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 2019

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 2019, together with comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**3,250,881**	2,421,201
Other income		**11,288**	6,265
Selling expenses		**(2,476,862)**	(1,792,098)
Administrative expenses		**(495,382)**	(420,373)
Share of results of associates and joint ventures		**2,893**	–
Finance costs	*4*	**(31,618)**	(18,983)
Profit before tax		**261,200**	196,012
Income tax expense	*5*	**(70,323)**	(55,990)
Profit for the period	*6*	**190,877**	140,022
Attributable to:			
— Owners of the Company		**105,938**	137,512
— Non-controlling interests		**84,939**	2,510
		190,877	140,022
Dividends	*7*	**30,337**	30,060
Earnings per share	*8*		
— Basic and diluted		**HK15.86 cents**	HK20.59 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**190,877**	140,022
Other comprehensive expense for the period		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	**(36,444)**	(38,546)
Total comprehensive income for the period	**154,433**	101,476
Total comprehensive income attributable to:		
— Owners of the Company	**84,070**	100,204
— Non-controlling interests	**70,363**	1,272
	154,433	101,476

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	Notes	30 June 2019 (unaudited) HK$'000	31 December 2018 (audited) HK$'000
NON-CURRENT ASSETS			
Investment properties		**204,972**	163,448
Property, plant and equipment		**261,733**	275,230
Right-of-use assets		**276,198**	–
Deposits for acquisition of investment properties		**–**	56,065
Goodwill		**209,378**	209,378
Interests in associates and joint ventures		**15,827**	12,934
Loan receivables		**221,378**	423,047
Deferred tax assets		**1,383**	29,609
		1,190,869	1,169,711
CURRENT ASSETS			
Accounts receivables	*9*	**1,770,378**	1,789,776
Loan receivables		**639,227**	508,358
Other receivables and prepayments		**747,871**	624,567
Amount due from a joint venture		**40,525**	38,874
Amount due from an associate		**21**	18
Financial assets at fair value through profit or loss — ("FVTPL")		**7,121**	7,395
Pledged bank deposits		**11,364**	11,494
Bank balances and cash		**1,889,317**	1,723,391
		5,105,824	4,703,873
CURRENT LIABILITIES			
Payables and accruals	*10*	**565,851**	518,746
Contract liabilities		**459,040**	430,489
Amount due to a joint venture		**–**	2,851
Tax liabilities		**117,418**	234,390
Lease liabilities		**82,900**	–
Bank and other borrowings		**662,345**	646,004
		1,887,554	1,832,480
NET CURRENT ASSETS		**3,218,270**	2,871,393
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,409,139**	4,041,104
CAPITAL AND RESERVES			
Share capital		**6,680**	6,680
Share premium and reserves		**3,014,887**	2,930,817
Equity attributable to owners of the Company		**3,021,567**	2,937,497
Non-controlling interests		**1,059,861**	989,498
TOTAL EQUITY		**4,081,428**	3,926,995
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**69,337**	69,511
Lease liabilities		**198,904**	–
Other borrowings		**59,470**	44,598
		327,711	114,109
		4,409,139	4,041,104

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and financial assets at FVTPL which are measured at fair value, 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 2019 are the same as those set out in the Group's annual financial statements for the year ended 31 December 2018.

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

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015–2017 cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17. Since the Group recognized the right-of-use assets at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments, there was no impact to the retained earnings.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g. laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. Such right-of-use assets were included in property, plant and equipment in the condensed consolidated statement of financial position.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	HK$'000 **(Unaudited)**
Assets	
Increase in right-of-use assets	243,265
Increase in total assets	243,265
Liabilities	
Increase in lease liabilities	243,265
Increase in total liabilities	243,265

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	HK$'000 **(Unaudited)**
Operating lease commitment at 31 December 2018	**776,679**
Weighted average incremental borrowing rate as at 1 January 2019	**5%**
Discounted using the incremental borrowing rate at 1 January 2019	**738,082**
Less:	
Recognition exemption for leases which are less than 12 months of lease term at transition	**(494,817)**
Lease liabilities/discounted operating lease commitments as at 1 January 2019	**243,265**

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for investment properties.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. REVENUE AND 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 property real estate agency services, financial services and property management services which form the Group's three operating segments.

