Directors") of Hopefluent Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018, together with comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	**Six months ended 30 June 2018 (unaudited) HK$'000**	Six months ended 30 June 2017 (unaudited) HK$'000
Turnover	3	**2,421,201**	2,247,348
Other income		**6,265**	7,799
Selling expenses		**(1,792,098)**	(1,660,349)
Administrative expenses		**(420,373)**	(396,782)
Share of loss of a joint venture		**–**	(790)
Finance costs	4	**(18,983)**	(14,951)
Profit before tax		**196,012**	182,275
Income tax expense	5	**(55,990)**	(54,882)
Profit for the period	6	**140,022**	127,393
Attributable to:			
— Owners of the Company		**137,512**	121,588
— Non-controlling interests		**2,510**	5,805
		140,022	127,393
Dividends	7	**30,060**	30,060
Earnings per share	8		
— Basic		**HK20.59 cents**	HK18.20 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June **2018** **HK$'000**	 2017 HK$'000
Profit for the period	**140,022**	127,393
Other comprehensive (expense) income for the period		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation	**(38,546)**	67,752
Total comprehensive income for the period	**101,476**	195,145
Total comprehensive (expense) income attributable to:		
— Owners of the Company	**102,714**	188,521
— Non-controlling interests	**(1,238)**	6,624
	101,476	195,145

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 (unaudited) HK$'000	31 December 2017 (audited) HK$'000
NON-CURRENT ASSETS			
Investment properties		**99,979**	94,060
Property, plant and equipment	9	**277,871**	246,306
Deposits for acquisition of investment properties		**51,239**	51,239
Goodwill		**15,403**	15,403
Interest in a joint venture		**611**	611
Loan receivables		**282,382**	408,243
		727,485	815,862
CURRENT ASSETS			
Accounts receivables	10	**1,529,250**	1,259,339
Loan receivables		**875,915**	716,461
Other receivables and prepayments		**231,739**	257,235
Amount due from a joint venture		**4,874**	4,874
Held for trading investments		**21,506**	6,849
Bank balances and cash		**1,014,178**	1,331,323
		3,677,462	3,576,081
Assets classified as held for sale		**2,749**	24,051
		3,680,211	3,600,132
CURRENT LIABILITIES			
Payables and accruals	11	**446,440**	519,322
Tax liabilities		**144,548**	111,889
Bank and other borrowings		**637,372**	589,454
		1,228,360	1,220,665
NET CURRENT ASSETS		**2,451,851**	2,379,467
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,179,336**	3,195,329
CAPITAL AND RESERVES			
Share capital	12	**6,680**	6,680
Share premium and reserves		**2,925,300**	2,825,096
Equity attributable to owners of the Company		**2,931,980**	2,831,776
Non-controlling interests		**27,800**	26,528
TOTAL EQUITY		**2,959,780**	2,858,304
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**61,419**	62,774
Other borrowings		**158,137**	274,251
		219,556	337,025
		3,179,336	3,195,329

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Statutory surplus reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Property revaluation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017 (audited)	6,680	751,202	26,565	104,872	(92,525)	–	5,527	1,584,106	2,386,427	42,434	2,428,861
Other comprehensive income for the period	–	–	–	–	66,933	–	–	–	66,933	819	67,752
Profit for the period	–	–	–	–	–	–	–	121,588	121,588	5,805	127,393
Total comprehensive income for the period	–	–	–	–	66,933	–	–	121,588	188,521	6,624	195,145
Dividends recognised as distribution	–	(60,120)	–	–	–	–	–	–	(60,120)	–	(60,120)
At 30 June 2017 (unaudited)	6,680	691,082	26,565	104,872	(25,592)	–	5,527	1,705,694	2,514,828	49,058	2,563,886
Other comprehensive income for the period	–	–	–	–	111,735	–	–	–	111,735	156	111,891
Profit (loss) for the period	–	–	–	–	–	–	–	215,206	215,206	(564)	214,642
Total comprehensive income (expense) for the period	–	–	–	–	111,735	–	–	215,206	326,941	(408)	326,533
Dividends recognised as distribution	–	(30,060)	–	–	–	–	–	–	(30,060)	–	(30,060)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	59	59
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	10,420	–	(2,962)	–	–	12,609	20,067	(22,181)	(2,114)
Transfer	–	–	–	8,890	–	–	–	(8,890)	–	–	–
At 31 December 2017 (audited)	6,680	661,022	36,985	113,762	83,181	–	5,527	1,924,619	2,831,776	26,528	2,858,304
Other comprehensive income for the period	–	–	–	–	(37,308)	–	–	–	(37,308)	(1,238)	(38,546)
Profit for the period	–	–	–	–	–	–	–	137,512	137,512	2,510	140,022
Total comprehensive income for the period	–	–	–	–	(37,308)	–	–	137,512	100,204	1,272	101,476
At 30 June 2018 (unaudited)	6,680	661,022	36,985	113,762	45,873	–	5,527	2,062,131	2,931,980	27,800	2,959,780

