HOPEFLUENT

合富輝煌 Group Holdings Limited
集團控股有限公司

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

Interim Report 2013

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 2013, together with comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
	Notes	**2013 (unaudited) HK$'000**	2012 (unaudited) HK$'000
Turnover	3	**1,021,898**	791,082
Other income		**10,342**	1,933
Selling expenses		**(687,191)**	(520,486)
Administrative expenses		**(194,325)**	(153,912)
Share of loss of an associate		**(2,804)**	(1,491)
Finance costs	4	**(22,461)**	(1,642)
Profit before tax		**125,459**	115,484
Income tax expense	5	**(35,185)**	(32,948)
Profit for the period	6	**90,274**	82,536
Attributable to:			
— Owners of the Company		**89,314**	82,236
— Non-controlling interests		**960**	300
		90,274	82,536
Dividends	7	**12,159**	16,378
Earnings per share	8		
— Basic		**HK18.66 cents**	HK17.93 cents
— Diluted		**HK18.66 cents**	HK17.93 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Unaudited Six months ended 30 June	
	2013 HK$'000	2012 HK$'000
Profit for the period	**90,274**	82,536
Other comprehensive income		
Exchange differences arising on translation	**9,521**	–
Total comprehensive income for the period	**99,795**	82,536
Total comprehensive income attributable to:		
— Owners of the Company	**98,558**	82,236
— Non-controlling interests	**1,237**	300
	99,795	82,536

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30 June 2013 (unaudited) HK$'000**	31 December 2012 (audited) HK$'000
NON-CURRENT ASSETS			
Investment properties		**35,847**	35,582
Property, plant and equipment	9	**249,946**	271,846
Goodwill		**15,858**	15,858
Interest in an associate		**134,871**	137,675
		436,522	460,961
CURRENT ASSETS			
Accounts receivables	10	**751,746**	696,409
Other receivables and prepayment		**246,650**	56,484
Held for trading investments		**5,976**	5,584
Pledged bank deposits		**–**	24,784
Bank balances and cash		**453,896**	584,740
		1,458,268	1,368,001
CURRENT LIABILITIES			
Payables and accruals		**95,372**	130,460
Tax liabilities		**92,966**	85,449
Bank borrowings		**72,799**	93,243
		261,137	309,152
NET CURRENT ASSETS		**1,197,131**	1,058,849
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,633,653**	1,519,810
CAPITAL AND RESERVES			
Share capital	11	**4,785**	4,785
Share premium and reserves		**1,374,009**	1,275,451
Equity attributable to owners of the Company		**1,378,794**	1,280,236
Non-controlling interests		**19,204**	17,967
TOTAL EQUITY		**1,397,998**	1,298,203
NON-CURRENT LIABILITIES			
Convertible notes	12	**206,959**	192,951
Deferred tax liabilities		**28,696**	28,656
		235,655	221,607
		1,633,653	1,519,810

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Special reserve HK$'000	Statutory surplus reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	4,593	360,631	–	5,760	57,930	104,199	7,244	502,425	1,042,782	28,765	1,071,547
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	82,236	82,236	300	82,536
Shares issued pursuant to scrip dividend scheme	86	16,361	–	–	–	–	–	–	16,447	–	16,447
Dividends recognised as distribution	–	(25,264)	–	–	–	–	–	–	(25,264)	–	(25,264)
At 30 June 2012 (unaudited)	4,679	351,728	–	5,760	57,930	104,199	7,244	584,661	1,116,201	29,065	1,145,266
Exchange differences arising on translation	–	–	–	–	–	5,958	–	–	5,958	135	6,093
Profit for the period	–	–	–	–	–	–	–	104,287	104,287	(1,165)	103,122
Total comprehensive income for the period	–	–	–	–	–	5,958	–	104,287	110,245	(1,030)	109,215
Recognition of equity component of convertible notes (note 12)	–	–	38,242	–	–	–	–	–	38,242	–	38,242
Exercise of share options	106	27,960	–	–	–	–	(7,244)	–	20,822	–	20,822
Dividends recognised as distribution	–	(16,378)	–	–	–	–	–	–	(16,378)	–	(16,378)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	11,104	11,104	(11,276)	(172)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	1,208	1,208
Transfer	–	–	–	–	4,577	–	–	(4,577)	–	–	–
At 31 December 2012 (audited)	4,785	363,310	38,242	5,760	62,507	110,157	–	695,475	1,280,236	17,967	1,298,203
Exchange differences arising on translation	–	–	–	–	–	9,244	–	–	9,244	277	9,521
Profit for the period	–	–	–	–	–	–	–	89,314	89,314	960	90,274
Total comprehensive income for the period	–	–	–	–	–	9,244	–	89,314	98,558	1,237	99,795
At 30 June 2013 (unaudited)	4,785	363,310	38,242	5,760	62,507	119,401	–	784,789	1,378,794	19,204	1,397,998

