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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 2020

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 referred to as the “Group”) for the six months ended 30 June 2020, together with comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
Continuing operations			
Revenue	3	2,608,328	2,955,281
Other income		12,125	7,026
Selling expenses		(2,019,883)	(2,233,934)
Administrative expenses		(359,021)	(462,825)
Share of results of associates and a joint venture		4,004	2,893
Finance costs	4	(31,138)	(31,514)
		<hr/>	<hr/>
Profit before tax		214,415	236,927
Income tax expense	5	(53,860)	(64,155)
		<hr/>	<hr/>
Profit for the period from continuing operations	6	160,555	172,772
Discontinued operations			
Profit for the period from discontinued operations	12	<hr/> – <hr/>	<hr/> 18,105 <hr/>
Profit for the period		<hr/> 160,555 <hr/>	<hr/> 190,877 <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2020	2019
		HK\$'000	HK\$'000
			(Restated)
Profit for the period		160,555	190,877
Other comprehensive expense for the period			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		<u>(79,924)</u>	<u>(36,444)</u>
Total comprehensive income for the period		<u>80,631</u>	<u>154,433</u>
<i>Profit for the period attributable to:</i>			
Owners of the Company			
Profit for the period from continuing operations		72,351	90,566
Profit for the period from discontinued operations		<u>–</u>	<u>15,372</u>
Profit for the period attributable to owners of the Company		<u>72,351</u>	<u>105,938</u>
Non-controlling interests			
Profit for the period from continuing operations		88,204	82,206
Profit for the period from discontinued operations		<u>–</u>	<u>2,733</u>
Profit for the period attributable to non-controlling interests		<u>88,204</u>	<u>84,939</u>
		<u>160,555</u>	<u>190,877</u>
Total comprehensive income for the period attributable to:			
— Owners of the Company		24,637	84,070
— Non-controlling interests		<u>55,994</u>	<u>70,363</u>
		<u>80,631</u>	<u>154,433</u>
Dividends	7	<u>16,854</u>	<u>30,337</u>
Earnings per share	8		
Earnings per share from continuing and discontinued operations			
— Basic and diluted		<u>HK10.73 cents</u>	<u>HK15.86 cents</u>
Earnings per share from continuing operations			
— Basic and diluted		<u>HK10.73 cents</u>	<u>HK13.56 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		142,044	150,291
Property, plant and equipment		233,440	243,698
Right-of-use assets		206,940	191,906
Deposits for acquisition of investment properties		–	700
Goodwill		200,285	200,285
Interests in associates and a joint venture		13,229	12,882
Loan receivables		88,449	201,494
Deposits and other receivables		35,842	79,807
Deferred tax assets		7,483	33,890
		927,712	1,114,953
CURRENT ASSETS			
Accounts receivables	9	1,718,422	1,630,534
Loan receivables		366,655	579,743
Deposits, other receivables and prepayments		816,771	872,594
Amount due from a joint venture		15,301	12,764
Amount due from an associate		63	64
Financial assets at fair value through profit or loss ("FVTPL")		10,739	5,646
Bank balances and cash		2,513,622	2,163,397
		5,441,573	5,264,742
CURRENT LIABILITIES			
Payables and accruals	10	479,947	498,900
Contract liabilities		588,798	469,661
Lease liabilities		63,922	68,696
Tax liabilities		223,260	269,721
Bank and other borrowings		350,198	482,745
		1,706,125	1,789,723
NET CURRENT ASSETS		3,735,448	3,475,019
TOTAL ASSETS LESS CURRENT LIABILITIES		4,663,160	4,589,972
CAPITAL AND RESERVES			
Share capital		6,741	6,741
Share premium and reserves		3,287,205	3,262,568
Equity attributable to owners of the Company		3,293,946	3,269,309
Non-controlling interests		1,159,263	1,103,269
TOTAL EQUITY		4,453,209	4,372,578
NON-CURRENT LIABILITIES			
Lease liabilities		154,428	128,183
Deferred tax liabilities		55,523	55,691
Other borrowings		–	33,520
		209,951	217,394
		4,663,160	4,589,972

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2019.