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net cash used in operating activities	**(164,652)**	(76,632)
Net cash used in investing activities	**(52,406)**	(41,558)
Net cash (used in) from financing activities	**(87,181)**	65,720
Net decrease in cash and cash equivalents	**(304,239)**	(52,470)
Cash and cash equivalents at beginning of the period	**1,331,323**	1,677,281
Effect of foreign exchange rate changes	**(12,906)**	44,428
Cash and cash equivalents at end of the period, represented by bank balances and cash	**1,014,178**	1,669,239

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as 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 "Listing Rules").

2. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9")

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Taking into account the changes in accounting policies arising from initial application of HKFRS 9, the executive directors of the Company considered that the initial application of HKFRS 9 has no material impact to the condensed consolidated financial statements of the Group.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue" ("HKAS 18"), HKAS 11 "Construction Contracts" ("HKAS 11") and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

Taking into account the changes in accounting policy arising from initial application of HKFRS 15, the directors of the Company considered that the initial application of HKFRS 15 has no material impact to the condensed consolidated financial statements of the Group.

3. 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 four business divisions including primary property real estate agency services, secondary property real estate agency services, financial services and property management services which form the Group's four 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 secondary real estate services to customers. Financial services is the provision of mortgage referral and loan financing services to individuals or companies. Property management is the provision of building management services to property owners and residents.

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

	Six months ended 30 June 2018 (unaudited)				
	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Financial services HK$'000	Property management HK$'000	Total HK$'000
Segment revenue (Note i)	1,520,013	562,355	72,146	266,687	2,421,201
Segment profit	193,796	10,124	24,636	16,127	244,683
Other income					6,265
Central administrative costs					(35,953)
Finance costs					(18,983)
Profit before tax					196,012
Income tax expense					(55,990)
Profit for the period					140,022

Note i: The Group derives its revenue from (1) real estate agency services in the primary market at a point in time, (2) real estate agency services in the secondary market at a point in time, (3) interest income from financial services market over time, and (4) property management services income over time during the period.

3. SEGMENT INFORMATION (continued)

	Six months ended 30 June 2017 (unaudited)				
	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Financial services HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	1,383,699	597,346	52,306	213,997	2,247,348
Segment profit	179,677	19,311	12,258	18,823	230,069
Other income					7,799
Central administrative costs					(39,852)
Share of loss of a joint venture					(790)
Finance costs					(14,951)
Profit before tax					182,275
Income tax expense					(54,882)
Profit for the period					127,393

Segment profit represents the profit earned by each segment without allocation of other income, central administrative costs including directors' emoluments, share of loss of a joint venture and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Interest on bank and other borrowings	**18,983**	14,951

5. INCOME TAX EXPENSE

The tax charges for both periods represent the People's Republic of China (the "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 25%.

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% (six months ended 30 June 2017: 2.5%) on turnover during the current period. 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 tax is payable on the profit for the period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward for current period. No provision for Hong Kong Profits Tax had been made in prior period in the consolidated financial statements as the Group had no assessable profits in Hong Kong in prior period.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**26,234**	28,516
Impairment on accounts receivables	**8,464**	6,615
Bank interest income	**(5,392)**	(6,052)
Net rental income in respect of premises, net of negligible outgoings	**(2,662)**	(1,978)

7. DIVIDENDS

An interim dividend of HK4.5 cents per share in respect of the six months ended 30 June 2018 (2017: HK4.5 cents per share) was declared by the board of directors of the Company on 29 August 2018. This interim dividend, amounting to HK$30,060,000 (2017: HK$30,060,000), has not been recognised as a liability in these condensed consolidated financial statements. The interim dividend will be payable to shareholders whose names appear on the register of members of the Company on 28 September 2018.

