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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012, together with comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	3	791,082	749,136
Other income		1,933	2,978
Selling expenses		(520,486)	(479,580)
Administrative expenses		(153,912)	(169,098)
Share of loss of an associate		(1,491)	(638)
Finance costs		(1,642)	(1,023)
Profit before tax		115,484	101,775
Income tax expense	4	(32,948)	(23,683)
Profit for the period	5	82,536	78,092
Attributable to:			
— Owners of the Company		82,236	75,535
— Non-controlling interests		300	2,557
		82,536	78,092
Dividends	6	16,378	16,077
Earnings per share	7		
— Basic		HK17.93 cents	HK16.48 cents
— Diluted		HK17.93 cents	HK16.28 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period	82,536	78,092
Other comprehensive income		
Exchange differences arising on translation	—	12,167
Total comprehensive income for the period	82,536	90,259
Total comprehensive income attributable to:		
— Owners of the Company	82,236	86,767
— Non-controlling interests	300	3,492
	82,536	90,259

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

		30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		34,439	34,439
Property, plant and equipment		306,775	299,209
Goodwill		15,781	15,781
Interest in an associate		140,335	141,825
		497,330	491,254
CURRENT ASSETS			
Accounts receivables	8	530,141	467,535
Other receivables and prepayment		69,937	50,833
Held for trading investments		301	453
Bank balances and cash		292,372	329,875
		892,751	848,696
CURRENT LIABILITIES			
Payables and accruals		94,866	127,188
Tax liabilities		77,381	63,569
Bank borrowings		48,405	53,457
		220,652	244,214
NET CURRENT ASSETS		672,099	604,482
TOTAL ASSETS LESS CURRENT LIABILITIES		1,169,429	1,095,736
CAPITAL AND RESERVES			
Share capital		4,679	4,593
Share premium and reserves		1,111,522	1,038,189
Equity attributable to owners of the Company		1,116,201	1,042,782
Non-controlling interests		29,065	28,765
TOTAL EQUITY		1,145,266	1,071,547
NON-CURRENT LIABILITY			
Deferred tax liabilities		24,163	24,189
		1,169,429	1,095,736

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“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. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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 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.

	Six months ended 30 June 2012			Total HK\$'000
	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Property management HK\$'000	
Segment revenue	<u>496,473</u>	<u>231,083</u>	<u>63,526</u>	<u>791,082</u>
Segment profit/(loss)	<u>127,379</u>	<u>(3,031)</u>	<u>1,223</u>	<u>125,571</u>
Other income				1,933
Central administrative costs				(8,887)
Share of loss of an associate				(1,491)
Finance costs				<u>(1,642)</u>
Profit before tax				<u>115,484</u>
	Six months ended 30 June 2011			
	Primary property real estate agency HK\$'000	Secondary property real estate agency HK\$'000	Property management HK\$'000	Total HK\$'000
Segment revenue	<u>440,385</u>	<u>246,795</u>	<u>61,956</u>	<u>749,136</u>
Segment profit	<u>105,117</u>	<u>6,575</u>	<u>203</u>	111,895
Other income				2,978
Central administrative costs				(11,437)
Share of loss of an associate				(638)
Finance costs				<u>(1,023)</u>
Profit before tax				<u>101,775</u>

Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administrative costs including directors' salaries, other income and finance costs. This is the measure reported to the Group's executive directors for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

The tax charges for both periods represent PRC Enterprises Income Tax (“EIT”) for those periods.

EIT is provided on the estimated assessable profits of the Group’s subsidiaries in the PRC in accordance with the laws and regulations in the PRC at 25%.

Certain of the Group’s subsidiaries 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% (six months ended 30 June 2011: 2.5% to 6.8%) 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 provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profits in Hong Kong for both periods.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	HK\$’000	HK\$’000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	29,033	22,921
Impairment on accounts receivables	2,967	3,222
Bank interest income	(687)	(689)
Net rental income in respect of premises, net of negligible outgoings	(1,585)	(877)
	<u><u> </u></u>	<u><u> </u></u>

6. DIVIDENDS

On 24 August 2012, the Directors have resolved to declare an interim dividend of HK3.5 cents per share for the six months ended 30 June 2012. The interim dividend will be payable to shareholders whose names appear on the register of members of the Company on 14 September 2012.