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net cash (used in) from operating activities	**(121,317)**	12,278
Net cash from (used in) investing activities	**16,438**	(35,912)
Net cash used in financing activities	**(29,905)**	(13,869)
Net decrease in cash and cash equivalents	**(134,784)**	(37,503)
Cash and cash equivalents at beginning of the period	**584,740**	329,875
Effect of foreign exchange rate changes	**3,940**	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	**453,896**	292,372

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) — Int 12 "Consolidation — Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) — Int 13 "Jointly Controlled Entities — Non-monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separated entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

The directors of the Company concluded that the application of HKFRS 10, 11 and 12 do not have material impact on the amounts reported in the condensed consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements in annual report.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applied to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information in accordance with the consequential amendments of HKAS 34 are set out in note 14.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009–2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Except as described above, the application of the other or revised HKFRSs in the current interim period has had no material effect on the amounts reported and disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group is organised into three business divisions including primary property real estate agency services, secondary property real estate agency services and property management services which form the Group's three operating segments. Primary property real estate agency is the provision of first hand real estate services to property developers. Secondary property real estate agency is the provision of real estate services to individuals or companies. Property management is the provision of building management services to property owners.

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

	Six months ended 30 June 2013			
	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'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**

	Six months ended 30 June 2012			
	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	496,473	231,083	63,526	791,082
Segment profit/(loss)	127,379	(3,031)	1,223	125,571
Other income				1,933
Central administrative costs				(8,887)
Share of loss of an associate				(1,491)
Finance costs				(1,642)
Profit before tax				115,484

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

4. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**2,545**	1,642
Effective interest of convertible notes	**19,916**	–
	22,461	1,642

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 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 2012: 2.5% to 5%) on turnover during the current period. The predetermined tax rate is agreed and determined between each PRC subsidiary and respective tax bureau of local government and is subject to annual review and renewal.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profits in Hong Kong for both periods.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2013 **HK$'000**	2012 HK$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**31,608**	29,033
Impairment on accounts receivables	**2,529**	2,967
Bank interest income	**(1,076)**	(687)
Net rental income in respect of premises, net of negligible outgoings	**(1,583)**	(1,585)

7. DIVIDENDS

On 26 August 2013, the Directors have resolved to declare an interim dividend of HK2.5 cents per share for the six months ended 30 June 2013. The interim dividend will be payable to shareholders whose names appear on the register of members of the Company on 19 September 2013.

An interim dividend of HK3.5 cents per share was paid for the six months ended 30 June 2012.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK$89,314,000 (1 January 2012 to 30 June 2012: HK$82,236,000) and on 478,518,865 (1 January 2012 to 30 June 2012: 458,530,578) weighted average number of ordinary shares in issue during the period.

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 2013.

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

9. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the six months ended 30 June 2013, the Group spent approximately HK$9.6 million, mainly on leasehold improvement and equipment of offices and branches.

10. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 60 to 150 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:

	2013	2012
	HK$'000	HK$'000
Accounts receivables		
0–60 days	**363,293**	547,607
61–90 days	**114,268**	92,800
91–120 days	**96,420**	41,397
121–150 days	**92,803**	8,567
more than 150 days	**84,962**	6,038
	751,746	696,409

11. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 30 June 2013	8,000,000,000	80,000
Issued and fully paid:		
At 1 January 2012	459,338,400	4,593
Exercise of share options	10,569,600	106
Shares issued pursuant to scrip dividend scheme	8,610,865	86
At 31 December 2012 and 30 June 2013	478,518,865	4,785

12. CONVERTIBLE NOTES

On 29 August 2012, a subsidiary of the Company, having Hong Kong dollar as its functional currency, issued Hong Kong dollar denominated convertible notes with an aggregate principal amount of HK$218,400,000 due in 2015 bearing interest at the rate of 2.695% per 6-month period payable in arrear. Each note entitles the holder to convert to one ordinary share of the Company at a conversion price of HK$2.40 per share (subject to anti-dilutive adjustments).