A final dividend of HK9.5 cents per share in respect of the year ended 31 December 2017 (2016: HK9 cents per share in respect of the year ended 31 December 2016), total of which equivalent to HK$63,460,000 (2016: HK$60,120,000) were proposed and approved by the shareholders in the annual general meeting held on 22 June 2018 and was distributed on 26 July 2018.

8. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to owners of the Company)	**137,512**	121,588

Number of shares

	Six months ended 30 June	
	2018	2017
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**667,999**	667,999

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group spent approximately HK$58 million, mainly on leasehold improvement, equipment of offices and branches and vehicles.

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:

	30 June	31 December
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(audited)
Accounts receivables		
0–30 days	**626,864**	635,399
31–60 days	**188,557**	202,359
61–90 days	**144,068**	128,790
91–120 days	**117,558**	115,116
Over 120 days	**452,203**	177,675
	1,529,250	1,259,339

11. PAYABLES AND ACCRUALS

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

12. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 30 June 2018	8,000,000,000	80,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 30 June 2018	667,998,808	6,680

13. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at			
	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)	Fair value hierarchy	Valuation techniques and key inputs
Equity securities listed in the PRC classified as held for trading investments	**21,506**	6,849	Level 1	Quoted bid prices in an active market

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their corresponding fair values.

14. OPERATING LEASES

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises and shops of HK$129,092,000 during the period (for the year ended 31 December 2017: HK$207,150,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within one year	**219,122**	181,180
In the second to fifth year inclusive	**443,995**	374,723
Over five years	**164,246**	51,116
	827,363	607,019

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated and rentals are fixed for lease terms of one to ten years (for the year ended 31 December 2017: one to ten years).

The Group as lessor

Property rental income, net of negligible outgoings, earned during the period was HK$2,662,000 (for the year ended 31 December 2017: HK$6,014,000). All of the investment properties held have committed tenants for the next one to eight years (for the year ended 31 December 2017: one to eight years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within one year	**6,046**	3,616
In the second to fifth year inclusive	**8,977**	7,253
Over five years	**725**	–
	15,748	10,869

BUSINESS REVIEW

I. Market Review for the First Half of 2018

In the first half of 2018, the property industry in China continued to develop under the guiding principle of "homes are for residence, not for speculation". Various macroeconomic control policies that were launched, such as restrictions on purchase, mortgage and sales, have mitigated the adverse impact of rising property prices to people's livelihood, and effectively suppressed the potential bubble from rocketing property prices. Combined with the strict supervision and control by the government, initial results have been seen as the entire property market of China has gradually achieved a better balance between supply and demand. In the first half of this year, the increase in property prices has slowed down with buyers and sellers becoming more rational.

While the Chinese economy and society have steadily moved towards a "new era". For property development, the Group believes the key is to balance the development of various industries in cities and facilitate upgrade of the industry through property control, so that "value of properties" and "value of cities" can grow in complementary fashion. As a leading property agency in China, Hopefluent places great emphasis on mutual growth with the "realm of cities", by utilizing its up-to-date marketing capabilities and rich experience, in order to achieve business growth in different periods through flexible deployment and expansion of its four major businesses.

II. Overall Business Review

During the period under review, the Group has captured the opportunities presented by industry consolidation and continued to satisfy a range of diversified property needs in the market through providing comprehensive services and in-depth interaction, and building a platform for property services, trading and data collection. The primary and secondary property real estate agency services businesses, financial services business and property management business have all performed well. All recorded increases exceeding the industry average, which testified to its leading presence in the industry and outstanding capabilities.

As at 30 June 2018, the Group recorded a turnover of HK$2,421.2 million, approximately 8% higher than the same period last year (2017: HK$2,247.3 million). Profit attributable to shareholders increased by approximately 13% to HK$137.5 million from the last corresponding period (2017: HK$121.6 million). Basic earnings per share were HK20.59 cents (2017: HK18.20 cents), and the board of Directors has resolved to declare an interim dividend of HK4.5 cents per share (2017: HK4.5 cents).