The following summary describes the operations in each of the Group's reportable segment:

- Property real estate agency is the provision of first hand real estate services to property developers and secondary real estate services;

- Financial services is the provision of mortgage referral and loan financing services to individuals or companies; and

- Property management is the provision of building management services to property owners and residents.

Disaggregation of revenue:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Timing of revenue recognition		
At a point in time		
— Agency commission	**2,841,228**	2,082,368
— Financial services income	**10,253**	534
Over-time		
— Interest income from loan receivables	**103,800**	71,612
— Property management services income	**295,600**	266,687
	3,250,881	2,421,201

The following is an analysis of the Group's revenue by geographical markets.

	Six months ended 30 June 2019 (unaudited)			
	Property real estate agency	**Financial services**	**Property management**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
The People's Republic of China ("PRC")	**2,839,266**	**114,053**	**295,600**	**3,248,919**
Australia	**1,962**	**–**	**–**	**1,962**
	2,841,228	**114,053**	**295,600**	**3,250,881**

	Six months ended 30 June 2018 (unaudited)			
	Property real estate agency	Financial services	Property management	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	2,082,368	72,146	266,687	2,421,201
Australia	–	–	–	–
	2,082,368	72,146	266,687	2,421,201

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

	Six months ended 30 June 2019 (unaudited)			
	Property real estate agency	**Financial services**	**Property management**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue	**2,841,228**	**114,053**	**295,600**	**3,250,881**
Segment profit	**263,902**	**42,295**	**22,736**	**328,933**
Other income				**11,288**
Central administrative costs				**(50,296)**
Share of results of associates and joint ventures				**2,893**
Finance costs				**(31,618)**
Profit before tax				**261,200**
Income tax expense				**(70,323)**
Profit for the period				**190,877**

	Six months ended 30 June 2018 (unaudited)			
	Property real estate agency	Financial services	Property management	Total
	HK$'000 (Restated)	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	2,082,368	72,146	266,687	2,421,201
Segment profit	203,920	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

Segment profit represents the profit earned by each segment without allocation of other income, central administrative costs including directors' emoluments, share of results of associates and joint ventures 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	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank and other borrowings	**24,432**	18,983
Interest on lease liabilities	**7,186**	–
	31,618	18,983

5. INCOME TAX EXPENSE

The tax charges for both periods represent 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 2018: 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.

Under Australian tax law, the tax rate used for the period is 30% (six months ended 30 June 2018: 30%) on taxable profits on Australian incorporated entities, No tax provision has been made in the consolidated financial statements as there is no assessable profits arises in Australia for six months ended 30 June 2019 and 2018.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

No Hong Kong profits tax has been provided in both current and prior periods in the condensed consolidated financial statements as the Group has no estimated assessable profits arising in Hong Kong for both periods.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment, and right-of-use assets *(note)*	**59,563**	26,234
Impairment on accounts receivables	**5,837**	8,464
Bank interest income	**(6,340)**	(5,392)
Net rental income in respect of premises, net of negligible outgoings	**(4,517)**	(2,662)

Note: The Group has initially applied HKFRS 16 at 1 January 2019. The Group used the modified retrospective approach when initially applying HKFRS 16. Under this approach, comparative information is not restated. In applying HKFRS 16, in relation to the leases that were classified as operating leases, the Group recognises depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, in relation to those leases, the Group recognised approximately HK$31,528,000 of deprecation charges and HK$7,186,000 of additional interest costs from leases.

7. DIVIDENDS

An interim dividend of HK4.5 cents per share in respect of the six months ended 30 June 2019 (2018: HK4.5 cents per share) was declared by the board of directors of the Company on 29 August 2019. This interim dividend, amounting to HK$30,337,000 (2018: 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 27 September 2019.