An interim dividend of HK3.5 cents per share was paid for the six months ended 30 June 2011.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$82,236,000 (1 January 2011 to 30 June 2011: HK\$75,535,000) and on 458,530,578 (1 January 2011 to 30 June 2011: 458,435,430) weighted average number of ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2012 does not assume the exercise of the Company’s share options because the exercise price of the Company’s options was higher than the average market price of shares for the six months ended 30 June 2012.

For the six months ended 30 June 2011, the calculation of the diluted earnings per share attributable to the owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$75,535,000 and on 463,842,927 weighted average number of ordinary shares in issue during the period.

8. 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Accounts receivables		
0–30 days	192,589	195,445
31–60 days	160,141	154,234
61–90 days	112,763	74,543
91–120 days	44,759	29,542
121–180 days	19,889	13,771
	<u>530,141</u>	<u>467,535</u>

9. SUBSEQUENT EVENT

On 1 August 2012, the Group entered into a conditional subscription agreement in relation to the issue of exchangeable bonds in an aggregate principal amount of HK\$218,400,000 in which the Group shall use the proceeds from the issue for business expansion including the Group's mortgage referral and its related business, and the further expansion of the marketing business of its real estate online services and general working capital.

BUSINESS REVIEW

During the review period, due to ongoing global economic instability and a slowdown in China's economic growth, the Central Government has made a timely adjustment to a number of economic policies to maintain economic growth. It is believed that the worst situation in the property market is over and that the Mainland property market will gradually improve. Riding on its quality brand, a full range of property agency services and strategic business development plans, the Group has weathered the rough period in China's property market and further developed its business through capitalising on the opportunities brought by a turnaround in the property market and achieve continuous steady growth in results.

For the six months ended 30 June 2012, the Group recorded a turnover of HK\$791.1 million, up by 6% against HK\$749.1 million in the corresponding period last year. Profit attributable to shareholders rose from HK\$75.5 million to HK\$82.2 million, a year-on-year increase of 9%. Basic earnings per share were HK17.93 cents (2011: HK16.48 cents).

The primary and secondary property real estate agency service businesses of the Group registered a turnover of HK\$496.5 million and HK\$231.1 million respectively, accounting for 63% and 29% of the Group's total turnover. The remaining 8% or HK\$63.5 million was derived from the property management business. Geographically, Guangzhou contributed about 49% of the total turnover and around 51% came from outside Guangzhou.

Primary Property Real Estate Agency and Consultancy Services

Benefited from sales promotions and price reductions by some of the major developers and home starter favorable policies by the Central Government, such as the interest and tax concessions, these measures have improved buying sentiment and facilitated more transactions which have been conducive to the development of the Group's primary property real estate agency business.

For the six months ended 30 June 2012, the Group handled approximately 54,000 primary property transactions involving a total gross floor area of about 5.6 million square meters with a total value of about HK\$52 billion, a rise of around 25% compared to HK\$41.6 billion during the corresponding period last year. During the period, the Group was an exclusive agent for around 500 projects with 435 of them contributing turnover to the Group during the period, as compared to 362 projects during the last corresponding period.

As the increasing transaction volume of residential properties in Guangzhou, Shanghai, Shenzhen and other first-tier cities, in addition to the Group's rapid business development in second- and third-tier cities such as Foshan, Dongguan, Zhongshan, Zhuhai, Shaoguan, Hefei, Huainan, Changsha, Xiangtan, Xinyang, Guiyang, Jiangsu and Shandong provinces, the Group's turnover has recorded a growth. During the review period, the Group worked closely with major developers and has successfully launched more new projects including Citic Legend in Guangzhou, The Apex in Shanghai, China Railway International City in Tianjin, Evergrande City in Shaoguan. The Group's business now covers major cities in China bolstering its competitiveness. Supported by strong market demand, all new projects recorded satisfactory sales, which generated growth in overall commission income compared to the

same period last year. Guangzhou, as the core market for the Group's business development, contributing about 37% of the Group's total turnover from primary property real estate agency business while 63% came from outside Guangzhou.