The convertible notes contain two components, including debt and conversion option (details of the terms are set out in the announcement dated 1 August 2012). The conversion option component, which will be settled by the exchange of a fixed amount of cash in Hong Kong dollar for a fixed number of the Company's shares, is presented in equity heading "convertible notes equity reserve". The effective interest rate of the debt component is 22.38% per annum.

	HK$'000
Proceeds of issue	218,400
Debt component at date of issue	(180,158)
Equity component	38,242

Movement of convertible notes is as follows:

	Debt Component HK$'000
At 1 January 2012	–
Issue of convertible notes	180,158
Interest charge calculated at an effective rate of 22.38%	12,793
At 31 December 2012	192,951
Interest charge calculated at an effective rate of 22.38%	19,916
Interest paid	(5,908)
At 30 June 2013	206,959

13. PLEDGE OF ASSETS

At 30 June 2013, the Group pledged its investment properties and leasehold land and buildings with an aggregate amount of approximately HK$88.6 million to banks to secure bank borrowings of the Group.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 30 June 2013 (Unaudited) HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Equity securities listed in the PRC classified as held-for-trading investments	5,093	Level 1	Quoted bid prices in an active market
Equity securities listed in Hong Kong classified as available-for-sale investments	883	Level 1	Quoted bid prices in an active market

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statement approximate their fair values.

BUSINESS REVIEW

In the first half of 2013, the property market in China opened a new chapter. After the Central Government launched the "New Five National Regulations on Property Market" early this year, local governments implemented detailed policies in line with these new regulations to stabilise the property market, adjust property prices, and suppress excessive investment and speculation activities. These policies involved price and purchase restrictions, as well as introducing new taxes. Such initiatives were intended to provide a reasonable housing supply at acceptable prices so ultimately those with a genuine need for housing can afford their homes. As the market gradually digested the control measures and regulations, the national property market began to stabilize as the transaction volume gradually increased. Capitalizing on its strategic development plan, fresh branding efforts and outstanding professional services, Hopefluent grasped the growth opportunities and again recorded a remarkable sales performance.

For the six months ended 30 June 2013, the Group recorded a turnover of HK$1,021.9 million, up 29.2% from HK$791.1 million in the corresponding period last year. Profit attributable to shareholders rose from HK$82.2 million to HK$89.3 million, a year-on-year increase of 8.6%. Basic earnings per share were HK18.66 cents (2012: HK17.93 cents).

The primary and secondary property real estate agency service businesses of the Group registered a turnover of HK$599.2 million and HK$333.1 million respectively, accounting for 59% and 33% of the Group's total turnover. The remaining 8% or HK$89.6 million was derived from the property management business. By Geographic location, Guangzhou contributed about 51% of the Group's total turnover while around 49% came from outside Guangzhou.

Primary Property Real Estate Agency Service

During the period under review, the Central Government's series of macro property control measures to cool down the overheated property market have had the effect of reducing the transaction volume. In order to boost sales volume and comply with the regulations, developers would only sign purchase documents with buyers for new projects and postponed the execution of formal agreement for sale and purchase. Moreover, local banks tightened property mortgage loans and the government has also been slow in processing new property registrations. The knock-on effect on the Group was a lengthening of the term to receive installments of agency commission due from developers. However, benefitting from a more stable market and a strong demand from first-time buyers, the Group's primary property real estate agency business recorded an increase in terms of number of projects handled, transaction volume as well as its market share during the period.

For the six months ended 30 June 2013, the Group handled approximately 62,500 primary property transactions involving a total gross floor area of about 6.2 million square meters with a total transaction value of approximately HK$67 billion, a rise of about 29% compared to HK$52 billion during the corresponding period last year. The Group was an exclusive agent for around 550 projects with 521 of them contributing turnover to the Group during the period, as compared to 435 projects during the corresponding period last year.