A final dividend of HK6.5 cents per share in respect of the year ended 31 December 2018 (2017: HK9.5 cents per share in respect of the year ended 31 December 2017) were proposed and approved by the shareholders in the annual general meeting held on 26 June 2019 and was distributed on 28 August 2019. Share dividend alternatives were offered in respect of the 2018 final dividend. These share dividend alternatives were accepted by some of the ordinary shareholders as follows:

	Year ended 31 December	
	2018	2017
	Final	Final
	HK$'000	*HK$'000*
Dividends		
Cash	**29,457**	63,460
Ordinary share alternatives	**13,963**	–
	43,420	63,460

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

	Six months ended 30 June	
	2019	2018
	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)	**105,938**	137,512

Number of shares

	Six months ended 30 June	
	2019	2018
	'000	*'000*
Number of ordinary shares for the purpose of basic earnings per share	**667,999**	667,999

There are no potential dilutive shares in issue during both periods ended 30 June 2019 and 2018.

9. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 30 to 180 days to its customers. The aging 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
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Accounts receivables		
0–30 days	**484,986**	761,887
31–60 days	**161,324**	119,162
61–90 days	**114,875**	81,442
91–120 days	**108,049**	78,930
121–180 days	**321,512**	86,705
Over 180 days	**579,632**	661,650
	1,770,378	1,789,776

10. PAYABLES AND ACCRUALS

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

11. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties during the period.

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Non-controlling interests		
Revenue	**20,787**	–
Rental expense	**3,199**	–
Building management fee	**624**	–
Related parties of non-controlling interests *(note b)*		
Revenue	**594,934**	–
Rental expense	**2,544**	–
Building management fee	**1,486**	–

The following balances were outstanding as at the end of reporting periods:

	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Non-controlling interests *(note c)*		
— trade in nature	**42,088**	49,409
— non-trade in nature	**32,297**	67,640
Related parties of non-controlling interests *(notes b & c)*		
— trade in nature	**119,937**	80,371
— non-trade in nature	**192,733**	185,424

Notes:

(a) These transactions were carried out in accordance with terms and conditions mutually agreed by the parties involved.

(b) A non-controlling interest has controlled, joint controlled or significant influence over those corporations.

(c) The amounts due are unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the amounts are expected to be recovered within twelve months from the end of the reporting period.

12. EVENT AFTER THE REPORTING PERIOD

On 10 July 2019, the Group disposed of its entire equity interests in Sino Estate Holdings Limited and its subsidiaries (the "Target Group") to an independent third party for a cash consideration of approximately HK$358,425,000 (equivalent to RMB316,350,000 subject to downward adjustments). The Target Group is engaged in property management business in the PRC. The disposal was completed on 31 July 2019. A provisional gain of approximately HK$205,000,000, being the sale proceeds less the carrying amount of the net assets of the Target Group arise upon the completion of the disposal. For more details of the disposal, please refer to the announcement dated 10 July 2019.

13. COMPARATIVES

Conform to current period's presentation, note 3 has been restated for the six months ended 30 June 2018. The chief operating decision maker is of the view that the revised presentation reflects more appropriately for resource allocation and assessment for segment performance. The restatement had no effect on the reported financial position, results or cash flows of the Group.

BUSINESS REVIEW

MANAGEMENT DISCUSSION AND ANALYSIS

I. Market Review for the First Half of 2019

Against the backdrop of slow progress of the Sino-US trade negotiations and uncertainties of the global economy, China encountered more challenges to the development in different aspects in the first half of 2019. To take precautionary action against exposure to risks, the Central Government has emphasized the importance of the long-term management mechanism for the property market when devising economic development policies, and that property real estates should not be used as the means to stimulate the economy in the short term. Various supportive policies were launched accordingly in order to promote stable development of the domestic economy and the property market in the medium-to-long term.

While facing an increasingly challenging business environment, the Group delivered a steady performance during the period under review. As one of the three largest property real estate agencies in China, and with its competitive advantages across Southern China from its in-depth business development in the region, the Group has still maintained its market share in the main business regions. Last year, the Group and Poly Developments and Holdings Group Co. Ltd. jointly operated Hopefluent (China) Real Estate Consultancy Co., Ltd., combining each other's advantages to co-develop the real estate agency business. Both parties have worked closely together in optimizing resources and collaborative business expansion to further strengthen strategic deployment in key cities across the country, so as to maintain its leading industry position.

