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 2014

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 2014, together with comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**1,198,306**	1,021,898
Other income		**8,007**	10,342
Selling expenses		**(859,045)**	(687,191)
Administrative expenses		**(216,173)**	(194,325)
Share of loss of an associate		**(2,585)**	(2,804)
Finance costs	*4*	**(22,516)**	(22,461)
Profit before tax		**105,994**	125,459
Income tax expense	*5*	**(37,391)**	(35,185)
Profit for the period	*6*	**68,603**	90,274
Attributable to:			
— Owners of the Company		**64,614**	89,314
— Non-controlling interests		**3,989**	960
		68,603	90,274
Dividends	*7*	**5,237**	12,159
Earnings per share	*8*		
— Basic		**HK12.65 cents**	HK18.66 cents
— Diluted		**HK12.64 cents**	HK18.66 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2014

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Profit for the period	**68,603**	90,274
Other comprehensive (expense) income for the period		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation	**(10,185)**	9,521
Total comprehensive income for the period	**58,418**	99,795
Total comprehensive income attributable to:		
— Owners of the Company	**55,134**	98,558
— Non-controlling interests	**3,284**	1,237
	58,418	99,795

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	Notes	30 June 2014 (unaudited) HK$'000	31 December 2013 (audited) HK$'000
NON-CURRENT ASSETS			
Investment properties		**102,215**	102,215
Property, plant and equipment		**210,656**	228,655
Goodwill		**16,280**	16,280
Interest in an associate		**132,190**	134,774
		461,341	481,924
CURRENT ASSETS			
Accounts receivables	9	**970,419**	883,094
Loan receivables		**239,436**	241,422
Other receivables and prepayments		**80,260**	71,377
Held for trading investments		**6,438**	9,720
Bank balances and cash		**540,144**	546,080
		1,836,697	1,751,693
CURRENT LIABILITIES			
Payables and accruals	10	**199,342**	193,914
Tax liabilities		**130,304**	99,008
Bank borrowings		**–**	49,118
Convertible notes		**–**	48,964
		329,646	391,004
NET CURRENT ASSETS		**1,507,051**	1,360,689
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,968,392**	1,842,613
CAPITAL AND RESERVES			
Share capital		**5,237**	5,010
Share premium and reserves		**1,677,495**	1,568,726
Equity attributable to owners of the Company		**1,682,732**	1,573,736
Non-controlling interests		**44,242**	40,958
TOTAL EQUITY		**1,726,974**	1,614,694
NON-CURRENT LIABILITIES			
Convertible notes		**187,259**	173,824
Deferred tax liabilities		**54,159**	54,095
		241,418	227,919
		1,968,392	1,842,613

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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. 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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)–Int 21	Levies

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported 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 secondary real estate services, mortgage referral and loan financing 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 2014			
	Primary property real estate agency	**Secondary property real estate agency**	**Property management**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue	**783,688**	**292,478**	**122,140**	**1,198,306**
Segment profit (loss)	**136,127**	**(3,104)**	**3,651**	**136,674**
Other income				**8,007**
Central administrative costs				**(13,586)**
Share of loss of an associate				**(2,585)**
Finance costs				**(22,516)**
Profit before tax				**105,994**
Income tax expense				**(37,391)**
Profit for the period				**68,603**

	Six months ended 30 June 2013			
	Primary property real estate agency	Secondary property real estate agency	Property management	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	599,223	333,077	89,598	1,021,898
Segment profit	126,741	19,890	3,521	150,152
Other income				10,342
Central administrative costs				(9,770)
Share of loss of an associate				(2,804)
Finance costs				(22,461)
Profit before tax				125,459
Income tax expense				(35,185)
Profit for the period				90,274

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of other income, central administrative costs including directors' emoluments, share of loss of an associate 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

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**1,488**	2,545
Effective interest of convertible notes	**21,028**	19,916
	22,516	22,461

5. 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 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 7.25% (six months ended 30 June 2013: 2.5% to 7.25%) 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	
	2014	2013
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**30,699**	31,608
Impairment on accounts receivables	**4,789**	2,529
Bank interest income	**(1,125)**	(1,076)
Net rental income in respect of premises, net of negligible outgoings	**(2,173)**	(1,583)

7. DIVIDENDS

On 21 August 2014, the Directors have resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 June 2014. The interim dividend will be payable to shareholders whose names appear on the register of members of the Company on 12 September 2014.

An interim dividend of HK2.5 cents per share was paid for the six months ended 30 June 2013.

8. 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

	2014	2013
	HK$'000	*HK$'000*
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**64,614**	89,314

Number of shares

	2014	2013
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**510,631**	478,519
Effect of dilutive potential ordinary shares		
— Share options	**511**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**511,142**	478,519

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share for the six months ended 30 June 2014.