Secondary Property Real Estate Agency and Mortgage Referral Services

Compared to the primary property segment, the secondary property real estate agency service business had a greater impact by the austerity measures during the review period. In particular, the introduction of property purchase restrictions by the Central Government discouraged the active investors in the real estate market and caused the overall sales volume of the secondary property real estate market to shrink dramatically. The Group has taken a more active role in commercial property sales such as office and shopping space and leasing services to increase commission income and further broaden its revenue sources.

In the first half of 2012, the Group's real estate agencies have handled about 17,600 secondary property transactions (2011: 22,400 transactions), resulting in a drop of 6% in turnover to approximately HK\$231,100,000 (2011: HK\$246,800,000). To complement the market trend, the Group has been operating the secondary property real estate agency service business steadily. Currently, there are around 350 secondary real estate branches.

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, exposing it to wider market segments. Capitalising on its comprehensive customer network, the Group's mortgage referral business is fully developed and able to offer professional advice on mortgage and referral services in relation to guaranteed mortgages to customers.

Property Management Service

The Group has provided property management services during the period under review to over 110 residential and commercial projects and shopping arcades in Guangzhou, Shanghai, Tianjin and Wuhan involving more than 160,000 units with a total gross floor area covering more than 14,000,000 square meters. These services have generated both a stable income and a large customer base for the Group, which would also support its business development in the future.

PROSPECTS

Looking at the second half of 2012, the Group believes the worst conditions of the property market in China have passed. Favorable factors such as the People's Bank of China's announcement to cut RMB benchmark deposit and loan interest rates and the reduction of property prices to reasonable levels have driven the transaction volume to rebound from its lows. Overall, the management is confident about the development of Hopefluent's business in the second half of the year.

The Group's professional services and sales performance in the primary property real estate agency service business has been widely recognised by property developers and its customers alike. To date, the Group has confirmed partnerships and signed project planning and marketing agreements with renowned developers including Vanke, Kingold, Evergrande, Poly, Gemdale, Citic, China Merchants Property Development, China Resources Property, Agile Property, KWG Property, Star River, New World China Land, Sun Hung Kai Properties and Shui On China Central Properties. The Group intends to secure more exclusive agency businesses and expands its market share in China.

For its secondary property real estate agency business, the Group plans to steadily and prudently operate the business in order to meet the market demand. At the same time, the Group will expand the scope of business to provide the secondary property buyers and sellers a more comprehensive mortgage referral service. As such, the Group will be able to enlarge its market share in the secondary property market and to gain a greater return.

Moving forward, the Group is continuously striving to provide its customers with superior property real estate agency and consulting services through its prudent and pragmatic business approach. At the same time, the Group intends to grasp upcoming opportunities in the property market in order to expand the core businesses and related value-added services to further strengthen its industry leadership position and bring satisfactory returns to its shareholders.

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 2012 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, 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\$292.4 million (31 December 2011: HK\$329.9 million) and 4.05 (31 December 2011: 3.48) respectively. Total borrowings amounted to approximately HK\$48.4 million which are secured bank borrowings (31 December 2011: approximately HK\$53.5 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 3.48% (31 December 2011: 3.99%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2012.

PLEDGE OF ASSETS

At 30 June 2012, 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 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 2012, the Group had approximately 11,200 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.

INTERIM DIVIDEND

On 24 August 2012, the board of Directors (the “Board”) have resolved to declare an interim dividend of HK3.5 cents per share of the Company (the “Share(s)”) for the six months ended 30 June 2012 (the “Interim Dividend”) payable to shareholders of the Company whose names are on the register of members on 14 September 2012. It is expected that the dividend warrants will be posted on 26 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 September 2012 (Thursday) to 14 September 2012 (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 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 12 September 2012 (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, 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March, 2012) and Corporate Governance Code (effective from 1 April, 2012) 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.

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 2012 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, 24 August 2012

As at the date of this announcement, the executive directors of the Company are Mr. FU Wai Chung, Ms. NG Wan, Ms. FU Man and Mr. LO Yat Fung and the independent non-executive directors are Mr. LAM King Pui, Mr. NG Keung and Mrs. WONG LAW Kwai Wah, Karen.