II. Overall Business Review

As of 30 June 2019, the Group recorded a turnover of HK$3,250.9 million, approximately 34% higher than the same period last year (2018: HK$2,421.2 million). Profit attributable to shareholders decreased by approximately 23% from the corresponding period last year to HK$105.9 million (2018: HK$137.5 million). Basic earnings per share were HK15.86 cents (2018: HK20.59 cents), and the Board of Directors has resolved to declare an interim dividend of HK4.5 cents per share (2018: HK4.5 cents).

The Group has recorded a turnover of the property real estate agency services business of HK$2,841.2 million, accounting for 87% of its total turnover. Turnover from the financial services business was HK$114.1 million, accounting for 4% of the Group's total turnover. The remaining 9% or HK$295.6 million of turnover was derived from the property management business and other businesses. By region, Guangzhou accounted for about 45% of the Group's total turnover, while around 55% came from businesses outside Guangzhou. Total new home sales for the first half of 2019 amounted to approximately HK$267 billion while the total gross floor area sold was about 18.03 million square meters.

1. Property real estate agency services business has remained steady

During the period under review, amidst the slowdown in the macro economy and the rising operating costs, the profitability of property real estate agency services business was inevitably affected. Nevertheless, Hopefluent has gained peer recognition for its extensive industry experience and demonstrated business capability and has established solid cooperative relationships with major property developers. This mutually beneficial partnership has enabled the Group to secure more projects during the period, boosting the development of its property real estate agency services business to new height. In addition, the Group has planned to carry out restructuring starting from the employee structure in order to enhance the efficiency of human resources and reduce manpower costs. By selecting outstanding performers with rich experience and a strong commitment to work, the Group will gradually adopt a stable and highly efficient workforce structure with a smaller headcount, and will continue to enhance the operational efficiency of the Company and its team. This ensures that Hopefluent continues to provide professional quality services and maintain its extensive business network with nationwide coverage.

Currently, the Group's existing network of primary property real estate agency services business covers 200 cities in China and it is the agent of more than 1,450 projects. There are now about 420 branches for running the business of secondary property real estate agency services, which handled a total of around 20,900 secondary property transactions in the first half of 2019 (2018: 29,600 transactions). As of 30 June 2019, turnover of the property real estate agency services business amounted to HK$2,841.2 million, representing an year-on-year increase of approximately 36%. Turnover from primary offices was HK$2,192.2 million and turnover from the secondary branches reached HK$649.0 million.

2. Sound development of financial services business

The financial services business platform of the Group provides diverse products and services to meet the needs of different customers and boost its competitive advantages. During the period under review, the total transaction value of the financial services business amounted to HK$1.6 billion. Turnover was approximately HK$114.1 million, representing a growth of about 58% from the corresponding period last year (2018: HK$72.1 million).

After years of continuous development, the financial services business has generated a continuous contribution to the Group's revenue. A solid business foundation has been built with the relevant customer resources continuously enriched. The target customers of this business are mainly enterprises which have investment and financing needs, and high net worth individuals. Possessing ample assets and securing good credit ratings, the Group has continued to implement effective risk management measures to realize the best business performance. The financial services business as an important part of the Group's diversification strategy, has laid a solid foundation for the Group's long-term stable development. In the future, the Group will continue to closely follow the national policy and operate the business in compliance with regulations. It will seize opportunities to improve its existing services and explore more potential revenue channels, so as to sustainably expand the scale of the financial services business.

3. *Property management services delivered a stable performance*

Having an excellent reputation, Hopefluent's property management services have gained market recognition by customers. The Group has successfully strengthened its property management services to residential, office and commercial properties in Guangzhou, Shanghai, Tianjin and Wuhan. The business segment recorded a turnover of approximately HK$295.6 million during the period.