In the current reporting period, the Group has applied, for the first time, the following new and amendments to HKASs and Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 16*	COVID-19-Related Rent Concessions

* *Early adopted by the Group in current period’s financial statements*

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

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 two (2019: three) business divisions including property real estate agency services and financial services which form the Group's two operating segments.

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

- Property real estate agency is the provision of first hand real estate services to property developers and secondary real estate services; and
- Financial services is the provision of mortgage referral and loan financing services to individuals or companies.

Property management is the provision of building management services to property owners and residents which was classified as discontinued operations and disposed on 31 July 2019.

Revenue represents agency commission in respect of real estate agency services, property management services income (discontinued), and financial services income and interest income from loan receivables, net of business tax and other taxes. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (Restated)
Continuing operations		
Agency commission	2,520,806	2,841,228
Finance income		
Interest income from loan receivables	64,104	103,800
Financial services income	23,418	10,253
	<u>2,608,328</u>	<u>2,955,281</u>
Discontinued operations (note)		
Property management services income (note 12)	<u>–</u>	<u>295,600</u>

Note: The comparative revenue and related segment note have been re-presented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period.

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

	Six months ended 30 June 2020 (unaudited)				
	Continuing operations			Discontinued operations	Total HK\$'000
	Property real estate agency HK\$'000	Financial services HK\$'000	Sub-total HK\$'000	Property management HK\$'000	
The People's Republic of China ("PRC")	2,519,051	87,522	2,606,573	–	2,606,573
Australia	1,755	–	1,755	–	1,755
	<u>2,520,806</u>	<u>87,522</u>	<u>2,608,328</u>	<u>–</u>	<u>2,608,328</u>
	Six months ended 30 June 2019 (unaudited)				
	Continuing operations			Discontinued operations	Total HK\$'000
	Property real estate agency HK\$'000	Financial services HK\$'000	Sub-total HK\$'000	Property management HK\$'000	
The PRC	2,839,266	114,053	2,953,319	295,600	3,248,919
Australia	1,962	–	1,962	–	1,962
	<u>2,841,228</u>	<u>114,053</u>	<u>2,955,281</u>	<u>295,600</u>	<u>3,250,881</u>

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

	Six months ended 30 June 2020 (unaudited)				
	Continuing operations			Discontinued operations	Total HK\$'000
Property real estate agency HK\$'000	Financial services HK\$'000	Sub-total HK\$'000	Property management HK\$'000		
Segment revenue	2,520,806	87,522	2,608,328	–	2,608,328
Segment profit	229,728	38,771	268,499	–	268,499
Other income			12,125	–	12,125
Central administrative costs			(39,075)	–	(39,075)
Share of results of associates and a joint venture			4,004	–	4,004
Finance costs			(31,138)	–	(31,138)
Profit before tax			214,415	–	214,415
Income tax expense			(53,860)	–	(53,860)
Profit for the period			<u>160,555</u>	<u>–</u>	<u>160,555</u>

	Six months ended 30 June 2019 (unaudited)				
	Continuing operations			Discontinued operations	Total
	Property real estate agency <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Property management <i>HK\$'000</i>	
Segment revenue	2,841,228	114,053	2,955,281	295,600	3,250,881
Segment profit	263,902	42,295	306,197	22,736	328,933
Other income			7,026	4,262	11,288
Central administrative costs			(47,675)	(2,621)	(50,296)
Share of results of associates and a joint venture			2,893	–	2,893
Finance costs			(31,514)	(104)	(31,618)
Profit before tax			236,927	24,273	261,200
Income tax expense			(64,155)	(6,168)	(70,323)
Profit for the period			<u>172,772</u>	<u>18,105</u>	<u>190,877</u>

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	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited) (Restated)
Continuing operations		
Interests on:		
Bank and other borrowings	23,743	24,432
Lease liabilities	7,395	7,082
	<u>31,138</u>	<u>31,514</u>

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 2019: 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 2019: 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 arising in Australia for six months ended 30 June 2020 and 2019.