9. 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:

	2014	2013
	HK$'000	*HK$'000*
Accounts receivables		
0–60 days	**483,855**	512,669
61–90 days	**196,775**	194,541
91–120 days	**165,897**	84,268
121–150 days	**50,724**	49,494
More than 150 days	**73,168**	42,122
	970,419	883,094

10. PAYABLES AND ACCRUALS

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

11. SUBSEQUENT EVENT

On 10 July 2014, the Company entered into a binding framework agreement ("Framework Agreement") with SouFun Holdings Limited ("SouFun"). The Company and SouFun agreed to enter into formal agreements in relation to the Framework Agreement by 23 September 2014. Details of which have been disclosed in the announcements dated 10 July 2014 and 12 August 2014 respectively.

BUSINESS REVIEW

During the first half of 2014, affected by the macroeconomic performance, the implementation of more regulatory policies on the property market and the tightening of credit and mortgage lending, property prices in major cities across China have been maintaining at high levels with rising downside pressure. To address the weak economic environment, the central government has launched a series of "mini-stimulus" measures recently, while local governments of certain cities and provinces have rescinded the home-purchase restrictions, which has given an impetus for the clearing out of excess inventory in the property market.

Confronted with further consolidation in the property market, the Group has continued to undertake initiatives based on careful analysis of the prevailing conditions. It has actively sought to extend its scope for development in the market while conducting business restructuring and integration internally, so as to capture opportunities to sustain the development of its core business.

For the six months ended 30 June 2014, the Group has recorded a turnover of HK$1,198.3 million (2013: HK$1,021.9 million). Profit attributable to shareholders was HK$64.6 million (2013: HK$89.3 million). Basic earnings per share were HK12.65 cents (2013: HK18.66 cents).

The primary and secondary property real estate agency service businesses of the Group registered a turnover of HK$783.7 million and HK$292.5 million respectively, accounting for 66% and 24% of the Group's total turnover. The remaining 10% or HK$122.1 million was derived from the property management business and other businesses. By geographic location, Guangzhou contributed about 52% of the Group's total turnover while around 48% came from outside Guangzhou.

Primary Property Real Estate Agency Services

At the beginning of the year, the number of transactions dropped due to the seasonal factor of the Chinese New Year. March showed a rebound, while a strong increase in transactions was seen in April and May accountable to various sales promotional activities launched by developers. The short term drop in price and rise in volume is considered as a normal adjustment for the property market, and short term sales promotions may facilitate rapid digestion in the market and reduce risks. Constrained by home-purchase restriction, price restriction and limit down order policies, developers and buyers decided to only sign a subscription agreement when the projects are sold and postponed the signing of a formal purchase and sale agreement, which in turn affected the delivery of the Group's agency commission. However, benefitting from the "price for volume" strategy of property developers aiming to boost sales and the gradual release of pent-up demand under the government's "mini-stimulus" measures, the Group's primary property real estate agency service business recorded a notable growth in both project numbers and market share.

For the six months ended 30 June 2014, the Group handled approximately 73,000 primary property transactions involving a total gross floor area of about 7.62 million square meters with a total transaction value of approximately HK$80.3 billion, a rise of about 19% compared to HK$67.3 billion during the corresponding period last year. The Group was exclusive agent for around 800 projects with 700 of them contributing turnover to the Group during the period, as compared to 550 projects during the corresponding period last year.

In recent years, apart from solidifying its business in cities such as Guangzhou, Shenzhen, Foshan, Dongguan and Hefei, Hopefluent has also actively expanded into second- and third-tier cities including Zhengzhou, Jinan, Guiyang and Nanning, and leveraged its extensive business network to penetrate third- and fourth-tier cities such as Zhongshan, Zhuhai, Huainan, Xiangtan, Xinyang, Nanchang and Danyang and so on. The Group's business network currently covers more than 150 cities in China, which has further increased its market share. Geographically, Guangzhou contributed about 40% of the Group's total turnover from the primary property real estate agency business during the period, while areas outside Guangzhou contributed about 60%.

The Group has worked closely with major property developers to launch various exclusive new property projects during the period under review and achieved satisfactory sales performance. Highlights of these are Top Plaza, a property in Guangzhou co-developed by Sun Hung Kai Properties, R&F Properties and KWG, The Bayview by Kingold Group, Vanke Opalus, Poly Zephyr City, Citic Lake, KWG The Summit, Evergrande Royal Garden, Time Land by Lasony, Foshan Glorious City by China Overseas, King Metropolis in Dongguan, Shenzhen CR Land's Park Lane Harbour, Hefei Evergrande Central Square, Hanlin Metro in Nanning, Evergrande City in Guiyang and Shandong Lushang The Lake and Gardens. Such an extensive portfolio clearly demonstrates the recognition and trust from a wide range of developers in the Group's sales capability and professional services.

As the market develops, the integration of traditional property services and internet and mobile technologies has enhanced its competitiveness in the property transaction process. The Group's self-developed WeChat property wise-search, sale, payment and other features on its "iHouseKing" website (www.ihk.cn) offer comprehensive closed-loop online and offline property sales services, which gained high market recognition. During the period, e-commerce business on the "iHouseKing" website recorded 4,000 transactions with turnover exceeding HK$49 million.