The primary and secondary property real estate agency services businesses of the Group registered turnover of HK$1,520.0 million and HK$562.4 million respectively, accounting for 63% and 23% of its total turnover. The turnover from the financial services business was HK$72.1 million, accounting for 3% of the Group's total. The remaining 11% or HK$266.7 million was derived from the property management business and other businesses. By geographical location, business in Guangzhou accounted for about 49% of the Group's total turnover, while around 51% came from businesses outside Guangzhou. Total new home sales for the first half of 2018 amounted to approximately HK$186 billion. The total gross floor area sold was around 15 million square meters.

1. *Primary Property Real Estate Agency Services Business Sustained Leadership in China's Property Market and Made Further Progress through Combining Strengths*

In 2018, notwithstanding the more stringent and more innovative austerity policies for the property market and the expanding coverage of related measures, the Group's primary property real estate agency services business showed stable growth in both market share and the number of agency projects during the review period as it continued to build a rational nationwide business footprint and optimize its services. Currently, the Group's business network covers more than 150 cities in China and is the agent of more than 1,000 projects. As at 30 June 2018, turnover from primary property real estate agency services business reached HK$1,520.0 million (2017: HK$1,383.7 million), an increase of approximately 10% from the last corresponding period.

The Group continued to enhance a range of Internet-based products, including computer and mobile apps such as iHouseKing (房王網) (www.ihk.cn), He Ji Mai Lou (合記買樓) and HFmoney (合富金融) (www.hfmoney.com). Through adopting the advanced "Internet+" approach, the Group was able to realize online and offline inter-support which has further improved its service standards and operational efficiency, thereby boosting its brand awareness and recognition in China's property market.

2. *Secondary Property Real Estate Agency Services Business Made Satisfactory Progress in Business Expansion and Formed a Solid Foundation for Future Growth*

Performance of the secondary property real estate agency services business was lackluster during the review period. Turnover was HK$562.4 million (2017: HK$597.3 million) from handling around 29,600 secondary property transactions (2017: 32,500 transactions). Growth in China's secondary property market abated in the first half of 2018 due to the in-depth adjustments in the sector. Heeding that trend, the Group has effectively allocated resources targeting different development stages of its business presence across the country. Also supported by the Group's economies of scale and solid and reliable business foundation, the secondary property real estate agency service business nonetheless achieved satisfactory progress in its business expansion.

3. *Financial Services Comply with China's Regulatory Requirements and Showed Steady and Healthy Growth*

China has tightened regulation of the financial sector since 2017, which played an important role in fostering the long term healthy growth of the real estate finance sector. Moderate regulation and industry standardization can improve loan structure and reduce credit risk, and more importantly, strengthen the confidence of consumers in financial service operators, helping to build a healthy and trustworthy industry ecosystem. The Group's diversified products and services have enabled it to satisfy the unique demands from customers. The enhanced service experience it has offered has also facilitated the establishment of close relationships built on mutual trust with customers. These efforts have brought about higher service quality and, subsequently, a greater overall competitive advantage to the Group.

Since its launch, the financial services platform has delivered a steady contribution to the Group's overall revenue. During the period under review, the total transaction value of the Group's financial services reached HK$1.4 billion and turnover was approximately HK$72.1 million (2017: HK$52.3 million), representing a growth of 38% from the corresponding period last year. The Group's financial products boast the features of small amounts, diverse targets, short cycles and controllable risks, which are also the premium benefits that it has been offering to its customers over the years. These features also serve as proof of the Group's outperformance over its rivals in its financial services.

4. *Property Management Service Build Strong Reputation of the Group and Reinforce Brand Image*

The property management business has achieved steady growth during the period. While boosting the Group's overall revenue, this business has maintained a good interactive relationship with the market and has reinforced its brand image. In the first half of 2018, the business segment recorded a turnover of approximately HK$266.7 million, representing an increase of approximately 25% when compared to HK$214.0 million in the same period last year. During the period under review, the Group provided property management services to approximately 300 residential, office and commercial properties in Guangzhou, Shanghai, Tianjin and Wuhan with a total gross floor area exceeding 30 million square meters.

III. Prospects for the Second Half of 2018

Looking ahead to the second half of the year, the implementation of austerity measures for the property market is expected to continue. The government is evaluating the formulation of more long-term policies and a more effective long-term regulatory mechanism. The property price in China is expected to be maintained at a reasonable level. Moreover, state policy still has further room for offering demographic benefits and the market is facing diverse demand. Hence, it is believed that the property market still has growth potential in the second half of the year. Guangzhou and the South China regional markets, which are the key development focus of Hopefluent, are regarded as core regions in China's economic development strategy. Factors such as education welfare, social security and international business activity will continue to drive the inflow of population. In particular, the development initiative of the Guangzhou-Hong Kong-Macau Greater Bay Area will boost the overall housing demand and support the steady rise of property prices and will attract more residents from other regions in China and Hong Kong to purchase properties in the major cities of Guangdong Province. This trend will be more beneficial to the Group's sustainable development in the long term.