The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

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	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
Profit for the period from continuing operations has been arrived at after charging/(crediting):		
Depreciation charges		
Property, plant and equipment	32,263	27,416
Right-of-use assets	32,873	30,126
	<u>65,136</u>	<u>57,542</u>
Impairment on accounts receivables	10,967	5,837
Bank interest income	(5,947)	(2,621)
Rental income net of direct expenses of HK\$745,000 (2019: HK\$546,000)	(6,007)	(4,405)
	<u>(6,007)</u>	<u>(4,405)</u>

7. DIVIDENDS

An interim dividend of HK2.5 cents per share in respect of the six months ended 30 June 2020 (2019: HK4.5 cents per share) was declared by the board of directors of the Company on 27 August 2020. This interim dividend, amounting to HK\$16,854,000 (2019: HK\$30,337,000), 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 25 September 2020.

A final dividend of HK8 cents per share in respect of the year ended 31 December 2019 (2018: HK6.5 cents per share in respect of the year ended 31 December 2018) were proposed and approved by the shareholders in the annual general meeting held on 26 June 2020 and was distributed on 30 July 2020. 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	
	2019 Final HK\$'000	2018 Final HK\$'000
Dividends		
Cash	53,932	29,457
Ordinary share alternatives	–	13,963
	<u>53,932</u>	<u>43,420</u>

8. EARNINGS PER SHARE

For continuing and discontinued operations

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	
	2020 HK\$'000	2019 HK\$'000
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<u>72,351</u>	<u>105,938</u>

Number of shares

	Six months ended 30 June	
	2020 '000	2019 '000
Weighted average number of ordinary shares in issue	<u>674,150</u>	<u>667,999</u>

There are no potential dilutive shares in issue during both periods ended 30 June 2020 and 2019.

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

For continuing operations

	Six months ended 30 June	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	72,351	105,938
Less: Profit for the period from discontinued operations	<u>–</u>	<u>15,372</u>
Earnings for the purpose of per share from continuing operations	<u>72,351</u>	<u>90,566</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

For discontinued operations

Basic and diluted earnings per share for the discontinued operations is HKnil cents per share (2019: HK2.3 cents per share), based on the profit for the period from discontinued operations of HK\$nil (2019: HK\$15,372,000) and the denominators detailed above for the both basic and diluted earnings per share.

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 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
	Accounts receivables	
0–30 days	489,468	599,618
31–60 days	132,045	74,831
61–90 days	116,031	102,920
91–120 days	122,806	115,093
121–180 days	124,022	110,329
Over 180 days	<u>734,050</u>	<u>627,743</u>
	<u>1,718,422</u>	<u>1,630,534</u>

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	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Non-controlling interests		
Revenue	3,319	20,787
Rental expense	3,093	3,199
Building management fee	—	624
	<hr/>	<hr/>
Related parties of non-controlling interests (note b)		
Revenue	927,428	594,934
Rental expense	2,523	2,544
Building management fee	1,548	1,486
	<hr/> <hr/>	<hr/> <hr/>

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

	30 June	31 December
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (audited)
Non-controlling interests (note c)		
— trade in nature	1,259	35,742
— non-trade in nature	163	452
	<hr/>	<hr/>
Related parties of non-controlling interests (notes b & c)		
— trade in nature	182,398	73,915
— non-trade in nature	228,288	416,100
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- These transactions were carried out in accordance with terms and conditions mutually agreed by the parties involved.
- A non-controlling interest has controlled, joint controlled or significant influence over those corporations.
- 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. DISCONTINUED OPERATIONS

On 10 July 2019, the Vendor (a wholly-owned subsidiary of the Group) entered into the Sale and Purchase Agreement pursuant to which the Group has agreed to sell the entire issued share capital of Sino Estate Holdings Limited, a wholly-owned subsidiary, and its subsidiaries (together the “Target Group”), to an independent third party, for a consideration of HK\$358,424,000. The principal activity of the Target Group is provision of property management services. The transaction was completed on 31 July 2019.