Secondary Property Real Estate Agency, Mortgage Referral and Related Services

As large developers have actively launched new projects to boost market share with price cuts on primary properties, together with the impact of purchase and mortgage restrictions by the central government have led to a decline in sales transactions in the secondary property market. Thus, the Group's secondary property real estate agency business for the first six months of the year decreased as compared with the performance in the same period last year. In the first half of 2014, the Group handled approximately 18,400 secondary property transactions (2013: 20,600), generating a turnover of HK$271.5 million (2013: HK$333.1 million).

In addition to providing property agency services, the Group also offers other property-related value-added services to customers including mortgage referral and loan financing services, property valuation and property auctions. The mortgage referral and loan financing services business generated a turnover of approximately HK$21 million.

Property management service

The Group currently offers property management services, which contributes an additional income stream to the Group, and strengthens its brand image. During the period under review, the Group has provided property management services for approximately 150 residential, offices and commercial projects in Guangzhou, Shanghai, Tianjin and Wuhan, involving more than 200,000 units covering a total gross floor area of more than 20 million square meters. These services have generated both a stable income and an extensive customer base for the Group, which would also support its future expansion.

Prospects

Looking ahead to the second half of the year, the Group believes the property market in China will present both opportunities and challenges. Constrained by the weak macroeconomic environment, there would likely be an oversupply in certain third- and fourth-tier cities. Therefore, the extensive adjustment in the property market is expected to continue. On the other hand, new drivers at different levels of the Chinese economy, together with the population migration and urbanization development implemented by the central government will drive rigid demand in the property sector. The development model of the Chinese economy will continue to be driven by a combination of the investment-oriented pull factor and a domestic demand-oriented push factor, which will generate opportunities for the property market. In addition, the government is gradually lifting the restrictions on property purchases and the banks are also loosening mortgage restrictions, which would definitely benefit the Group.

Hopefluent will continue its active yet prudent strategy, providing quality primary and secondary property real estate agency services for customers, as well as developing a diversified business model to meet the broader and higher quality demand of customers.

Currently, the Group has established close partnership with over 200 renowned developers including Vanke, Evergrande, Poly, Gemdale, China Resources Property, Citic, Kingold, China Merchants Property Development, R&F Properties, Agile Property, KWG Property, Star River, Guangzhou Pearl River Industrial and Sun Hung Kai Properties. In the future, the Group will strive to secure more agency projects in order to expand its market share.

In early July this year, the Group has entered into a binding framework agreement with SouFun Holdings Limited ("SouFun") (NYSE:SFUN) for the proposed issuance of 91,000,000 new Shares ("New Shares"), representing approximately 14.80% of the issued share capital of the Group after the issuance of the New Shares, at the issue price of HK$3 per New Share exclusively for subscription by SouFun. This strategic investment proves SouFun's support for the Group's business strategies and its leading position in China's real estate agent industry, as well as its confidence in the Group's future development. The Group will be closely collaborating with SouFun in the real estate sector and the Internet financial services sector. At the same time, it also plans to integrate the Online-to-Offline business model in areas such as real estate financial services, advertising services, e-commerce services and community property management services, so as to provide a comprehensive chain of real estate value-added services for real estate developers, home buyers and financial institutions. The implementation of the proposed subscription must fulfill relevant conditions, which includes gaining the approval of the regulatory authorities and related departments of the jurisdictions where the shares of the parties are listed. The strategic alliance with SouFun is set to enhance the Group's capability to explore business opportunities and facilitate its development in China's real estate market.

Riding on its excellent brand image and professional services, optimized business model, strategic business network and extensive experience in the China property market, the Group is confident that it will continue to deliver sustainable 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 2014 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, 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$540.1 million (31 December 2013: HK$546.1 million) and 5.57 (31 December 2013: 4.48) respectively. Total borrowing amounted to HK$170.4 million which are convertible notes (31 December 2013: approximately HK$267.5 million which are secured bank borrowings and convertible notes). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 7.42% (31 December 2013: 11.98%). The Group's secured bank borrowings and convertible notes are denominated in Renminbi and Hong Kong dollars respectively. The Group had no material contingent liabilities as at 30 June 2014.

CONVERTIBLE NOTES

In August 2012, a subsidiary of the Company issued 5.39% exchangeable bonds in an aggregate principal amount of HK$218,400,000 due 2015. During the period, an aggregate principal amount of exchangeable bonds of HK$48,000,000 were converted into ordinary shares at HK$2.2454 per share, resulting in the issue of 21,377,037 ordinary shares.

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 2014, the Group had approximately 16,700 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 21 August 2014, the board of Directors (the "Board") have resolved to declare an interim dividend of HK1 cent per share of the Company (the "Share(s)") for the six months ended 30 June 2014 (the "Interim Dividend") payable to shareholders of the Company whose names are on the register of members on 12 September 2014. It is expected that the dividend warrants will be posted on 29 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 September 2014 (Thursday) to 12 September 2014 (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 10 September 2014 (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, 2014, 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.

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 2014 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, 21 August 2014

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.