On top of expanding its business in Guangzhou and other first-tier cities, the Group has also actively expanded into second- and third-tier cities such as Foshan, Dongguan, Hefei, Jinan and Zhengzhou, and used its extensive business network to penetrate into third- and fourth-tier cities such as Zhongshan, Zhuhai, Shaoguan, Huainan, Xiangtan, Xinyang, Nanchang and Danyang. While the Group owns just slightly more than 20 branches, its business network currently covers more than 100 cities in China, which has further increased its market share. Geographically, Guangzhou contributed about 35% of the Group's total turnover from primary property real estate agency business during the period, while areas outside Guangzhou contributed about 65%.

At the same time, the Group has worked closely with major developers to launch more new projects during the period under review, highlighted by Sun Hung Kai Properties, R&F Properties and KWG Property co-developed The Riviera, New World Central Park-view, Star River Peninsula, Kingold The Bay View, and Poly Zephyr City in Huadu, Citic Lake, Evergrande City Hefei, Vanke King Metropolis, Agile Cambridgeshire and China Railway International City in Tianjin. These projects have delivered good sales performances, demonstrating the Group's strong competitiveness in the market, as well as the recognition and trust of its sales ability and professional services from a wide range of developers.

Secondary Property Real Estate Agency and Mortgage Referral Services

In early 2013, new austerity measures launched by the Central Government have indirectly stimulated an increase in the number of secondary property transactions. The Group was able to capture the opportunity thus presented and recorded an increase in revenue. In addition, the integration use of customer resources across different business segments has also driven the growth of the secondary property real estate agency services. This helped broaden revenue stream and boost the commission income of the Group. During the period under review, the performance of this segment showed improvement from the corresponding period last year.

In the first half of 2013, the Group's real estate agencies have handled approximately 20,600 secondary property transactions (2012: 17,600 transactions), generating a turnover of approximately HK$333.1 million (2012: HK$231.1 million), increased by 44% when compared to last corresponding period. The Group is closely monitoring the market as it steadily expands its business in this segment. Currently, the Group operates around 320 secondary real estate branches.

In addition to providing property agency services, the Group also offers other property-related value-added services to customers including mortgage and loan referral, property valuation and property auction. These services not only provide an additional income stream to the Group, but also help to reinforce its brand image. Capitalizing on its comprehensive customer network, the Group's mortgage and loan referral business is fully developed and able to offer professional advice on mortgage and referral services for guaranteed mortgages to customers.

Property management service

During the period under review, the Group has provided property management services for more than 120 residential, offices and commercial projects in Guangzhou, Shanghai, Tianjin and Wuhan, involving more than 150,000 units covering a total gross floor area of more than 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 that the property market in China should begin to stabilize. In the Central Government economic conference held in July 2013, the new government administration emphasized "the steady and healthy development of the property market" and continued to implement existing property control measures in order to stabilize property prices and the balance between supply and demand in the market. However, the future operating environment remains challenging. Facing a rapid changing property market, Hopefluent intends to continue executing its prudent and pragmatic strategy and provide quality primary and secondary property real estate agency and consultancy services for customers, so as to seize every opportunity in the market and thus steadily boosting its business.

As the strong demand for housing is gradually released, developers should launch more new projects at appropriate time in the second half of the year. Hence, the overall property supply will gradually increase, along with property prices at a reasonable level, while the transaction volume of new projects is expected to rise and the market is expected to become more prosperous, which definitely would benefit the Group. Currently, the Group has established close partnerships with renowned developers including Vanke, Evergrande, Poly, Gemdale, Citic, Kingold, China Merchants Property Development, China Resources Property, R&F Properties, Agile Property, KWG Property, Star River, Sun Hung Kai Properties and New World China Land. At the same time, the Group is also striving to secure more agency projects in order to expand its market share.

Riding on our excellent brand and professional services, extensive experience in China's property market and strategic business network, the Group is confident in bringing satisfactory returns to 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 2013 including the accounting, internal control and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, 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$453.9 million (31 December 2012: HK$609.5 million) and 5.58 (31 December 2012: 4.43) respectively. Total borrowings amounted to approximately HK$291.2 million which are secured bank borrowings and convertible notes (31 December 2012: approximately HK$311.6 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 15.37% (31 December 2012: 17.04%). 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 2013.

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. No exchangeable bonds have been converted into shares during the period.

PLEDGE OF ASSETS

At 30 June 2013, the Group pledged its investment properties and leasehold land and buildings with an aggregate amount of approximately HK$88.6 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 2013, the Group had approximately 13,900 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

Apart from those set out above, the current information in other management and discussion analysis has not changed materially from those information disclosed in the last published 2012 annual report.