The results of the discontinued operations for the relevant period, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Six months ended 30 June 2019 <i>HK\$'000</i> (unaudited)
Revenue	295,600
Other income	4,262
Selling expenses	(242,928)
Administrative expenses	(32,557)
Finance costs	(104)
	<hr/>
Profit before tax	24,273
Income tax expense	(6,168)
	<hr/>
Profit for the period from discontinued operations	<u>18,105</u>
Profit attributable to owners of the Company from discontinued operations	15,372
Profit attributable to non-controlling interests of the Company from discontinued operations	2,733
	<hr/>
	<u>18,105</u>
Profit for the period from discontinued operations has been arrived at after charging:	
Depreciation charge	
Property, plant and equipment	728
Right-of-use assets	1,401
	<hr/>
Bank interest income	<u>986</u>
Cash flow from discontinued operations	
Net cash used in operating activities	(4,743)
Net cash used in investing activities	(2,033)
Net cash used in financing activities	(15,918)
	<hr/>
Net cash decrease in cash and cash equivalents	(22,694)
Effect of foreign exchange rate changes	(8,342)
	<hr/>
Net cash outflow	<u>(31,036)</u>

For the purpose of presenting the above discontinued operations, the comparative condensed consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period.

13. COMPARATIVES

Conform to current period's presentation, the comparative condensed consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period. 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 2020

In the first half of 2020, the outbreak of novel coronavirus (“COVID-19”) pandemic led to market volatilities in the global economy. All industries were hit and the property market was no exception. Nevertheless, the Central Economic Work Conference reiterated that the policy stance of “houses are for living in, not for speculation” remained unchanged. It also stressed on the implementation of long-term management and control mechanism for stabilising of land premium, housing prices and expectations. Local governments adopted differentiated austerity measures — “One City, One Policy”, which facilitated steady and healthy development of the property market.

During the period under review, despite the tough challenges in the external business environment, the Group (“Hopefluent” or the “Group”) adopted sound and responsive measures along with over 20 years of extensive experience in the industry. Apart from optimising business resources in all the key regions to further reinforce its leading position in the industry in a timely manner, the Group gradually strengthened its financial and asset management business segment to better equip itself for future development.

II. Overall Business Review

For the six months ended 30 June 2020, the Group recorded a turnover of HK\$2,608.3 million, approximately 12% lower than the same period last year (2019: HK\$2,955.3 million). Profit attributable to shareholders amounted to HK\$72.4 million, approximately 20% lower than the profit from continuing operations during the same period last year (2019: HK\$105.9 million, including profit from continuing operations of HK\$90.6 million and profit from discontinued operations of HK\$15.3 million). Basic earnings per share were HK10.73 cents (earnings per share from continuing and discontinued operations in 2019: HK15.86 cents, including earnings per share of HK13.56 cents from continuing operations). The Board declared the payment of an interim dividend of HK2.5 cents per share for the six months ended 30 June 2020 (2019: HK4.5 cents). As mentioned in 2019 annual report, the Group disposed of its property management business during the year. It will focus on further development of its property real estate agency services business and financial services business. The Group recorded a turnover from property real estate agency services business of HK\$2,520.8 million, accounting for 97% of the Group’s total turnover. Turnover from financial services was HK\$87.5 million, accounting for 3% of the Group’s total turnover. By region, Guangzhou business accounted for around 39% of the Group’s total turnover, while around 61% came from the business outside Guangzhou. The Group’s total new home sales for the first half of 2020 amounted to approximately HK\$240 billion while the total gross floor area sold was about 15.84 million square metres.