While expanding the integrated service chain for property business, Hopefluent has teamed up with Poly Real Estate Group Co., Ltd. ("Poly Real Estate"; Shanghai Stock Exchange stock code: 600048) to consolidate their respective primary and secondary property real estate agency services businesses and set up a joint venture. The business restructuring exercise will significantly enlarge Hopefluent's market share, more effectively utilize the market data and customer resources of both parties, expedite the Group's business development in the major cities in China and therefore enhance their respective core competitiveness. It is believed that, through this merger and restructuring exercise, Hopefluent will take a great leap forward to its goal of becoming a leading property real estate agency enterprise in China.

Post Balance Sheet Event

On 19 July 2018, the shareholders have approved a Cooperation Agreement (as defined below) at an extraordinary meeting which was a cooperation reorganisation agreement ("Cooperation Agreement") entered into by the Company, Hopefluent (Hong Kong) Limited and Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司) ("Poly Real Estate") on 7 May 2018 in relation to the real estate agency business cooperation between the parties, involving, inter alia, the acquisition by 合富輝煌(中國)房地產顧問有限公司 (in English, for identification purpose only, Hopefluent (China) Real Estate Consultancy Co., Ltd.) ("Hopefluent China") of the group of 保利地產投資顧問有限公司 (in English, for identification purpose only, Poly Real Estate Investment Consultancy Co., Ltd.), in consideration for the issue by Hopefluent China of 43.9% of its entire equity interests to Poly Real Estate.

Upon completion of the abovementioned restructuring, Poly Real Estate will own 43.9% of the entire equity interests in Hopefluent China and will become a connected person at the subsidiary level (as defined in the Listing Rules) of the Company. Therefore, the Company entered into a master agreement with Poly Real Estate on 27 July 2018 in relation to a proposed connected transaction and certain proposed continuing connected transactions between the enlarged group and Poly Real Estate and its subsidiaries.

Details of the above have been disclosed in the circular dated 22 June 2018, the announcements dated 19 July 2018, 27 July 2018, 2 August 2018 and 7 August 2018.

AUDIT COMMITTEE

The Company established an audit committee, comprising the three existing independent non-executive directors, which has reviewed the unaudited interim results for the six months ended 30 June 2018 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, 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$1,014.1 million (31 December 2017: HK$1,331.3 million) and 3.00 (31 December 2017: 2.95) respectively. Total borrowing amounted to approximately HK$796 million of which about HK$47 million are secured bank borrowings and about HK$749 million are other borrowings and collateralised borrowings on loan receivables (31 December 2017: approximately HK$864 million of which about HK$114 million are secured bank borrowings and about HK$750 million are other borrowings and collateralised borrowings on loan receivables). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 18.1% (31 December 2017: 19.6%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2018.

PLEDGE OF ASSETS

As at 30 June 2018, the Group pledged its properties and investment properties and, leasehold land and buildings with an aggregate amount of approximately HK$62 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 2018, the Group had approximately 22,800 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.

Apart from those set out above, the current information in other management discussion and analysis has not changed materially from those information disclosed in the last published 2017 annual report.

INTERIM DIVIDEND

On 29 August 2018, the board of Directors (the "Board") have resolved to declare an interim dividend of HK4.5 cents per share of the Company (the "Share(s)") for the six months ended 30 June 2018 (the "Interim Dividend") payable to shareholders of the Company whose names are on the register of members on 28 September 2018. It is expected that the Interim Dividend will be paid on 23 October 2018.

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 2018, 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 share of HK$0.01 each and underlying shares under equity derivatives of the Company:

	Number of shares				
Name of Director	Ordinary shares interests held under personal name	Ordinary shares interests held by controlled corporation/ trust	Underlying shares (under equity derivatives of the Company)	Aggregate interest	Approximate percentage of the issued share capital
Director					
Mr. Fu Wai Chung ("Mr. Fu")	26,984,334	221,902,799 (Note 1)	–	248,887,133	37.26%
Ms. Ng Wan	6,176,334	–	–	6,176,334	0.92%
Mr. Mo Tianquan	–	108,771,037 (Note 2)	–	108,771,037	16.28%

Notes:

(1) These 174,184,799 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 and the remaining 15% by Ms. Fu Man. The remaining 47,718,000 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu.