III. Prospects for the Second Half of 2019

The Central Government has continued to implement the long-term management mechanism for the property market, with stability as the main theme for market trends. Looking ahead to the second half of the year, the property prices in China are expected to remain at a stable and reasonable level. With its market-leading advantages, broad business network as well as a smooth and order implementation of its business strategy, the Group is able to push forward its strategic business development timely with a focus on key regions of the country and further reinforce its position as a leading property real estate agency enterprise in China.

The Guangdong-Hong Kong-Macau Bay Area ("Bay Area") is one of the major city clusters on which China has placed its development focus. The Government has been committed to developing a large-scale infrastructure and transportation network, which is expected to further drive the regional economy and market development. To date, the Group has established a business presence in many cities within the Bay Area, including Guangzhou, Shenzhen, Foshan, Dongguan, Zhuhai, Zhongshan, Huizhou and Jiangmen. The number of its primary property projects far exceeds that of its industry peers. Recently, the Government has continued to step up its support to the construction of the Bay Area, such as the development of Shenzhen into a pilot demonstration area to be supported by the Central Government. This initiative will provide stronger impetus to the development of the regional cities and will present more opportunities to the Group's businesses. In addition, the gradually easing austerity measures in Foshan, Zhuhai and Dongguan, etc. will attract the residents in surrounding areas in China, Hong Kong and Macau to purchase properties in the Bay Area. This trend will help stabilize the property prices of this region and will be beneficial for the steady development of the market. For its part, the Group will explore more market opportunities by capitalizing on its strong business foundation and the development advantages of the Bay Area. It hopes to expand into new areas on the back of favorable market trends.

In addition, the Group has adjusted its strategies in a timely manner in line with shifts to the market environment and its own development needs. On 10 July 2019, the Group has disposed of its property management business, including the property management services to residential, office and commercial properties in Guangzhou, Shanghai, Tianjin and Wuhan, to Country Garden Services Holdings Company Limited for a consideration of HK$358,424,550. Approximately HK$200,000,000 of the proceeds from the disposal will be used for the development of the Group's financial services business.

In the future, Hopefluent will focus on and allocate more resources to develop the primary and secondary property real estate agency services businesses and the financial services business. It will conduct its business in line with the national policies and look for opportunities in the market to further develop its businesses. It will also leverage its competitive advantages to achieve optimum business performance and profitability, so as to create long-term and high value growth for its shareholders.

Events After The Reporting Period

On 10 July 2019, Hopefluent (BVI) Limited (a wholly-owned subsidiary of the Company) as vendor entered into a sale and purchase agreement with United Gain Group Ltd. as purchaser in relation to the disposal of Sino Estate Holdings Limited and its subsidiaries for a consideration of HK$358,424,550 (subject to adjustments) which would be settled by the purchaser in cash (the "Disposal"). The cash proceeds of approximately HK$350,000,000 from the Disposal will be used as to approximately HK$200,000,000 for the development of the Group's financial services business, as to approximately HK$90,000,000 for the Group's future dividend distribution and as to approximately HK$60,000,000 as the working capital of the Group.

The Disposal has been completed on 31 July 2019. Details of which is set out in the announcement dated 10 July 2019.

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 2019 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, 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$1,889.3 million (31 December 2018: HK$1,723.4 million) and 2.71 (31 December 2018: 2.57) respectively. Total borrowing amounted to approximately HK$722 million of which are secured bank loan, other borrowings and collaterised borrowings on loan receivables (31 December 2018: approximately HK$691 million which are secured bank loan, other borrowings and collaterised borrowings on loan receivables). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 11.5% (31 December 2018: 11.8%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2019.

PLEDGE OF ASSETS

As at 30 June 2019, the Group pledged its properties and investment properties and, leasehold land and buildings with an aggregate amount of approximately HK$27 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 2019, the Group had approximately 26,600 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 29 August 2019, 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 2019 (the "Interim Dividend") payable to shareholders of the Company whose names are on the register of members on 27 September 2019. It is expected that the Interim Dividend will be paid on 18 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 September 2019 (Thursday) to 27 September 2019 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 25 September 2019 (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 2019, 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 ("Listing Rules") 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 Wai Chung ("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 2019 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 2019

As at the date of this announcement, 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.