1. *Launch of property real estate agency services business via Internet to overcome the adversity*

Battered by the COVID-19 pandemic, the development of property market in China was suppressed to a certain extent in the first half year. According to the figures released by the National Bureau of Statistics, sales area of commodity housing in the first half of 2020 decreased by 8.4% year-on-year. Nonetheless, property prices of different regions remained stable and the rigid demand for housing in the market still maintained a healthy growth. With its long-term strategic deployment already in place before the pandemic, the Group has noticed the importance and development potential of the Internet to the property industry. It promoted housing units through its home-buying platform “AI house tour (AI看房)”, which allows it to actively attract customers through online technology services. For the six months ended 30 June 2020, turnover of the Group’s property real estate agency services business was HK\$2,520.8 million, a decrease of approximately 11% compared to the same period last year (2019: HK\$2,841.2 million). Currently, Hopefluent’s property real estate agency services business covers 200 cities in China and it is the agent of more than 1,600 projects. There are around 390 branches for running the secondary property real estate agency services business.

2. *Steady growth of financial services business by adopting measures to adjust for suitable timing*

The Group has been closely monitoring market changes, and adjusted the positioning and strategic focus of financial services to capture the best possible timing. During the period under review, property companies and high net worth individuals with strong investment and financing needs remained as its main service targets. The Group also adjusted the review process based on market condition to offer customised property related financial services to those with sufficient repayment ability. In addition, the Group continued to expand its assets management services by offering special wealth management services to selected high net worth customers, hoping to create new growth momentum for the business, so as to achieve the economies of scale for the development of the financial services segment. During the period under review, the transaction amount of financial services segment totaled HK\$0.9 billion, while turnover dropped by around 23% from the last corresponding period to approximately HK\$87.5 million (2019: HK\$114.1 million).

III. Prospects for the Second Half of 2020

The Central Government has vowed to facilitate the healthy and stable development of property market in recent years. As such, the Group will prudently develop its business according to the policy, while continuously looking for business opportunities to create growth momentum for itself. As one of the leading national property agencies in the market, the Group keeps abreast of the market condition, and maps out a strategic layout covering key cities. Currently, its property real estate agency services cover over 200 cities in China. Under the gradual implementation of the policy of “adopting different policies in different cities” in the second half of the year, the Group’s service teams in different cities will actively offer services that meet the needs of local customers, all in a bid to consolidate its leading presence in the industry.

In light of the macro-economic and political changes globally and stabilising of the domestic property market subsequent to the boom, the Group will follow the market trend, further enlarge the proportion of financial and assets management businesses, with the aim to create new growth driver.

As a Chinese old saying goes: “Indigenous stones can turn into precious gemstones after carving and polishing, a great sword will shine after drawing out from the dirt.” For the property real estate agency services, since the Group’s business covers abundant cities in the Greater Bay Area, it believes that it can timely seize the opportunities in the industry for further development when the market gradually recovers, and also capitalising on its solid business foundation and strength of development in the Greater Bay Area. As always, the Group will remain pragmatic and strive to create long-term sustainable returns for 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 2020 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, 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\$2,513.6 million (31 December 2019: HK\$2,163.4 million) and 3.19 (31 December 2019: 2.94) respectively. Total borrowing amounted to approximately HK\$350 million which are secured bank loan and other borrowings (31 December 2019: approximately HK\$516 million which are secured bank loan and other borrowings). The Group’s gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 5.5% (31 December 2019: 8.1%). The Group’s borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 30 June 2020.

PLEDGE OF ASSETS

As at 30 June 2020, the Group pledged its investment properties and leasehold land and buildings with an aggregate amount of approximately HK\$37 million to financial institution to secure bank and other 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 2020, the Group had approximately 22,800 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

INTERIM DIVIDEND

On 27 August 2020, the board of Directors (the “Board”) have resolved to declare an interim dividend of HK2.5 cents per share of the Company (the “Share(s)”) for the six months ended 30 June 2020 (the “Interim Dividend”) payable to shareholders of the Company whose names are on the register of members on 25 September 2020. It is expected that the Interim Dividend will be paid on 15 October 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 September 2020 (Thursday) to 25 September 2020 (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 23 September 2020 (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 2020, 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 2020 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, 27 August 2020

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