INTERIM DIVIDEND

On 26 August 2013, 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 2013 (the "Interim Dividend") payable to shareholders of the Company whose names are on the register of members on 19 September 2013. It is expected that the dividend warrants will be posted on 4 October 2013.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2013, the interests of the directors, chief executives and their associates in the share capital of the Company or its associated corporations (within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code") in the Listing Rules were as follows:

(i) Ordinary share of HK$0.01 each and underlying shares under equity derivatives of the Company:

	Number of shares				
Name of Director	Ordinary shares interests held under personal name	Ordinary shares interests held by controlled corporation	Underlying shares (under equity derivatives of the Company) (Note 2)	Aggregate interest	Approximate percentage of the issued share capital
Director					
Mr. Fu Wai Chung ("Mr. Fu")	380,242	168,365,180 (Note 1)	–	168,745,422	35.26%
Ms. Ng Wan	380,242	–	–	380,242	0.08%

Notes:

(1) These 168,365,180 shares are registered in the name of Fu's Family Limited which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan and the remaining 15% by Ms. Fu Man.

(2) As at 30 June 2013, no share options are held by the directors.

(ii) Ordinary shares of US$1.00 each in Fu's Family Limited, the associated corporation of the Company

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

Share Options

On 24 June 2004, the Company adopted a share option scheme (the "Scheme").

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

Save as disclosed above, as at 30 June 2013, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the written resolutions passed by the then shareholders on 24 June 2004 the Company had adopted the Scheme. Under the Scheme, the directors of the Company may, at their discretion, invite full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors, advisors, consultants of the Group to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval.

Options carrying rights to subscribe for 18,000,000 shares were fully granted in accordance with the Scheme on 16 December 2009. On 9 June 2010, the Company's shareholders passed an ordinary resolution to refresh the 10% general limit under the Scheme in order to enable the Company to grant further options up to a maximum of 29,600,000 shares based on the then 296,000,000 issued shares.

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

Options carrying rights to subscribe for 29,600,000 shares were granted in accordance with the Scheme on 2 July 2013. Details of which have been disclosed in the announcement dated 2 July 2013.

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors and chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares and/or debt securities, including debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2013, the interests or short positions of the substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Number of shares interested	Percentage of shareholding
Mr. Fu (Note 1)	169,125,664	35.34%
Fu's Family Limited (Note 2)	168,365,180	35.18%
Li Gabriel (Note 3)	98,284,366	20.54%
Lam Lai Ming (Note 3)	98,284,366	20.54%
Areo Holdings Limited (Note 3)	91,000,000	19.02%
OAV Holdings, L.P. (Note 3)	90,000,000	18.81%
Orchid Asia V GP, Limited (Note 3)	90,000,000	18.81%
Orchid Asia V Group Management, Limited (Note 3)	90,000,000	18.81%
Orchid Asia V Group, Limited (Note 3)	90,000,000	18.81%
Orchid Asia V, L.P. (Note 3)	90,000,000	18.81%
Mutual Funds Populus & Elite	43,046,320	9.00%

Notes:

1. Under the SFO, Mr. Fu is deemed to be interested in the shares held by Fu's Family Limited. Mr. Fu's interests include 168,365,180 shares held through Fu's Family Limited, 380,242 shares held by himself and 380,242 shares held by his spouse, Ms. Ng Wan, who is also a director of the Company.

2. These 168,365,180 shares are registered in the name of Fu's Family Limited, the entire issued share capital of which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan and 15% by Ms. Fu Man. Under the SFO, Mr. Fu is deemed to be interested in all the shares registered in the name of Fu's Family Limited.

3. The underlying shares in form of exchangeable bonds are registered in the name of Orchid Asia V, L.P. which is held by OAV Holdings, L.P. and, indirectly held by Orchid Asia V GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited and Areo Holdings Limited. Mr. Li and Ms. Lam who are controllers of Areo Holdings Limited are deemed to be interested in 91,000,000 underlying shares.

All the interests in shares stated above represent long position.

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any person's interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 September 2013 (Wednesday) to 19 September 2013 (Thursday), both days inclusive, during which period no transfer of Shares shall be effected. In order to be qualified for the Interim Dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 17 September 2013 (Tuesday).

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 2013, 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 2013 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

As at the date of this report, 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.

Hong Kong, 26 August 2013