(2) These shares are held by Fang Holdings Limited (formerly known as SouFun Holdings Limited) as registered holder of shares. Caldstone Enterprises Limited, Seletar Limited and Serangoon Limited are trustees. Next Decade Investments Limited and Media Partner Technology Limited are controlling shareholders of Fang Holdings Limited. Mr. Mo Tianquan is the founder of the trust who is deemed to be interested in these shares.

(ii) Ordinary shares of US$1.00 each in Fu's Family Limited

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

(iii) Ordinary shares of US$1.00 each in China-net Holding Ltd.

Name of director	Number of shares interested	Percentage of shareholding
Fu Wai Chung	100	100%

Share Options

No share options were granted, cancelled, exercised or lapsed during the period.

Save as disclosed above, as at 30 June 2018, 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 and the Stock Exchange pursuant to the Model Code of the Listing Rules.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the annual general meeting held on 6 June 2014 ("2014 annual general meeting") the Company had adopted a new share option scheme (the "Scheme") to replace the old scheme. Under the Scheme, the directors of the Company may, at their discretion, invite employees of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors 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 2014 annual general meeting and subject to renewal with shareholders' approval.

During the period, no share options were granted, cancelled, exercised or lapsed.

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 and/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 2018, 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
Mr. Fu (Note 1)	255,063,467	38.18%
Fu's Family Limited (Note 2)	174,184,799	26.08%
China-net Holding Ltd. (Note 1)	47,718,000	7.14%
Fang Holdings Limited (Note 3)	108,771,037	16.28%
Media Partner Technology Limited (Note 3)	108,771,037	16.28%
Next Decade Investments Limited (Note 3)	108,771,037	16.28%
Mr. Mo Tianquan (Note 3)	108,771,037	16.28%
Caldstone Enterprises Limited (Note 3)	108,771,037	16.28%
Seletar Limited (Note 3)	108,771,037	16.28%
Serangoon Limited (Note 3)	108,771,037	16.28%
Value Partners High-Dividend Stocks Fund	33,844,800	5.06%
Value Partners Group Limited (Note 4)	33,512,000	5.01%

Notes:

1. Under the SFO, Mr. Fu is deemed to be interested in the shares held by Fu's Family Limited and China-net Holding Ltd. Mr. Fu's interests include 174,184,799 shares held through Fu's Family Limited, 26,984,334 shares held by himself and 6,176,334 shares held by his spouse, Ms. Ng Wan, who is also a director of the Company. The remaining 47,718,000 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu.

2. These 174,184,799 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.

3. These shares are held by Fang Holdings Limited (formerly known as SouFun Holdings Limited) as registered holder of shares. Caldstone Enterprises Limited, Seletar Limited and Serangoon Limited are trustees. Next Decade Investments Limited and Media Partner Technology Limited are controlling shareholders of Fang Holdings Limited. Mr. Mo Tianquan is the founder of the trust who is deemed to be interested in these shares.

4. These shares are held by Value Partners Group Limited through Value Partners Hong Kong Limited and Value Partners Limited.

All the interests in shares stated above represent long position.

Save as disclosed above, as at 30 June 2018, the Company had not been notified of any person's interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 September 2018 (Thursday) to 28 September 2018 (Friday), both days inclusive, during which period no transfer of Shares shall be effected. In order to be qualified for the Interim Dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 26 September 2018 (Wednesday).

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 2018, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following deviations (Code Provisions A.2.1 and F.1.1):

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.

Company Secretary

The Company has engaged Mr. Lo Hang Fong, a solicitor practising in Hong Kong, as its company secretary and Mr. Lo Yat Fung, an executive director of the Company, is the person whom the company secretary can contact. The Board is confident that having Mr. Lo Hang Fong as the company secretary is beneficial to the Group's compliance of the applicable laws, rules and regulations.

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 2018 and they all confirmed that they have fully complied with the required standards as set out in the Model Code.

By Order of the Board of Directors
FU Wai Chung
Chairman

Hong Kong, 29 August 2018

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